## Chapter 1
### GENERAL PROVISIONS

### § 1. Scope of application of Act

This Act provides for the following:

1. the legal bases for auditors activities in business accountancy (hereinafter accountancy);
2. the requirements for a sworn auditor and a sworn auditors’ firm;
3. the legal bases for the activities and liability of a sworn auditor and a sworn auditors’ firm;
4. the requirements for a certified internal auditor and a public sector internal auditor (hereinafter internal auditors);
5. the legal bases for the activities of internal auditors in the public sector and public-interest entities;
6. the audit and review obligation, the bases of the activities of the audit committee and the right of internal auditors to engage in professional activities;
7. the legal status, competence and liability of the Board of Auditors, as well as the bases for the activities, organisation of work and financing thereof;
8. the bases for exercise of oversight over internal auditors, sworn auditors, sworn auditors firms and the Board of Auditors;
9. the bases of the activities of the Auditors Activities Register (hereinafter register).

### § 2. Application of Act

(1) For the purposes of this Act, the definition “auditor” related to accountancy used in other Acts means an audit firm.

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**Auditors Activities Act**

Passed 27.01.2010

RT I 2010, 9, 41

Entry into force 08.03.2010, entry into force partially according to § 207

Amended by the following acts

<table>
<thead>
<tr>
<th>Passed</th>
<th>Published</th>
<th>Entry into force</th>
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</thead>
<tbody>
<tr>
<td>22.04.2010</td>
<td>RT I 2010, 22, 108</td>
<td>01.01.2011</td>
</tr>
<tr>
<td>16.09.2010</td>
<td>RT I 2010, 72, 543</td>
<td>01.01.2011</td>
</tr>
<tr>
<td>28.10.2010</td>
<td>RT I, 12.11.2010, 1</td>
<td>15.11.2010</td>
</tr>
<tr>
<td>09.12.2010</td>
<td>RT I, 17.12.2010, 20</td>
<td>01.01.2011, valid for the reporting periods of annual reports starting on or after 1 January 2010.</td>
</tr>
<tr>
<td>15.09.2011</td>
<td>RT I, 22.09.2011, 3</td>
<td>02.10.2011</td>
</tr>
</tbody>
</table>
(2) The provisions of other Acts concerning a sworn auditor within the meaning of this Act also apply to an audit firm unless otherwise provided for by other Acts.

(3) The provisions of the Administrative Procedure Act apply to an administrative proceeding prescribed in this Act, taking account of the specifications provided for in this Act.

§ 3. Sworn Auditor

A sworn auditor is a person who has passed the special part of bookkeeping and a sworn auditor of the professional examination of experts in accountancy (hereinafter professional examination) and who has been awarded the qualification of a sworn auditor by a decision of the Minister of Finance and who has taken the oath.

§ 4. Public sector sworn auditor

A public sector sworn auditor is a sworn auditor who has passed the special part of public law of the professional examination and who has been awarded the qualification level of a public sector sworn auditor by a decision of the Minister of Finance.

§ 5. Certified internal auditor

A certified internal auditor is a person who has passed the special part of internal auditors and the sub-part of the certification of internal auditors of the professional examination and who has been awarded the qualification of an internal auditor by a decision of the Minister of Finance.

§ 6. Public sector internal auditor

(1) A public sector internal auditor is a person who has been awarded the qualification level of a public sector entity’s internal auditor or a public sector firm’s internal auditor by a decision of the Minister of Finance.

(2) A public sector entity’s internal auditor is a person who has passed the sub-part specified in clause 34 (1) 2) of this Act and the special part of public law of the professional examination and who has been awarded the qualification level of a public sector entity’s internal auditor by a decision of the Minister of Finance.

(3) A public sector company’s internal auditor is a person who has passed the sub-part specified in clause 34 (1) 1) of this Act and who has been awarded the qualification level of a public sector company’s internal auditor by a decision of the Minister of Finance.

§ 7. Audit firm

(1) A sworn auditor, except a person specified in subsection 81 (3) of this Act, shall provide the sworn auditor’s professional service through an audit firm. The provision of the sworn auditor’s professional service by a sworn auditor is enterprise of the audit firm.

(2) An audit firm is a sworn auditors firm or a sworn auditor operating as a sole proprietor.

(3) A sworn auditors firm (hereinafter audit firm) is a company the areas of activity of which include the provision of the sworn auditor’s professional service. The principal and permanent activity of an audit firm is the provision of the sworn auditor’s professional service in its own name.

(4) In Estonia, only audit firms may provide the sworn auditor’s professional service under the professional title of a sworn auditor unless otherwise provided for by this Act.

§ 8. Sworn auditors network

A sworn auditors network is a structure, the sworn auditors or audit firms belonging to which are aimed at cooperation and profit- or cost-sharing or share common ownership, control or management bodies, common quality control, common business strategy, brand-name or common professional resources.

§ 9. Business name and protection of name

(1) Only a sworn auditor or an audit firm may use the word “vandeaudiitor” [sworn auditor] or derivatives or foreign language equivalents thereof in their activities or business name taking account of the provisions of the Commercial Code concerning business names.

(2) Only an audit firm may use the word “audiitorühing” [audit firm] or the derivatives or foreign language equivalents thereof in its economic activities or business name taking account of the provisions of the Commercial Code concerning business names.

(3) Only an audit firm may use the word “audiitorettevõtja” [audit firm] or the derivatives or foreign language equivalents thereof in its activities or business name taking account of the provisions of the Commercial Code concerning business names.
A sworn auditor operating as a sole proprietor shall not, under the same business name, engage in an area of activity which is not the provision of the sworn auditor’s professional service or other business activities as defined in clause 58 (3) 5 of this Act.

§ 10. Competent authority

(1) For the purposes of this Act, a competent authority is a body of a state which is a Contracting Party to the EEA Agreement (hereinafter Contracting State) or of a third country the function of which is to regulate the activities of or exercise oversight over sworn auditors or audit firms.

(2) For the purposes of this Act, a third country is a country other than a Contracting State.

(3) The Auditing Activities Oversight Board is a competent authority from among the bodies of the Board of Auditors.

§ 11. Third-country sworn auditor

For the purposes of this Act, a third-country sworn auditor is a natural person or a legal person or entity of any other legal form that has expressed on their behalf an opinion or a review summary concerning the annual accounts of a company incorporated in a third country in the sworn auditor’s report within the meaning provided for in § 54 of this Act.

§ 12. Public sector entity and public sector company

(1) For the purposes of this Act, a public sector entity is the Republic of Estonia as a legal person in public law (hereinafter the state), a state accounting entity within the meaning of the Accounting Act, a profit-making state agency, a local government, a legal person in public law and a company, a foundation, a non-profit association or a consolidation group the consolidating entity of which for the purposes of the Accounting Act is a public sector entity referred to in this subsection, in which the state, a local government or a legal person in public law has a majority holding or which are under the dominant influence thereof.

(2) For the purposes of this Act, a public sector company is a company, a foundation, a non-profit association or a consolidation group in which a public sector entity has a majority holding or which is under the dominant influence of a public sector entity.

§ 13. Public interest entity

(1) For the purposes of this Act, a public interest entity is:

1) a company whose securities are admitted to trading on a regulated securities market within the meaning of the Securities Market Act;
2) a company which is a credit institution within the meaning of the Credit Institutions Act;
3) a company which is an insurer within the meaning of the Insurance Activities Act;
4) a local government in the administrative territory in which more than 10,000 people live as at the balance sheet date or the total assets of which indicated in the annual accounts or in the annual accounts of the consolidation group as at the balance sheet date exceed 20,000,000 euros;
5) a ministry as a state accounting entity within the meaning of the Accounting Act.

(2) In addition to the ones specified in subsection (1) of this section, a public interest entity is a legal person, except the state, in whose annual accounts or in the annual accounts of whose consolidation group at least two of the indicators of the financial year exceed the following conditions:

1) sales revenue or income 66,000,000 euros;
2) assets as of the balance sheet date 33,000,000 euros;
3) average number of employees 1,000 persons.

(3) In addition to the ones specified in subsections (1) and (2) of this section, a public interest entity is a company, foundation, non-profit association or other person, in which the public sector entity specified in § 12 of this Act has a majority holding or which is under the dominant influence of the public sector entity, in whose annual accounts or in annual accounts of whose consolidation group at least three of the indicators of the financial year exceed the following conditions:

1) sales revenue or income 14,000,000 euros;
2) assets as of the balance sheet date 7,000,000 euros;
3) average number of employees 200 persons;
4) number of members of the supervisory board 8 persons.
§ 14. Organisation of professional examination

(1) A professional examination shall be organised and taken pursuant to this Act and the procedure for professional examinations by making use of the information system of the register, if possible.

(2) A professional examination shall be organised by the Ministry of Finance and conducted by the examination board of the professional examination (hereinafter examination board) unless otherwise provided for in the procedure for professional examinations.

(3) The procedure for professional examinations shall be established by a regulation of the Minister of Finance.

(4) Out of the professional examination questions prepared on the basis of the professional examination program only the questions concerning the redaction of legislation published at least two months before the date of the professional examination may be selected for use at the examination.

(5) The questions posed to the examinee at a professional examination shall be selected at random from among the professional examination questions prepared on the basis of the professional examination program.

(6) Professional examinations shall be conducted as needed but not less frequently than once a year. The Auditing Activities Oversight Board (hereinafter Oversight Board) shall specify the time and venue of the professional examination and the term for the submission of documents.

(7) A professional examination shall be organised in Estonian and in a format, which can be reproduced in writing. An interview may be organised for the assessment of the suitability of the personal characteristics of the examinee and the oral explanations given may be taken into account.

(8) In order to ensure objective assessment, the personal data of the examinee shall be used in a coded form at the professional examination, except in an interview organised for the assessment of the suitability of personal characteristics.

(9) The data entered in, submitted or forwarded through the information system of the register are not deemed to be public information.

§ 15. Examination board

(1) An examination board shall have at least five members.

(2) The members and chairman of the examination board shall be appointed and removed by the Oversight Board.

(3) The term of the authority of members of the examination board shall be three years as of their appointment.

(4) The rules of procedure of the examination board shall be provided for in the procedure for professional examinations.

(5) The chairman of the examination board shall organise the activities and administration of the examination board.

§ 16. Professional examination fee

(1) A professional examination fee is a fee charged from an examinee for the organisation and taking of a professional examination.

(2) The maximum amount of a professional examination fee is:

1) 150 euros for the organisation and taking of the special part of accounting;
2) 250 euros for the organisation and taking of the special part of sworn auditors;
3) 650 euros for the organisation and taking of an aptitude test for recognition;
4) 150 euros for the organisation and taking of the special part of public law;
5) 150 euros for the organisation and taking of the sub-part of professional activities standards for internal auditors;
6) 300 euros for the organisation and taking of the sub-part of public sector internal auditors;
7) 550 euros for the organisation and taking of the sub-part of certification of internal auditors.
(3) Professional examination fee is used to cover the expenses of the organisation and taking of a professional examination.

(4) The bases for determining the amount of professional examination fees specified in subsection (2) of this section shall be provided for in the procedure for professional examinations.

(5) The conditions for payment of the fee specified in clause (2) 7) of this section in instalments may be provided for in the procedure for professional examinations.

§ 17. Verification of skills, knowledge and personal characteristics

(1) At a professional examination, the examination board shall verify, beside personal characteristics, also the level of training, the knowledge, skills and experience of the examinee required for the commencement or continuation of professional activities.

(2) The Oversight Board has the right not to allow an examinee to take a professional examination if the abovementioned person:
   1) fails to meet the requirements provided for in clauses 20 (1) 1) and 3) and subsection 20 (2) of this Act;
   2) fails to perform the obligation provided for in subsection 23 (5) of this Act;
   3) is not of good repute and reliable.

§ 18. Passing of professional examination

(1) The answers of an examinee given upon taking a section or sub-part of a professional examination shall be assessed in terms of points from one to one hundred. The suitability of personal characteristics of the examinee for professional activities shall be assessed separately.

(2) The arithmetic mean, rounded to a whole number, of the points given by the members of the examination board assessing the section or sub-part of the professional examination shall be the result of the assessment of the answers of an examinee. The result of a section or sub-part of a professional examination which is less than 60 points is non-satisfactory.

(3) Personal characteristics shall be assessed as suitable or unsuitable. A decision to assess personal characteristics as unsuitable must be reasoned.

(4) The examination board shall enter the results of the assessment of the answers and personal characteristics of an examinee in the examination record.

(5) An examinee is deemed to have passed the professional examination if he or she has passed all the sections or sub-parts of the professional examination that he or she is required to pass.

(6) A section or sub-part of a professional examination is not passed if the result is non-satisfactory or the personal characteristics of the examinee are not deemed to be suitable.

(7) The Oversight Board shall decide on the basis of the results of the professional examination whether the examination is passed or not.

(8) After making a decision on whether the professional examination is passed or not, the Oversight Board shall notify the examinees immediately of the results of the professional examination.

§ 19. Sections and sub-parts of professional examination

(1) The sections of the professional examination are:
   1) the special part of accounting;
   2) the special part of a sworn auditor;
   3) the special part of public law;
   4) the special part of an internal auditor;
   5) the aptitude test for recognition.

(2) A section of the professional examination may be divided into sub-parts. In addition to the sub-parts provided for in this Act, the Oversight Board may, by its resolution, form and group sub-parts.

(3) Writing an essay on a subject specified by the Oversight Board may be one sub-part of the special part of sworn auditors or internal auditors. On the basis of the essay the suitability of the personal characteristics of an examinee for the sworn auditor’s professional activities is assessed.
§ 20. Obligations of examinee relating to professional examination

(1) An examinee shall:
1) hold at least Bachelor’s degree or an applied higher education diploma or equivalent educational qualification before submitting an application for taking the professional examination;
2) pass the sections or sub-parts of the professional examination provided for in this Act or by a resolution of the Oversight Board;
3) pay the professional examination fee before submitting an application for taking the professional examination.

(2) Before submitting an application for taking the professional examination, an examinee shall have practiced pursuant to the procedure established on the basis of subsection (7) of this section:
1) at least three years under the supervision of a sworn auditor if he or she applies for the qualification of a sworn auditor;
2) at least two years under the supervision of a certified internal auditor if he or she applies for the qualification or qualification level of an internal auditor.

(3) The requirement provided for in clause (1) 1) of this section shall be deemed to be fulfilled in case of an applicant for the qualification of a sworn auditor and who proves pursuant to the procedure established on the basis of subsection (7) of this section that he or she has for at least seven years operated in a profession which has enabled him or her to acquire sufficient knowledge in the field of finance, law and accounting.

(4) The requirements provided for in clauses (1) 1) and (2) 1) of this section shall be deemed to be fulfilled in case of an applicant for the qualification of a sworn auditor and who proves pursuant to the procedure established on the basis of subsection (7) of this section that he or she has for at least fifteen years operated in a profession which has enabled him or her to acquire sufficient knowledge in the field of finance, law and accounting.

(5) The requirement provided for in clause (1) 1) and clause (2) 2) of this section shall be deemed to be fulfilled in case of an applicant for the qualification or qualification level of an internal auditor and who proves pursuant to the procedure established on the basis of subsection (7) of this section that he or she has for at least five years operated in a profession which has enabled him or her to acquire sufficient knowledge in the field of finance, law and internal control.

(6) The requirement provided for in clause (2) 1) of this section shall be deemed to be fulfilled in case of a person employed in a public sector entity who applies for the qualification of a sworn auditor and who proves that he or she has for at least three years operated in the National Audit Office under the supervision of a sworn auditor in a position which has enabled him or her to acquire sufficient knowledge in the field of finance, law and accounting.

(7) The procedures specified in subsections (2) - (5) of this section shall be established by a regulation of the Minister of Finance.

(8) The obligation to pay the professional examination fee provided for in clause (1) 3) of this section may be performed, in lieu of an examinee, by a public sector entity where the examinee, who applies for the qualification of a sworn auditor, the qualification level of a public sector sworn auditor, the qualification or qualification level of an internal auditor for the first time, is employed or by an audit firm.

§ 21. Professional examination program

(1) The professional examination program shall set out the connection of the fields and subjects covered by the professional examination with the sections of the professional examination and the detailed classification of the fields and subjects.

(2) The professional examination program shall be established by a regulation of the Minister of Finance.

(3) The professional examination program shall be prepared and submitted to the Ministry of Finance by:
1) the Board of Auditors concerning clauses 19 (1) 1), 2) and 5) of this Act;
2) the National Audit Office concerning clause 19 (1) 3) of this Act.

(4) The procedure for professional examinations shall set out whether the preparation of the questions and sample answers of the professional examination and making thereof available to the public shall be organised by the Board of Auditors or by another person. The questions and sample answers to fifty per cent of the questions shall be made available to the public.

(5) The internal auditors professional qualifications committee provided for in subsection 121 (6) of this Act shall make proposals, if necessary, concerning the professional examination program or preparation of the questions or sample answers of a professional examination based on the program relating to clause 19 (1) 4) of this Act.

(6) The recommendations and requirements of internationally recognised sworn or internal auditors organisations may be taken into account upon the preparation of the professional examination program
or questions and sample answers based on the program, upon making thereof available to the public or establishment thereof.

§ 22. The fields and subjects covered by the professional examination program:

(1) The professional examination program shall cover at least the following fields in the scope of the sworn auditor’s and internal auditor’s professional activities:
1) accounting, including bookkeeping and auditing;
2) corporate finance;
3) law;
4) management;
5) information technology;
6) mathematics and statistics.

(2) The fields specified in subsection (1) of this section shall be classified at least under the following subjects by covering both, the theoretical and practical aspects:
1) financial accounting;
2) international financial reporting standards and interpretations thereof;
3) good accounting principles generally accepted in Estonia and interpretations thereof;
4) cost, management and tax accounting;
5) the bases of the activities of a sworn and an internal auditor and an audit firm;
6) the professional activities standards provided for in §§ 46 and 70 of this Act and interpretations thereof;
7) risk management, internal control and internal auditor’s professional activities;
8) corporate law, including corporate governance;
9) public commercial law;
10) commercial law;
11) law of obligations;
12) labour law;
13) bankruptcy law;
14) tax law;
15) constitutional law;
16) administrative proceedings;
17) micro- and macroeconomics;
18) business and public sector management.

§ 23. Documents submitted for taking professional examination

(1) In order to take a professional examination, the examinee shall submit the following to the Ministry of Finance through the information system of the register:
1) an application for taking the professional examination indicating the special part and sub-part where it is appropriate;
2) a curriculum vitae, including contact details;
3) a copy of the document certifying payment of the professional examination fee required in clause 20 (1) 3) of this Act.

(2) An examinee shall, among other, confirm in the application to be submitted on the basis of clause (1) 1) of this section:
1) the correctness of all the submitted information and information to be submitted;
2) his or her good repute and reliability.

(3) In order to take the professional examination, an examinee referred to an additional examination shall submit the documents or the copies thereof provided for in clauses (1) 2) and 3) of this section through the information system of the register.

(4) If, during the period of the professional examination, changes occur in the information or documents submitted by the examinee, the examinee shall notify thereof immediately after making or becoming aware of the changes and shall submit the updated information, documents or copies thereof.

(5) If an examinee has submitted false information or fails to submit the information, documents or copies thereof required in this Act for taking the professional examination or if the said information and documents are incomplete or are not prepared according to the requirements, the organiser of the professional examination has the right to request that the examinee eliminate the deficiencies. An examinee is required to eliminate the deficiencies within the term prescribed by the body or person provided for in the procedure for professional examinations.

Division 2
§ 24. Obligations of person applying for qualification of sworn auditor and obligations of sworn auditors relating to professional examination

(1) A person applying for the qualification of a sworn auditor and a sworn auditor referred to an additional examination shall pass the sections of the professional examination specified in clauses 19 (1) 1) and 2) of this Act.

(2) A sworn auditor shall be referred to an additional examination by a resolution of the management board of the Board of Auditors if as a result of an act or omission of the sworn auditor the management board of the Board of Auditors has reasonable doubt that the knowledge or skills of the sworn auditor may be insufficient or unsuitable to the extent which would compromise the quality of the sworn auditor’s professional activities. The term for taking of the additional examination shall be specified by a resolution of the management board of the Board of Auditors.

(3) If a person applies for recognition of a qualification of a third-country sworn auditor or a sworn auditor of a Contracting State who is a natural person as equivalent to the one provided for in § 3 of this Act, he or she shall, pursuant to this Act, pass the aptitude test specified in clause 19 (1) 5) of this Act on the legislation which is currently in force in Estonia and necessary for the work of a sworn auditor.

§ 25. Obligations of public sector sworn auditor relating to professional examination

An applicant for the qualification level of a public sector sworn auditor and a public sector sworn auditor referred to an examination shall pass the sections of the professional examination specified in clauses 19 (1) 1)-3) of this Act.

§ 26. Special part of bookkeeping and sworn auditor of professional examination

(1) The sub-parts of the special part of bookkeeping of the professional examination include:
   1) the sub-part of the International Financial Reporting Standards approved by the International Accounting Standards Board and interpretations thereof;
   2) the sub-part of generally accepted accounting principles in Estonia and interpretations thereof.

(2) One of the sub-parts of the special part of a sworn auditor of the professional examination is the sub-part of professional activities standards for a sworn auditor provided for in subsection 46 (1) of this Act.

§ 27. Documents submitted for taking special part of sworn auditor of professional examination and aptitude test for recognition

(1) In order to take the special part of a sworn auditor of the professional examination, an examinee shall submit, in addition to the documents provided for in subsection 23 (1) of this Act, the following to the Ministry of Finance through the information system of the register:
   1) a copy of a document certifying education which confirms compliance with the requirement provided for in clause 20 (1) 1) of this Act;
   2) a copy of a document provided for in the procedure established on the basis of subsection 20 (7) of this Act which confirms compliance with the requirement provided for in clause 20 (2) 1) of this Act;
   3) a copy of a certificate instead of a copy of a document provided for in clauses 1) or 2) of this subsection if a person wishes to use the possibility provided for in subsection 20 (3), (4) and (6) of this Act.

(2) In order to take an aptitude test for recognition of a professional examination, in addition to the documents provided for in subsection 23 (1) of this Act, an examinee who is a sworn auditor of another Contracting State shall submit, instead of the copies of the documents specified in subsection (1) of this section, to the Ministry of Finance through the information system of the register a copy of an extract from the auditors activities register of the competent authority of the home country, which confirms that the examinee is a sworn auditor within the meaning of this Act and which shall include at least the data in the corresponding register and the registry number of the sworn auditor.

(3) In order to take an aptitude test for recognition of a professional examination, an examinee who is a third-country sworn auditor and a natural person shall submit, in addition to the documents provided for in subsection 23 (1) of this Act, the following to the Ministry of Finance through the information system of the register:
   1) a copy of an extract from the auditors activities register of the home competent authority, which confirms that the examinee is a sworn auditor within the meaning of this Act and which shall include at least the data in the corresponding register and the registry number of the sworn auditor, instead of the copies of the documents specified in subsection (1) of this section;
   2) a certified copy of the certificate issued by the home competent authority confirming that an applicant for recognition meets the requirements equivalent to those provided for a sworn auditor in this Act;
3) a copy of the certificate confirming that an applicant for recognition is subject to supervision of the competent authority in the home country recognised as equivalent to the regulation in force in the European Union.

§ 28. Award of qualification of sworn auditor

(1) A person applying for the qualification of a sworn auditor who has passed the professional examination shall be awarded the qualification of a sworn auditor by a decision of the Minister of Finance on the proposal of the Board of Auditors. After taking the oath a notation confirming the qualification shall be entered in the register on the basis of a decision of the Minister of Finance.

(2) The Ministry of Finance shall notify the person applying for the qualification of a sworn auditor of award of the qualification or refusal to award the qualification within five working days as of the date the decision is made by the Minister of Finance.

§ 29. Award of qualification level of public sector sworn auditor

(1) A person applying for the qualification level of a public sector sworn auditor who has passed the professional examination shall be awarded the qualification level of a public sector sworn auditor by a decision of the Minister of Finance on the proposal of the Board of Auditors. A notation confirming the qualification level shall be entered in the register on the basis of a decision of the Minister of Finance.

(2) The Ministry of Finance shall notify the applicant for the qualification level of a public sector sworn auditor of award of the qualification level or refusal to award the qualification level within five working days as of the date the decision is made by the Minister of Finance.

§ 30. Mutual recognition of qualification of sworn auditor

(1) The Minister of Finance shall decide, on the proposal of the Board of Auditors, on the recognition of the qualification of a third-country sworn auditor or a sworn auditor of a Contracting State who is a natural person as equivalent to the one provided in § 3 of this Act. A notation confirming the recognition of the qualification shall be entered in the register on the basis of a decision of the Minister of Finance.

(2) The provisions of this Act concerning a sworn auditor apply to an applicant for recognition of the qualification and a person with the qualification recognised pursuant to subsection (1) of this section.

(3) The Minister of Finance may refuse to recognise a qualification if an applicant for the qualification fails to meet the requirements provided for in this Act for a sworn auditor.

(4) The Ministry of Finance shall notify the applicant for the recognition of the qualification of a sworn auditor of the recognition of the qualification or refusal to recognise the qualification within five working days as of the date the decision is made by the Minister of Finance.

§ 31. Sworn auditor’s oath

(1) A person who has been awarded the qualification of a sworn auditor and a person with the recognised qualification of a sworn auditor shall take the following oath before the Oversight Board:

“I swear to perform, in impartial manner, all the functions which the sworn auditor’s professional activities require in conformity with the Constitution of the Republic of Estonia and other legislation, professional ethics and professional activities standards for sworn auditors.”

(2) A person who takes the oath shall sign the text of the oath and indicate the date of taking the oath.

(3) The signed text of the oath shall be preserved by the Board of Auditors.

§ 32. Deprivation of qualification of sworn auditor

(1) The Oversight Board shall deprive a person of the qualification of a sworn auditor:

1) if the person who has been awarded the qualification of a sworn auditor fails to take the sworn auditor’s oath within a reasonable period of time;
2) on the basis of an application;
3) upon exclusion from the Board of Auditors;
4) upon death of the sworn auditor.

(2) If quality control, disciplinary proceeding, proceeding concerning a complaint, misdemeanour proceeding, or investigation has been initiated with regard to a sworn auditor, the decision concerning deprivation of the qualification on the basis of clause (1) 2) of this section may be made after termination of the corresponding proceeding.
(3) The Oversight Board shall terminate the recognition specified in subsection 30 (1) of this Act if the person with the recognised qualification fails to take the sworn auditor’s oath within a reasonable period of time.

(4) The Minister of Finance shall, on the proposal of the Board of Auditors, decide on deprivation of the qualification of a sworn auditor:
1) in the case of repeated or material violation of the bases for sworn auditor’s activities or professional activities;
2) if false information is knowingly submitted in order to acquire or preserve the qualification of a sworn auditor or upon recognition of the qualification or making an entry in the register;
3) in the case of a failure to comply with the requirements provided for a sworn auditor by law;
4) in the case of a failure to pass an additional professional examination within the specified term or to the specified extent.

(5) The decision specified in subsection (4) of this section concerning the deprivation of the qualification of a sworn auditor shall include the following information:
1) the name and personal identification code or, in the absence thereof, date of birth, of the person who has acquired the qualification of a sworn auditor;
2) the number and the time of making the decision concerning award of the qualification of a sworn auditor;
3) the date of making the decision;
4) the circumstances which caused deprivation of the qualification of a sworn auditor with a reference to the clause of subsection (4) of this section on the basis of which the person was deprived of the qualification.

(6) The limitation periods provided for in subsection 148 (2) of this Act apply to the violations provided for in clause (4) 1) of this section.

(7) The Ministry of Finance shall notify immediately the person, who was deprived of the qualification of a sworn auditor, of the decision specified in subsection (5) of this section in writing and shall make the corresponding entry in the register.

(8) The Ministry of Finance shall notify immediately the competent authorities of the Contracting States connected with the person specified in the decision according to the notation concerning the place of business made in the register on the basis of this Act of the decision specified in subsection (5) of this section and the bases thereof.

(9) Upon deprivation of the qualification of a sworn auditor, the person who was deprived of the qualification on the basis of the circumstances specified in clause (4) 1) or 2) of this section may apply for the qualification again after three years from the deprivation of the qualification of a sworn auditor but not before information concerning the punishment has been expunged from the punishment register pursuant to the Punishment Register Act.

(10) Upon deprivation of the qualification of a sworn auditor, the person shall be deemed to be deprived of the qualification level of a public sector sworn auditor, if it exists.

Division 3
Award, Deprivation and Recognition of Qualification and Qualification Level of Internal Auditor

§ 33. Obligations and restrictions of internal auditors relating to professional examination

(1) A person applying for the qualification level of a public sector entity’s internal auditor and a public sector entity’s internal auditor referred to an additional examination shall pass the section of the professional examination specified in clause 19 (1) 3) of this Act and the sub-part specified in clause 34 (1) 2) of this Act.

(2) A person applying for the qualification level of a public sector company’s internal auditor and a public sector company’s internal auditor referred to an additional examination shall pass the sub-part specified in clause 34 (1) 1) of this Act.

(3) A person applying for the qualification of an internal auditor and a certified internal auditor referred to an additional examination shall pass the sub-part specified in clause 34 (1) 3) of this Act.

(4) An internal auditor shall be referred to an additional examination by a decision of the Ministry of Finance if as a result of an act or omission of the internal auditor the Ministry of Finance has a reasonable doubt that the knowledge or skills of the internal auditor may be insufficient or unsuitable to the extent which would compromise the professional practice of an internal auditor. The term for taking the additional examination shall be specified for the internal auditor by a decision of the Ministry of Finance.

(5) From making the decision specified in subsection (4) of this section until passing the additional professional examination, the internal auditor referred to an additional professional examination shall not engage in the professional practice of an internal auditor where the requirement of the qualification or qualification level of an internal auditor is provided by law.
(6) The Ministry of Finance may grant permission to an internal auditor referred to an additional professional examination for completion of the transactions or acts related to the professional practice of an internal auditor.

(7) A decision by which the Ministry of Finance grants permission for completion of the transactions or acts related to professional practice of an internal auditor shall set out:
1) the transactions or acts for the completion of which permission is granted;
2) the term of expiry of the permission which shall not be longer for any of the transactions or acts specified in clause 1) of this subsection than ten working days as of the date of granting the permission.

§ 34. Special part of internal auditor of professional examination

(1) The sub-parts of the special part of internal auditors of the professional examination shall be at least:
1) the sub-part of the professional activities standards for an internal auditor provided for in subsection 70 (1) of this Act;
2) the sub-part of a public sector internal auditor;
3) the sub-part of the certification of an internal auditor.

(2) In the procedure for professional examinations, the content of the sub-parts specified in clauses (1) 2) and 3) of this section may be specified based on the recommendations, requirements and principles of an internationally recognised organisation of internal auditors.

§ 35. Documents submitted for taking special part of internal auditors of professional examination

In order to take the special part of internal auditors of the professional examination, an examinee shall submit, in addition to the documents provided for in subsection 23 (1) of this Act, the following through the information system of the register:
1) a copy of a document certifying education which confirms compliance with the requirement provided for in clause 20 (1) 1) of this Act;
2) a copy of a document provided for in the procedure established on the basis of subsection 20 (7) of this Act which confirms compliance with the requirement provided for in clause 20 (2) 2) of this Act;
3) a copy of a certificate, instead of copies of documents provided for in clauses 1) and 2) of this section, if a person wishes to use a possibility provided for in subsection 20 (5) of this Act.

§ 36. Award and recognition of qualification and qualification level of internal auditor

(1) An applicant for the qualification of an internal auditor or for the qualification level of an internal auditor of a public sector entity or company who has passed the professional examination shall be awarded the qualification or qualification level by a decision of the Minister of Finance. A notation confirming that the qualification or qualification level shall be entered in the register on the basis of a decision of the Minister of Finance.

(2) A person who has passed an examination similar to the sub-part of the special part of internal auditors of the professional examination or a person who has acquired the professional qualification of an internal auditor in a foreign state may apply for recognition of the result thereof as passing of the sub-part of the special part of internal auditors of the professional examination from the Ministry of Finance.

(3) The Recognition of Foreign Professional Qualifications Act applies to the recognition of the results of examinations similar to the sub-part of the special part of internal auditors of the professional examination and recognition of the professional qualifications of internal auditors acquired in foreign states. The criteria for assessment of the results of examinations similar to the sub-part of the special part of internal auditors of the professional examination and of the professional qualifications of internal auditors acquired in foreign states shall be established by a regulation of the Minister of Finance.

(4) The Ministry of Finance shall notify the applicant for the qualification of an internal auditor or for the qualification level of a public sector internal auditor or for recognition thereof of the award of the qualification of an internal auditor or of the qualification level of a public sector internal auditor or refusal to award the qualification or qualification level within five working days as of the date of making the decision.

§ 37. Deprivation of qualification or qualification level of internal auditor

(1) The Minister of Finance deprives an internal auditor of the qualification or qualification level of an internal auditor on the basis of an application of the internal auditor.

(2) The Minister of Finance shall decide on deprivation of the qualification or qualification level of an internal auditor:
1) in the case of repeated or material violation of the provisions of §§ 66–75 established for internal auditors or their professional practice;
2) if false information is knowingly submitted in order to acquire or preserve the qualification or qualification level of an internal auditor or upon recognition of the qualification or qualification level or making an entry in the register;
3) in the case of a failure to comply with the requirements provided for an internal auditor by law;
4) in the case of a failure to pass an additional professional examination within the specified term or to the specified extent.

(3) A decision concerning the deprivation of the qualification or qualification level of an internal auditor shall include the following information:
1) the name and personal identification code or, in the absence thereof, date of birth, of the internal auditor;
2) the number and time of making the decision concerning award of the qualification or qualification level of an internal auditor;
3) the date of making the decision;
4) the circumstances which caused deprivation of the qualification or qualification level of an internal auditor with a reference to the clause of subsection (2) of this section on the basis of which the person was deprived of the qualification or qualification level.

(4) The limitation periods provided for in subsection 148 (2) of this Act apply to the violations provided for in clause (2) 1) of this section.

(5) The Ministry of Finance shall notify immediately the person, who was deprived of the qualification or qualification level of an internal auditor, of the decision specified in subsection (2) of this section in writing and shall make the corresponding entry in the register.

(6) Upon deprivation of the qualification of a certified internal auditor, the person shall be deemed to be deprived of the qualification level of an internal auditor of a public sector entity or public sector company, if it exists.

§ 38. Consequences of deprivation of qualification or qualification level of internal auditor

(1) Where the requirement of the qualification or qualification level of an internal auditor is provided by law, an internal auditor shall not engage in the professional practice of an internal auditor after deprivation of the qualification or qualification level of an internal auditor.

(2) After deprivation of the qualification or qualification level of an internal auditor, the person who was deprived of the qualification or qualification level on the basis of the circumstances specified in clause 37 (2) 1) or 2) of this Act may apply for the qualification of a certified internal auditor or the qualification level of an internal auditor of a public sector entity or company again after at least three years from the deprivation of the qualification or qualification level of an internal auditor.

Chapter 3
SWORN AUDITOR

Division 1
Bases of Sworn Auditor Activities

§ 39. Requirements for a sworn auditor

(1) A sworn auditor shall comply with the bases of professional ethics provided for in the code of ethics pursuant to § 46 of this Act.

(2) A sworn auditor and an applicant for the qualification of a sworn auditor shall be of good repute and reliable.

(3) The repute or reliability of a sworn auditor or of an applicant for the qualification of a sworn auditor shall in any case be deemed to be damaged in the case of a person:
1) concerning whom it becomes evident from information held in the punishment register that in respect of him or her a conviction for an intentionally committed criminal offence has entered into force;
2) who is a bankrupt or who is subject to the prohibition on business or who has been deprived of the right to engage in an economic activity pursuant to law;
3) whose previous unlawful act or omission has resulted in the bankruptcy, compulsory dissolution or revocation of the activity licence of a company and less than three years have passed from the declaration of bankruptcy or appointment of liquidators by the court in the case of compulsory dissolution or revocation of the activity licence or information concerning the punishment has not been expunged from the punishment register pursuant to the Punishment Register Act.

(4) Each sworn auditor shall have an e-mail address for delivery of procedural documents to him or her. One or several sworn auditors may have a common e-mail address with an audit firm. An e-mail address shall be included in the registry card information of the register.
§ 40. Diligence and competence required from sworn auditor

(1) A sworn auditor shall perform the obligations in line with due diligence, be objective and adhere to the good practice of the professional practice of a sworn auditor.

(2) A sworn auditor shall continuously keep his or her knowledge, skills and experience at a level which would not compromise the quality of the professional practice of a sworn auditor.

§ 41. Conduct appropriate to qualification of sworn auditor

(1) A sworn auditor is required to avoid any steps in the practice which may damage the reputation, reliability or authority of the profession of a sworn auditor, the Board of Auditors or the bodies or members thereof.

(2) Upon advertising or introducing to the public of a sworn auditor, an audit firm or the work thereof, it is not permitted to use the manner of presentation or means which may damage the reputation, reliability or authority of the profession of a sworn auditor, the Board of Auditors or the bodies or members thereof.

(3) A sworn auditor and an audit firm shall not submit exaggerated allegations concerning the services that they are entitled to provide and concerning their qualifications and experience.

§ 42. Obligation of sworn auditor to undergo in-service training

(1) A sworn auditor is required to enhance their knowledge and expertise pursuant to the in-service training program.

(2) The in-service training program of a sworn auditor shall be approved by the Oversight Board.

(3) A sworn auditor is required to participate in the in-service training organised by the Board of Auditors in the fields provided for in § 22 of this Act for at least sixteen academic hours a year.

(4) In addition to the obligation specified in subsection (3) of this section, a sworn auditor is required to participate in the in-service training recognised or organised by the Board of Auditors in the fields provided for in § 22 of this Act for at least twenty-four academic hours a year.

(5) The duration of supervised in-service training upon the performance of the obligation specified in subsection (3) or (4) shall be calculated as double with respect to a sworn auditor who participates in the in-service training specified in subsection (3) or (4) of this section as a lecturer.

(6) The provisions of this section concerning a sworn auditor do not apply to:
   1) a person on pregnancy, maternity or parental leave;
   2) a person who is incapacitated for work on the basis of a certificate of incapacity for work for over four months;
   3) a person released from the obligation of in-service training by a decision of the Oversight Board due to another good reason.

(7) The obligation provided for in subsections (3)-(5) of this section and the performance thereof shall be calculated in total from the beginning of each financial year of the Board of Auditors.

§ 43. Practice of sworn auditor

For the purposes of this Act, the practice of a sworn auditor shall be divided into professional practice of a sworn auditor and other business activities.

§ 44. Professional practice of sworn auditor and other business activities

(1) The professional service of a sworn auditor (hereinafter audit service) means the provision of an assurance or related audit service as the professional practice of a sworn auditor.

(2) An audit assurance service means an audit, a review and other assurance service.

(3) An audit related service means, among other, an audit service for the preparation of financial information or an agreed act with respect to financial information.

(4) For the purposes of this Act, other business activity of a sworn auditor means his or her activities outside an audit firm or the National Audit Office.
§ 45. Requirement to comply with standards for professional practice of sworn auditor

(1) A sworn auditor who performs the professional functions of a sworn auditor provided by law upon employment in a public sector entity and an audit firm shall comply, in the professional practice of a sworn auditor, with the standards for professional practice of a sworn auditor established or approved on the basis of § 46 of this Act.

(2) A public sector entity, employing more than two sworn auditors who perform the professional functions of a sworn auditor provided by law, is to the applicable extent required to comply with the quality control standard established or approved as a standard for the professional practice of a sworn auditor.

§ 46. Standards for professional practice of sworn auditor

(1) The standards for professional practice of a sworn auditor are the following:
1) the international standards transposed by the European Commission and established by the Commission Regulation;
2) the standards prepared on the basis of the principles of the International Federation of Accountants (hereinafter IFAC) and international standards in the part which is not covered by the standards provided for in clause 1) of this subsection;
3) other standards in the part which is not covered by the standards provided for in clauses 1) and 2) of this subsection.

(2) The Oversight Board shall approve the standards prepared pursuant to the principles and on the basis of the standards provided for in clause (1) 2) of this section and the standards provided for in clause (1) 3) of this section.

(3) For the purposes of this Act, international standards are the following standards approved by IFAC:
1) international standards on auditing;
2) international standards on review services;
3) international standards on assurance services;
4) international standards on related services;
5) international standards on quality control;
6) code of ethics;
7) other documents regulating the activities of sworn auditors.

(4) An interpretation of the standard for the professional practice of a sworn auditor or of a part thereof, which is not covered by the interpretation of IFAC or the European Commission, shall be provided by the Oversight Board.

(5) The standards prepared pursuant to the principles and on the basis of the standards provided for in clause (1) 2) of this section may differ from the standards on the basis of which they are prepared only to the extent which is necessary for compliance with the legislation in force in Estonia.

§ 47. Independence of a sworn auditor in professional practice

(1) Pursuant to the code of ethics established or approved on the basis of § 46 of this Act, an audit firm and a sworn auditor representing an audit firm on the basis of law shall be independent in the professional practice of a sworn auditor from the person, agency or body who is the other party to the client contract entered into for the provision of the service (hereinafter client), from the members of the management board or highest supervisory body thereof within the meaning of the Accounting Act (hereinafter management board or highest supervisory body), from the shareholders, members and persons otherwise related to the person, agency or body.

(2) In the case of a significant threat to the independence of an audit firm or a sworn auditor representing an audit firm on the basis of law, safeguards shall be applied to mitigate those threats. If the significance of the threats as compared to the applied safeguards is such that the independence has been or will be compromised, the professional practice of a sworn auditor is prohibited to the abovementioned extent.

(3) An audit firm or a sworn auditor representing an audit firm on the basis of law is required to document all significant threats to the independence as well as the safeguards applied to mitigate those threats.

(4) An audit firm or a person which is connected to an audit firm by means of common ownership, control, management or the network of sworn auditors and also the members of the management board or the highest supervisory body and other persons shall not interfere with the professional practice of a sworn auditor in a way which would jeopardize the requirements for independence provided for a sworn auditor in this Act.

§ 48. Obligation to maintain professional secrecy

(1) An audit firm and a sworn auditor representing an audit firm on the basis of law are required to maintain confidentiality of information and documents which have become known thereto in the course of professional
practice The obligation to maintain professional secrecy shall have an unspecified term and shall also apply after the termination of the professional practice of a sworn auditor.

(2) The obligation to maintain professional secrecy extends to the members of the bodies of the Board of Auditors, the public servants of the Ministry of Finance and other persons to whom the professional secrecy of a sworn auditor has become known during the performance of the functions.

(3) Disclosure of information or documents shall not be deemed to be a violation of professional secrecy if the information or documents are disclosed:
   1) to the Board of Auditors for the performance of its functions;
   2) to the Ministry of Finance for the performance of the functions assigned to it by this Act;
   3) to a court on the basis of a court ruling or court judgment;
   4) to an investigative body in connection with a criminal proceeding;
   5) to the Financial Intelligence Unit for the performance of its functions on the basis provided for in the Money Laundering and Terrorist Financing Prevention Act;
   6) to the person providing an auditing service to the parent undertaking of the client;
   7) to the person carrying out internal quality control in the event of membership of the sworn auditors network;
   8) on the basis of clause 34 (3) 2) of the Money Laundering and Terrorist Financing Prevention Act;
   9) to other persons with the written permission of the client.

(4) Disclosure of information shall not be deemed to be a violation of professional secrecy if the information is disclosed to:
   1) the National Audit Office for the performance of its functions;
   2) the Financial Supervision Authority for the performance of its functions.

(5) Upon the election of a new audit firm or substitution of an audit firm, the audit firm substituted shall disclose information concerning a client, which has become known to it in the course of the professional practice of a sworn auditor, to the elected or substituting audit firm requiring it in accordance with the standards for professional practice of a sworn auditor established on the basis of § 46 of this Act.

§ 49. Involvement of other persons in professional practice of sworn auditor and transfer of activities

(1) An audit firm may involve, at own risk, an expert, assistant or another person, who shall operate under the supervision of the audit firm in the professional practice of a sworn auditor.

(2) The provisions of §§ 45-48, except the provisions of subsection 45 (2), of this Act extend to a person involved in the professional activities.

(3) Where an audit firm has transferred activities to a third party for better performance of the functions related to its professional activities, it is deemed that the third party is aware of all the requirements arising from this Act. The person who transfers his or her activities shall be responsible for violation of the requirements.

(4) Transfer of activities is permitted only if:
   1) it does not damage the legitimate interests of the audit firm or his, her or its client;
   2) it does not hinder the professional practice of a sworn auditor or the performance of the functions provided for in this Act;
   3) it does not hinder oversight over the audit firm;
   4) the third party to whom the activities are transferred has the necessary expertise and skills and he or she complies with the requirements provided for in §§ 45-48, except in subsection 45 (2), of this Act;
   5) the audit firm has the right and possibility to verify whether or not the third party complies with the requirements provided for in this Act;
   6) it is ensured that the documents and information collected for the compliance with the requirements arising from this Act are preserved pursuant to the procedure provided for in this Act and legislation issued on the basis thereof;
   7) the right to transfer activities is prescribed by the client contract.

(5) An audit firm shall notify the Oversight Board immediately of the transfer of activities for a better performance of its functions related to the professional practice of a sworn auditor through the information system of the register.

§ 50. Audit

(1) For the purposes of this Act, an audit is an audit assurance service provided in adherence to the standards for auditing established or approved on the basis of § 46 of this Act.

(2) An audit object is the historical financial information prepared by the responsible body of the client on the basis of the suitable criteria.
(3) The objective of the provider of an auditing service in an audit is to express an opinion in a sworn auditor’s report in a generalised affirmative format to the prescribed user on the basis of the collected evidence.

§ 51. Review

(1) For the purposes of this Act, a review is an audit assurance service provided in adherence to the standards for review services established or approved on the basis of § 46 of this Act.

(2) A review object is the historical financial information prepared by the responsible body of the client on the basis of the suitable criteria.

(3) The objective of the provider of an auditing service in a review is to provide a review summary in a sworn auditor’s report in a generalised negative format to the prescribed user on the basis of the collected evidence.

§ 52. Transactions legality control

(1) For the purposes of this Act, transactions legality control is an audit assurance service provided in adherence to the standards for the professional practice of a sworn auditor established or approved on the basis of § 46 of this Act.

(2) Transactions legality control is aimed at establishment of the compliance with or ascertainment of non-compliance with legislation defined as a control criterion.

(3) Transactions legality control is carried out in order to enable providing a conclusion in a sworn auditor’s report in a generalised affirmative or negative format to the prescribed user on the basis of the collected evidence.

§ 53. Agreed-upon transactions legality control

(1) For the purposes of this Act, the agreed-upon transactions legality control is an audit assurance service provided in adherence to the standards for related services established or approved on the basis of § 46 of this Act.

(2) The agreed upon transactions legality control is carried out in order to enable preparation of a report concerning the object and objective of the agreed acts, procedures carried out, observations and errors found and derogations for a defined user so that the defined user could make decisions on the basis thereof.

§ 54. Sworn auditor’s report

(1) A sworn auditor’s report is a report of the professional practice of a sworn auditor prepared as a document in which an independent audit firm or a public sector entity, where the professional functions of a sworn auditor provided by law are performed, states an audit opinion or provides a review summary or any other summary expressing assurance concerning the object of the professional practice of a sworn auditor acquired upon auditing, review or the provision of any other audit service.

(2) The forms of sworn auditor’s reports of the audit service of an audit or a review, which comply with the standards for professional practice of a sworn auditor, established or approved on the basis of § 46 of this Act, shall be established by a regulation of the Minister of Finance on the proposal of the Oversight Board in accordance with the taxonomy of annual reports established on the basis of subsection 141 (1) of the Accounting Act.

(3) The person expressing an audit opinion or publishing a review summary shall prepare a sworn auditor’s report in accordance with the taxonomy established on the basis of subsection 141 (1) of the Accounting Act and the reporting forms established on the basis of subsection (2) of this section.

(4) Where an accounting entity is required by law to submit an annual report or a copy or a transcript thereof to the registrar, the person expressing an audit opinion or publishing a review summary shall prepare a sworn auditor’s report in accordance with the procedure established by a regulation of the Minister of Justice on the basis of clause 67 (4) 1) of the Commercial Code.

[RT I, 12.11.2010, 1 - entry into force 15.11.2010]

Division 3
Bases for Provision of Audit service

§ 55. Client contract for provision of audit service

(1) For the provision of an audit service, an audit firm shall enter into a contract for the provision of an audit service with the client in writing (hereinafter client contract). The provisions of the Law of Obligations Act apply to a client contract, taking into consideration the specifications provided for by this Act.
(2) At least the following shall be agreed upon in a client contract:
1) the audit service and the object of the service;
2) the estimated duration of the provision of the audit service in hours;
3) the person who signs the sworn auditor’s report or any other report of his or her professional activities;
4) in the case of the existence of a consolidation group, the audit firm of the consolidation group and the person who signs the sworn auditor’s report of the consolidated entity for whom auditing of the annual accounts is mandatory;
5) the amount of the fee for the provision of an audit service (hereinafter client contract fee) and the procedure for the payment thereof.

(3) Upon the provision of an audit service provided in §§ 50 and 51, all the members of the management board of the client are required to confirm the responsibility of the management board in writing before the sworn auditor’s report in compliance with the standards for the professional practice of a sworn auditor established or approved on the basis of § 46 of this Act. An audit firm may require the confirmation specified in this subsection also upon the provision of other audit services.

(4) An audit firm is required to notify the Oversight Board through the information system of the register of entry into the first client contract for the provision of an audit assurance service with a public interest entity and of the expiry of the last such client contract within five working days as of entry into or expiry of the contract.

(5) The audit firm of a consolidation group is the provider of the service of auditing or review of annual accounts of the consolidation group.

(6) The provisions of subsections (1)-(5) of this section do not apply in public service to a sworn auditor who is a public servant.

§ 56. Right of audit firm to access information and documents

(1) A client shall provide an audit firm with all the information required for the professional practice of a sworn auditor and provide an opportunity to access to all the documents required for such professional activities unless otherwise provided by law.

(2) An audit firm of a consolidated entity of a consolidation group shall provide the audit firm of the consolidation group with all the information required for the professional practice of a sworn auditor and provide an opportunity to access all the documents required for such professional activities unless otherwise provided by law.

(3) Copies, transcripts and extracts may be made of the documents required for the professional practice of a sworn auditor and evidence relating to such professional activities may be obtained in other ways.

§ 57. Cancellation of client contract

(1) A client contract may be cancelled only with good reason.

(2) The divergence of opinions in dealing with the issues concerning accounting or the activities of a sworn auditor cannot be a good reason for cancellation of a client contract.

(3) An audit firm and the client shall immediately notify the Oversight Board of the cancellation of a client contract through the information system of the register and provide its explanations concerning the reasons for cancellation of the client contract. The audit firm shall submit a report concerning the work performed immediately after notification of the Oversight Board.

(4) A client is obliged to pay immediately to the audit firm for all the works agreed upon in the client contract which were performed before the cancellation of the client contract.

§ 58. Client contract fee and disclosure thereof

(1) A client contract fee shall not:
1) depend on the supply of other services, goods or benefits;
2) depend on conditions which might have an adverse effect on the conduct of a sworn auditor in his or her professional activities.

(2) A client contract fee shall be agreed upon as a specified final amount, an hourly fee or a combination thereof.
(3) In addition to the information provided for in subsection (4) of Annex 3 to the Accounting Act, an audit firm shall disclose the annual accounts and, where appropriate, also the sales revenue in the notes to the annual accounts of the consolidation group, divided as follows:
1) audit fees;
2) fees for review service;
3) fees for other assurance services;
4) fees for related services;
5) fees for consulting, training or other activities included in the field specified in subsection 22 (1) of this Act (hereinafter other business activities), including fees for tax advisory services.

§ 59. Additional requirements for independence of sworn auditor of public interest entity

(1) In addition to the provisions of § 47 of this Act, audit firms and sworn auditors representing an audit firm on the basis of law shall:
1) each time before entering into a client contract with a public interest entity for the provision of the service of a statutory audit of annual accounts or review, confirm independence thereof from the client in writing to the audit committee of the entity;
2) each calendar year disclose the detailed amount of time spent on the provision of services in the course of professional and other business activities to the public interest entity, who is a client specified in subsection (1), and the amounts of fees to the audit committee of the entity;
3) discuss regularly with the audit committee of the public interest entity, who is a client specified in clause (1), the significant threats to their independence and the safeguards applied to prevent or mitigate those threats based, among other, on the information documented pursuant to subsection 47 (3) of this Act.

(2) A person shall be elected the provider of an audit service specified in clause (1) 1) of this section in a public interest entity on the basis of a recommendation of the audit committee.

(3) A sworn auditor representing an audit firm of a public interest entity on the basis of subsections 65 (1) and (4) of this Act may, upon the provision of an audit service specified in clause (1) 1) of this section, be the signatory of the client contracts of the entity on behalf of the audit service provider or signatory of a sworn auditor's report in his or her name or in the name of the person represented for up to seven consecutive years.

(4) Upon expiry of the period provided for in subsection (3) of this section, a sworn auditor representing an audit firm of a public interest entity on the basis of subsections 65 (1) and (4) of this Act may, upon the provision of an audit service specified in clause (1) 1) of this section to the entity, continue signing client contracts on behalf of the audit service provider or signing sworn auditor's reports in his or her name or in the name of the person represented after two years have passed from the expiry or cancellation of the client contract.

(5) A sworn auditor representing an audit firm of a public interest entity on the basis of subsections 65 (1) and (4) of this Act may be elected or appointed member of the management board of this entity after two years have passed from the expiry or cancellation of the client contract for the provision of an audit service specified in clause (1) 1) of this section.

§ 60. Documents of professional activities of sworn auditor

(1) An audit firm and the person specified in subsection 81 (3) of this Act shall collect and store the documents and data of the professional activities of a sworn auditor (hereinafter documents of professional activities) in the manner and to the extent which complies to the standards for professional practice of sworn auditors and enables public oversight.

(2) Documents of professional activities shall be preserved for at least seven years as of the date of the sworn auditor’s report or another report of his or her professional activities unless otherwise prescribed by law.

(3) In a consolidation group, the documents of professional activities shall be submitted to the body or person entitled to carry out public oversight by the audit firm of the consolidation group.

(4) The documents of professional activities may be preserved on any information carrier. It shall be possible to reproduce the preserved documents of professional activities in writing. The legibility of the documents of professional activities shall be ensured during the whole period of preservation.

(5) The documents of professional activities may be prepared:
1) as hand-written or printed documents;
2) on information carriers enabling written reproduction if the authenticity of the information preserved thereon is ensured.

(6) A public sector entity is obliged to preserve the documents of professional activities of the person specified in subsection 81 (3) of this Act.

(7) The obligation to preserve the documents provided for in subsection (1) of this section applies even if:
1) the validity of an activity licence of the audit firm terminates on the basis of clauses 89 2)-9) of this Act;
2) a person is deprived of the qualification of a sworn auditor on the basis of clauses 32 (1) 2) or 3) and subsection 32 (3) or (4) of this Act.
§ 61. Destruction of information carriers of documents of professional activities

(1) An information carrier of documents of professional activities may be destroyed after the expiry of the preservation period of the documents of professional activities.

(2) An information carrier of documents of professional activities shall be destroyed in a manner which does not enable restoration thereof or examination of the information on the information carrier.

(3) The person who is obliged to preserve the documents of professional activities shall be responsible for the legality of the destruction of an information carrier of documents of professional activities.

§ 62. Proprietary liability of audit firms

(1) An audit firm shall bear proprietary liability for the direct proprietary damage wrongfully caused to a client or third party by provision of audit service.

(2) The maximum liability limit is ten times the client contract fee which was agreed upon in the client contract in connection of which the damage was caused. The maximum liability limit shall not be applied in the case of damage caused by gross negligence or deliberate damaging.

(3) An agreement concerning the preclusion or restriction of liability which is in conflict with the provisions of subsections (1) or (2) of this section is void.

(4) If an audit firm or a sworn auditor has not violated his or her obligation intentionally, the limitation period for the claims specified in subsection (1) of this section shall be five years as of the date of the sworn auditor’s report.

§ 63. Mandatory professional liability insurance of audit firm

(1) The existence of a professional liability insurance contract of an audit firm is required for securing compensation for direct proprietary damage caused by the provision of audit services. Professional liability insurance contract is not required from an audit firm whose activity licence is suspended or who does not operate on the basis of the permission specified in subsection 89 (1) of this Act.

(2) An audit firm is required to enter into a professional liability insurance contract on the following conditions:

1) the insured event is direct proprietary damage caused by provision of audit services;

2) the insurance cover applies to damage which is caused by an event or act which took place during the period of insurance;

3) the insurance cover shall comply with the provisions of § 64 of this Act.

(3) A professional liability insurance contract shall cover the proprietary liability of an audit firm at least in the amount of the insurance cover provided for in § 64 also during the period specified in subsection 62 (4) of this Act.

(4) An audit firm which does not have a professional liability insurance contract complying with the requirements of this Act is prohibited from providing an audit service in Estonia in the name thereof. An audit firm is required to enter into a professional liability insurance contract within thirty days as of the date of issue of an activity licence or within ten days as of the date of restoration of the validity of an activity licence.

(5) An audit firm shall submit a copy of the valid professional liability insurance contract or of the professional liability insurance policy to the Oversight Board through the information system of the register immediately after the entry into the professional liability insurance contract.

(6) Liability for intentional violation of obligations need not be insured.

(7) An audit firm may enter into an optional professional liability insurance contract in addition to the professional liability insurance contract provided for in this section.

§ 64. Insurance coverage and excess of professional liability insurance contracts

(1) The insurance coverage in a professional liability insurance contract of an audit firm operating as a company specified in clauses 76 (2) 2) - 4) of this Act shall be:

1) at least ten times the amount of the fees of the two biggest client contracts of the last ended activity report period of the abovementioned person, but not less than 64,000 euros for one insured event;
2) ten times the amount of the fees of the three biggest client contracts of the last ended activity report period of the abovementioned person, but not less than 64,000 euros for all the claims submitted in a year.

(2) The insurance coverage in a professional liability insurance contract of an audit firm operating as a sole proprietor, a general or limited partnership shall be:
1) at least five times the amount of the fees of the two biggest client contracts of the last ended activity report period of the abovementioned person, but not less than 32,000 euros for one insured event;
2) five times the amount of the fees of the three biggest client contracts of the last ended activity report period of the abovementioned person, but not less than 31,000 euros for all the claims submitted in a year.

(3) The excess for one insured event provided for in the professional liability insurance contract shall not exceed:
1) the share capital of the audit firm or the fixed capital of a European company;
2) 3,000 euros in the case of an audit firm operating as a limited partnership or general partnership or a sole proprietor.

§ 65. Requirements for representation upon provision of audit service

(1) A sworn auditor operating as a sole proprietor or a sworn auditor representing an audit firm on the basis of law shall personally sign a client contract on behalf of the provider of the audit service and a sworn auditor’s report and any other report of the related audit service in his or her name or in the name of the person represented.
[RT I, 12.11.2010, 1 - entry into force 15.11.2010]

(2) A client contract entered into with a public sector entity on behalf of the provider of the audit service and a sworn auditor’s report or any other report of the related audit service shall be signed by a public sector sworn auditor.
[RT I, 12.11.2010, 1 - entry into force 15.11.2010]

(3) A public sector sworn auditor employed in a public sector entity shall personally sign a sworn auditor’s report or any other report of the related audit service in his or her name or in the name of the person represented.
[RT I, 12.11.2010, 1 - entry into force 15.11.2010]

(4) A procurator of an audit firm shall be a sworn auditor.

Chapter 4
INTERNAL AUDITOR

§ 66. Requirements for internal auditor

The provisions concerning repute and reliability of subsections 39 (2) and (3) of this Act apply to an internal auditor and an applicant for the qualification of an internal auditor or qualification level of a public sector internal auditor.

§ 67. Obligation of internal auditor to undergo in-service training

(1) The provisions of subsections 40 (2) and 42 (1) of this Act apply to an internal auditor.

(2) The in-service program of internal auditors shall be established by a regulation of the Minister of Finance.

(3) A public sector internal auditor is required to participate in the in-service training organised by an organisation uniting Estonian internal auditors or by the Board of Auditors or in the in-service training approved by them or by the internal auditors professional qualifications committee provided for in subsection 121 (6) of this Act for at least twenty academic hours a year.

(4) A certified internal auditor is required to participate in the in-service training organised by an organisation uniting Estonian internal auditors or by the Board of Auditors or in the in-service training approved by them or by the internal auditors professional qualifications committee provided for in subsection 121 (6) of this Act for at least forty academic hours a year

(5) Upon the performance of the obligation specified in subsection (3) or (4) the duration of the supervised in-service training shall calculated as double with respect to an internal auditor who participates in the in-service training specified in subsection (3) or (4) of this section as a lecturer.

(6) An internal auditor who is not engaged in the professional activities of an internal auditor during the activity report period of an internal auditor shall participate in the in-service training provided for in subsection (3) or (4) of this section to the extent of one-half of the annual volume.

(7) The provisions of this sector concerning internal auditors do not apply to:
1) a person on pregnancy, maternity or parental leave;
2) a person who is incapacitated for work on the basis of a certificate of incapacity for work for over four months;
3) a person released from the obligation of in-service training by a decision of the Ministry of Finance due to another good reason.

(8) The obligation provided for in subsections (3)-(6) of this section and the performance thereof shall be calculated in total from the beginning of each calendar year.

§ 68. Requirements for internal auditor relating to professional activities

(1) An internal auditor shall be objective and competent in his or her professional activities, maintain professional secrecy, act with required diligence and behave in compliance with the professional qualification of an internal auditor.

(2) An internal auditor shall, in the professional activities, comply with the standards for professional practice of internal auditors established on the basis of § 70 of this Act

§ 69. Professional activities of internal auditor

(1) Professional activities of an internal auditor are by their nature an internal process.

(2) Professional activities of an internal auditor are independent, objective activities providing assurance and advice which are planned to add value to and improve the activities of an organisation.

(3) Professional activities of an internal auditor facilitate the achievement of the objectives of an organisation. An internal auditor approaches the systems and processes, the control and assessment of the efficiency and improvement thereof in a systematic, regular and consistent manner.

(4) One of the objects of the professional activities of an internal auditor is internal control as a system and concurrently the efficiency of an internal audit as a process is analysed and the compliance thereof to the requirements provided for in legislation is assessed.

(5) An expert, assistant or any other person involved in the professional activities of an internal auditor operates under the supervision and responsibility of the internal auditor.

(6) The provisions of §§ 68-73 of this Act extend to a person involved in the professional activities of an internal auditor.

§ 70. Standards for professional practice of internal auditors

(1) The standards for professional practice of internal auditors are:
1) the standards prepared pursuant to the principles of the Institute of Internal Auditors (hereinafter IIA) and on the basis of the international standards for internal auditing;
2) other standards relating to professional practice of internal auditors in the part which is not covered by the standards provided for in clause 1) of this subsection.

(2) The standards prepared on the basis of the principles provided for in clause (1) 1) of this section and the standards provided for in clause (1) 2) shall be established by a regulation of the Minister of Finance.

(3) For the purposes of this Act, the international standards for internal auditing are the International Professional Practices Framework approved by IIA and other documents regulating professional practice of internal auditors.

(4) The interpretation of a standard for professional practice of internal auditors or part thereof which is not covered by the interpretation of IIA shall be provided by the Ministry of Finance who shall involve experts and professional organisations in the development thereof.

§ 71. Internal audit

(1) For the purposes of this Act, an internal audit is professional activities of internal auditors the object of which is processes organised on the basis of criteria, management and control thereof or which is aimed at establishment of the compliance with or ascertainment of non-compliance with legislation defined as a control criteria of the transaction which is the object of the control.

(2) The objective of an internal auditor in an internal audit is to enable to express an opinion in an internal auditor’s report in a generalised affirmative or negative format to the prescribed user.
§ 72. Consulting

For the purposes of this Act, consulting means professional activities of an internal auditor concerning which the internal auditor submits an internal auditor’s report where information, the course of conduct offering a solution, an opinion or pronouncement is disclosed to the defined user.

§ 73. Internal auditor’s report

An internal auditor’s report is a report of professional activities of an internal auditor where an internal auditor gives an opinion or another summary providing assurance obtained by professional activities of an internal auditor with respect to the object of professional activities.

§ 74. Requirements for representation in professional activities of an internal auditor

(1) An internal auditor shall personally sign a contract for professional activities of an internal auditor on behalf of the provider of the service and an internal auditor’s report in his or her name or in the name of the person represented.

(2) A contract for professional activities entered into with a public sector entity to the extent specified in subsection 75 (1) of this Act on behalf of the provider of the service and an internal auditor’s report shall be signed by an internal auditor of a public sector entity or a certified internal auditor.

(3) A contract for professional activities entered into with a public sector entity to the extent specified in subsection 75 (2) of this Act on behalf of the provider of the service and an internal auditor’s report shall be signed by an internal auditor of a public sector or a certified internal auditor

(4) An internal auditor employed in a public sector entity shall sign the internal auditor's report personally.

§ 75. Right to organise professional activities of internal auditor

(1) Only an internal auditor of a public sector entity or a certified auditor may engage independently in professional activities of an internal auditor in a public sector entity.

(2) Only an internal auditor may engage independently in the professional activities of an internal auditor in a public sector company.

(3) Only an internal auditor of a public sector entity or a certified auditor may engage independently in the professional activities of an internal auditor in a public interest entity which complies with the criteria provided for in subsection 13 (2) of this Act.

Chapter 5
AUDIT FIRM

§ 76. Requirements for audit firms

(1) The provisions concerning repute and reliability of subsections 39 (2) and (3) of this Act apply to audit firms and persons entitled to represent an audit firm.

(2) An audit firm may provide an audit service as one of the following types of company:
1) a general or limited partnership;
2) a private limited company;
3) a public limited company;
5) as a company registered in a Contracting State
[RT I, 12.11.2010, 1 - entry into force 15.11.2010]

(3) The majority of the votes represented by the shares of an audit firm shall belong to sworn auditors subject, without restrictions, to supervision of a competent authority of a Contracting State, who have acquired their qualification in a Contracting State, or to audit firms.
[RT I, 12.11.2010, 1 - entry into force 15.11.2010]

(4) The share capital of an audit firm which is a private limited company shall be at least 12,000 euros.

(5) An audit firm shall not be engaged in an area of activity other than the provision of an audit service or other business activities.

(6) An audit firm shall not belong to a network of sworn auditors, the structure of which does not enable to obtain exhaustive information required for oversight.
§ 77. Requirements for representation of audit firms

(1) At least three-fourths of the persons representing an audit firm on the basis of law shall have acquired their qualification in a Contracting State.

(2) In an audit firm, the management board of which has:
1) up to two members, at least one of them shall be a sworn auditor with the qualification acquired in a Contracting State, who is a member of the Board of Auditors;
2) three members, at least two of them shall be sworn auditors with the qualification acquired in a Contracting State, who are members of the Board of Auditors.

(3) In an audit firm which is a general or limited partnership and entitled to be managed by:
1) up to two partners, at least one of them shall be a sworn auditor with the qualification acquired in a Contracting State, who is a member of the Board of Auditors;
2) three partners, at least two of them shall be sworn auditors with the qualification acquired in a Contracting State, who are members of the Board of Auditors.

[RT I, 12.11.2010, 1 - entry into force 15.11.2010]

§ 78. Restriction on representation of audit firm

Based on legislation, upon provision of an audit service a sworn auditor may represent only one audit firm that is a member of the Board of Auditors.

[RT I, 12.11.2010, 1 - entry into force 15.11.2010]

§ 79. Application for activity licence for audit firm

(1) In order to obtain an activity licence for an audit firm, a person entitled to represent who is set out in the memorandum of association or entered in the registry card of the commercial register of an audit firm being founded or operating shall submit an application to the Ministry of Finance through the information system of the register together with the following documents and information:
1) a copy of the valid articles of association;
2) a list of the shareholders of the audit firm which sets out the registry code or personal identification code of each shareholder or, in the absence thereof, the date of birth and information on the number of shares and votes of each shareholder;
3) information on the members of the management board of the audit firm and managing partners of a general or limited partnership, including, for each person, the name and surname, personal identification code or, in the absence thereof, date of birth, place of residence, a complete list of places of employment and positions held and, for the members of the management board, a description of their areas of responsibility and copies of documents certifying the trustworthiness of managers and compliance with the requirements of this Act;
4) in the case of an audit firm being founded, a copy of a notarised transcript of the memorandum of association or foundation resolution or partnership agreement.

(2) If, during the processing of an application for an activity licence of an audit firm, changes occur in the information or documents provided for in subsection (1) of this section, the audit firm shall notify the Ministry of Finance immediately thereof after making the amendments or becoming aware of the changes and shall submit the updated information or copies of the documents.

(3) An audit firm is not required to submit to the Ministry of Finance the documents specified in subsections (1) and (2) of this section, the copies thereof or information available in the databases of the state information systems.

§ 80. Review of applications for activity licences of audit firm

(1) If, upon application for an activity licence, an audit firm submits false information or fails to submit all the information and documents specified in subsection 79 (1) of this Act or the copies thereof or if the information and documents are incomplete or are not prepared according to the requirements, the Ministry of Finance has the right to request that the applicant for the activity licence eliminate the deficiencies.

(2) The Ministry of Finance may request the submission of additional information, documents or the copies thereof if it is not convinced on the basis of the information, documents or the copies thereof specified in subsection 79 (1) of this Act whether the audit firm meets the requirements prescribed to it by legislation or if other circumstances relating to the audit firm applying for an activity licence need to be verified.

(3) The Ministry of Finance shall verify the information submitted by an audit firm upon application for an activity licence; the Ministry of Finance may also order assessment and a special audit, consult the databases of the state information systems, obtain explanations from the managers or representatives of an audit firm and, if necessary, from third parties concerning the content of the documents or the copies thereof submitted and facts which are relevant in the making of a decision on the issue of an activity licence.
(4) The information, documents or the copies thereof specified in subsections (1)-(3) of this section shall be submitted within a reasonable term determined by the Ministry of Finance.

(5) The Ministry of Finance may refuse to review an application for an activity licence if the audit firm applying for an activity licence has failed to eliminate the deficiencies specified in subsection (1) of this section within the prescribed term or has not submitted the requested information, documents or the copies thereof by the end of the term. Upon refusal to review an application, the Ministry of Finance shall return the submitted documents.

(6) The audit firm applying for an activity licence shall cover the costs related to an assessment or special audit ordered by the Ministry of Finance on the basis of subsection (3) of this section.

**Chapter 6**

**ACTIVITY LICENCE**

§ 81. Right to provide audit service

(1) An audit firm shall have a valid activity licence in order to provide an audit service in Estonia unless otherwise provided for in this Act.

[RT I, 12.11.2010, 1 - entry into force 15.11.2010]

(2) If an audit firm or the person representing an audit firm is a public sector sworn auditor, the audit firm has the right to provide audit assurance services in a public sector entity in his or her own name.

(3) A person employed in a public sector entity shall be a public sector sworn auditor in order to perform the professional assurance functions of a sworn auditor.

(4) An activity licence is not required for persons specified in subsection (3) of this section for the performance of the professional assurance functions of a sworn auditor provided by law in a public sector entity.

§ 82. Activity licence

(1) The Ministry of Finance shall issue an activity licence.

(2) An activity licence is not transferable, and the use thereof by other persons is prohibited.

(3) An activity licence is granted for an unspecified term.

(4) An activity licence is electronic.

(5) An activity licence shall be given an order number.

(6) The Ministry of Finance shall make a notation concerning the issue and validity of an activity licence and the grant of the permission provided for in subsection 89 (1) of this Act in the register.

§ 83. Application for activity licence for sworn auditor

(1) In order to obtain an activity licence, a sworn auditor who has taken the sworn auditor’s oath (hereinafter sworn auditor applying for an activity licence) shall submit an application to the Ministry of Finance through the information system of the register.

(2) A sworn auditor who applies for an activity licence shall be a sole proprietor.

(3) The format of the application provided for in subsection (1) of this section shall be established in the statutes of the register.

§ 84. Decision to issue activity licence

(1) An activity licence is issued to an audit firm.

(2) The Ministry of Finance shall make a decision to issue or refuse to issue an activity licence within ten working days after receipt of all the necessary documents and information which comply with the requirements, but not later than within two months after receipt of the application for the activity licence.

(3) If a person wishes an activity licence to be issued immediately after he or she has taken the sworn auditor’s oath, the application provided for in clause 23 (1) 1) of this Act shall include also an application for an activity licence. In this case the Ministry of Finance shall make a decision to issue or refuse to issue an activity licence within ten working days after the person has taken the sworn auditor's oath.
(4) If necessary, the Ministry of Finance shall cooperate with the Board of Auditors or the appropriate competent state agency upon processing of an application for an activity licence.

(5) The Ministry of Finance shall promptly deliver a decision to issue or refuse to issue an activity licence to the audit firm or sworn auditor applying for the activity licence.

§ 85. Bases for refusal to issue activity licence

The Ministry of Finance may refuse to issue an activity licence if:
1) the sworn auditor applying for an activity licence does not comply with the requirements for a sworn auditor provided for in this Act;
2) the audit firm applying for an activity licence does not comply with the requirements for an audit firm provided for in this Act;
3) the persons representing an audit firm on the basis of law do not comply with the requirements provided by law;
4) exercise of sufficient oversight on the basis of this Act is hindered;
5) the information submitted indicates that the applicant for an activity licence mainly plans to operate in another Contracting State.

§ 86. Termination of validity of activity licence

The validity of an activity licence terminates:
1) upon the death of a licensed sworn auditor;
2) in the event of a merger of audit firms whereby a new audit firm is founded, upon entry of the new audit firm in the commercial register;
3) in the event of a merger of audit firms, the validity of the activity licence of the audit firm being acquired terminates upon entry of the merger in the commercial register;
4) in the event of dissolution of an audit firm, upon adoption of the resolution of the general meeting or entry into force of the court decision;
5) in the event of the bankruptcy of an audit firm, upon declaration of bankruptcy by a court;
6) in the event of deprivation of the qualification of a sworn auditor, upon making the decision;
7) in the event of failure to pass an additional professional examination, upon making the decision;
8) in the event of exclusion of a member of the Board of Auditors from the Board of Auditors, upon making the decision;
9) upon revocation of the activity licence.

§ 87. Revocation of activity licence

(1) An activity licence shall be revoked by the Ministry of Finance.

(2) On the initiative of an audit firm, an activity licence shall be revoked on the basis of application thereof.

(3) If quality control, disciplinary proceeding, proceeding concerning a complaint, misdemeanour proceeding, or investigation has been initiated with regard to an audit firm, the decision concerning revocation of the activity licence on the basis of subsection (2) of this section may be made after termination of the corresponding proceeding.

(4) The Ministry of Finance may revoke an activity licence if:
1) the audit firm has repeatedly or materially violated the provisions of legislation regulating the activities thereof;
2) the audit firm does not meet requirements provided for in this Act;
3) an audit firm or a person representing an audit firm on the basis of law has been punished for an economic criminal offence, criminal official misconduct, criminal offence against property or criminal offence against public trust;
4) an audit firm has submitted or published knowingly incorrect or misleading information or has published knowingly incorrect or misleading advertising and as a result of these violations the audit firm has been punished through misdemeanour proceedings;
5) an audit firm whose activity licence has been suspended has failed to comply with the resolution of the Board of Auditors or a decision or precept of the Ministry of Finance within the term or to the extent prescribed;
6) an activity licence has been suspended for at least eighteen consecutive months;
7) a company has not been entered in the commercial register within two months as of making a decision to issue an activity licence to the company;
8) an audit firm has violated the requirement provided for in subsection 76 (3) of this Act for more than three months;
9) a person representing an audit firm on the basis of law has repeatedly or materially violated the provisions of legislation regulating the activities thereof and as a result of these violations the audit firm or the person representing the audit firm has been punished through disciplinary or misdemeanour proceedings;
10) exercise of sufficient oversight on the basis of this Act is hindered.
(5) If the circumstances specified in subsection (4) of this section become evident, the Board of Auditors shall make a proposal to the Ministry of Finance for revocation of the activity licence.

(6) Before deciding on the revocation of a licence, the Ministry of Finance shall grant an opportunity to hear the audit firm or the representative thereof.

§ 88. Suspension and restoration of validity of activity licence

(1) Activity licences shall be suspended and restored by the Ministry of Finance on the basis of an application of an audit firm.

(2) The Ministry of Finance may suspend an activity licence on the proposal of the Oversight Board if:
1) an audit firm is connected with disputes which may cause significant damage to the repute of a sworn auditor or the professional activities thereof or a client;
2) an audit firm operating as a sole proprietor is temporarily unable to provide an audit service for more than six consecutive months due to health or other reasons;
3) a repeated precept has been issued to an audit firm on the basis of this Act;
4) an audit firm operating as a sole proprietor is referred to an additional professional examination by a resolution of the Board of Auditors.

(3) An audit firm or the Board of Auditors shall notify the Oversight Board and the Ministry of Finance, when the circumstances specified in clause (2) 1) or 2) of this section or the circumstances that caused the precept specified in clause (2) 3) of this section cease to exist, within ten working days as of becoming aware that the circumstances have ceased to exist.

(4) The validity of an activity licence suspended on the basis of clause (2) 1) or 2) of this section shall be restored as of becoming aware that the abovementioned circumstances have ceased to exist.

(5) The validity of an activity licence suspended on the basis of clause (2) 3) of this section shall be restored as of becoming aware that the circumstances that caused the precept have ceased to exist.

(6) The validity of an activity licence of an audit firm operating as a sole proprietor, who has been referred to an additional professional examination and whose activity licence has been suspended, shall be restored after the audit firm has passed the professional examination.

§ 89. Permission to terminate transactions and acts relating to professional activities of sworn auditor

(1) After suspension or termination of the validity of an activity licence, the Ministry of Finance may, on the proposal of the Oversight Board, grant permission for the completion of the transactions or acts relating to the professional activities of a sworn auditor if this is necessary and possible considering the circumstances of the suspension or termination of the validity of the activity licence of the audit firm.

(2) The Ministry of Finance may request additional documents and information for verification of the justification of the grant of permission for completion of the transactions or acts relating to the professional activities of a sworn auditor.

(3) A decision made after suspension or termination of the validity of an activity licence by which the Ministry of Finance grants permission for the completion of the transactions and acts relating to the professional activities of a sworn auditor shall set out:
1) the transactions or acts for the completion of which the permission is granted;
2) the term of validity of the permission which shall not be longer for any of the transactions or acts provided for in clause 1) of this subsection than ten working days as of the date of granting the permission.

(4) The requirements for an audit firm provided for in this Act apply also to a person operating on the basis of the permission specified in subsection (1) of this section.

§ 90. Consequences of suspension and termination of validity of activity licence

(1) The principle provided for in subsection 57 (4) of this Act shall not be applied upon suspension and termination of the validity of an activity licence.

(2) Upon termination of the validity of an activity licence, the audit firm the validity of whose activity licence terminates is required to pay, within ten working days, the total membership fee payable to the Board of Auditors in the financial year which includes the date of termination of the validity of the activity licence.

(3) A decision on suspension, restoration or termination of the validity of an activity licence shall be promptly delivered to the audit firm concerning whose activity licence the decision was made.

(4) The Ministry of Finance shall promptly notify the competent authorities of the Contracting States, where the audit firm concerning whose activity licence the decision was made is registered, of the decision on suspension, restoration or termination of the validity of the activity licence.
(5) Upon termination of the validity of an activity licence, the audit firm, the validity of whose activity licence terminated on the basis of the circumstances specified in subsection 87 (4) of this Act, may apply for an activity licence after three years have passed from the revocation of the activity licence, but not before the information concerning the punishment has been expunged from the punishment register pursuant to the Punishment Register Act.

Chapter 7
AUDIT OBLIGATION AND AUDIT COMMITTEE
[RT I, 12.11.2010, 1 - entry into force 15.11.2010]

Division 1
Audit Obligation
[RT I, 12.11.2010, 1 - entry into force 15.11.2010]

§ 91. Audit obligation

(1) Unless otherwise provided by law, an audit of the annual accounts is compulsory for accounting entities within the meaning of the Accounting Act, in whose annual accounts at least two of the indicators of the financial year exceed the following conditions:
1) sales revenue or income 2,000,000 euros;
2) total assets as of the balance sheet date 1,000,000 euros;
3) average number of employees 30 people.

(2) An audit of the annual accounts is compulsory for accounting entities within the meaning of the Accounting Act, in whose annual accounts at least one of the indicators of the financial year exceeds the following conditions:
1) sales revenue or income 6,000,000 euros;
2) total assets as of the balance sheet date 3,000,000 euros;
3) average number of employees 90 people.

(3) An audit of the annual accounts is compulsory for all public limited companies, state accounting entities, local governments, legal persons in public law, foundations and political parties receiving allocations from the state budget and a company in which the state has at least the discretion for the purposes of the State Assets Act.

[RT I, 12.11.2010, 1 - entry into force 15.11.2010, valid for annual reports for reporting periods starting on or after 1 January 2010]

(4) An audit of the annual accounts is compulsory for a foundation established by the state, a legal person in public law, a local government, a political party or a company in which the state has at least the discretion for the purposes of the State Assets Act, as well as a foundation established on the basis of the will or a foundation that is subject to audit pursuant to the Statutes or the Board decision or which is in correspondence with the conditions provided for in subsections (1) or (2) of this section.

[RT I, 12.11.2010, 1 - entry into force 15.11.2010, valid for annual reports for reporting periods starting on or after 1 January 2010]

§ 92. Review obligation

(1) Unless otherwise provided by law, a review of the annual accounts is compulsory for an accounting entity within the meaning of the Accounting Act, in whose annual accounts at least two of the indicators of the financial year exceed the following conditions:
1) sales revenue or income 6,000,000 euros;
2) total assets as of the balance sheet date 3,000,000 euros;
3) average number of employees 90 people.

(2) A review of the annual report is compulsory for an accounting entity within the meaning of the Accounting Act, in whose annual accounts at least one of the indicators of the financial year exceeds the following conditions:
1) sales revenue or income 3,000,000 euros;
2) total assets as of the balance sheet date 1,500,000 euros; 3) average number of employees 45 people.

(21) Review of the annual accounts is compulsory for a foundation unspecified in subsection 91 (4) of this Act in whose annual accounts at least one of the indicators of the financial year exceeds the following conditions:
1) sales revenue or income 15,000 euros;
2) total assets as of the balance sheet date 15,000 euros;
(3) A compulsory review may be replaced by an audit.

§ 93. Specifications of audit and review obligations

The obligations provided for in subsection 91 (3) and 92 (1) and (2) do not apply to the Chamber of Notaries, the Bar Association and the Board of Auditors.

§ 94. Specifications of consolidating entity

An accounting entity that is required to prepare a consolidated annual report pursuant to subsection 28 (1) and § 29 of the Accounting Act shall determine whether an audit or review is compulsory on the basis of the consolidated indicators.

§ 95. Correspondence of information

An audit firm is required to verify, in the course of an audit or review, the compliance with the financial statement of financial and other information disclosed together with the financial statement in accordance with the standards for professional practice of sworn auditors established or approved on the basis of § 46 of this Act and the compliance of the disclosure thereof with the requirements for disclosure prescribed by law.

§ 951. Transactions legality control

Transactions legality control is compulsory to the extent determined by the National Audit Office for a company in which the state has at least a required discretion for the purposes of the State Assets Act, a foundation established by the state and a state company.

[RT I, 12.11.2010, 1 - entry into force 15.11.2010]

Division 2
Audit Committee, Formation and Bases for Activities Thereof

§ 96. Audit committee

An audit committee is an advisory body of the body or person that elected, approved or appointed its members in matters involving accounting, auditing, risk management, internal control and audit, exercising of oversight and budget preparation and legality of the activities.

§ 97. Formation of audit committee

(1) The members of an audit committee shall be elected or removed by the supervisory board or, in the absence thereof, by the highest management body.

(2) The members of the audit committee of a ministry shall be appointed or removed by the minister.

(3) An audit committee shall have at least two members, at least two of whom shall be experts in accounting, finance or law. In order to elect a member of the audit committee, his or her written consent is required.

(4) An internal auditor, a member of the management board, a procurator, an assistant minister or a secretary general of a ministry or a person performing an audit shall not be a member of an audit committee.

(5) The chairman of the supervisory board shall not be the chairman of an audit committee.

§ 98. Bases for activities of audit committee

(1) The function of an audit committee is to monitor and analyse:
1) processing of financial information;
2) efficiency of risk management and internal control;
3) the process of auditing of annual accounts and consolidated accounts;
4) independence of an audit firm and a sworn auditor representing an audit firm on the basis of law and compliance of the activities thereof with other requirements of this Act.

(2) In connection with the functions specified in subsection (1) of this section, an audit committee is required to make recommendations or proposals to the body or person that elected its members at least in the following issues:
1) appointment or removal of an audit firm;
2) appointment or removal of an internal auditor;
3) prevention or elimination of problems and inefficiencies in an organisation;
4) compliance with legislation and the good practice of professional activities.
(3) An audit firm shall provide an overview to the audit committee concerning the services provided and important observations and make proposals concerning risk management and control systems.

(4) The principles for the formation, remuneration and rules of procedure of an audit committee of a state company and a company in which the state has at least a required interest and of state-founded foundations shall be established by a regulation of the Minister of Finance.

(5) The principles for the formation, remuneration and rules of procedure of an audit committee in cases other than the ones provided for in subsection (4) of this section shall be established, if necessary, by the body or person that elected the members of the audit committee.

§ 99. Obligation to form audit committee

(1) The following shall form an audit committee:
   1) a public interest entity provided for in clauses 13 (1) 1)-3);
   2) a public interest entity provided for in subsections 13 (2) and (3).

(2) An accounting entity that is required to prepare a consolidated annual report pursuant to subsection 28 (1) and § 29 of the Accounting Act shall determine whether formation of an audit committee is compulsory on the basis of the consolidated indicators.

(3) A consolidation group is not required to form several audit committees if an audit committee is formed by a consolidating entity within the meaning of subsection 27 (1) of the Accounting Act and the activity of the audit committee covers the whole consolidation group.

(4) The activity of an audit committee formed at a ministry shall cover the whole area of government of the ministry.

§ 100. Specifications of local government in connection with audit committee

(1) In a local government which is a public interest entity in accordance with clause 13 (1) 4) of this Act, the functions of the audit committee specified in § 98 are performed by the revision committee which involves a person who meets the requirements provided for in subsection 97 (3).

(2) A member of the local government, an internal auditor or a person who performs an audit shall not be a member of an audit committee of a local government.

[RT I 2010, 72, 543 - entry into force 01.01.2011]

Chapter 8
BOARD OF AUDITORS

Division 1
Legal Status, Competence and Bodies of Board of Auditors

§ 101. Legal status of Board of Auditors

(1) The Board of Auditors is a self-governing professional association which organises audit activities in accountancy in private and public interests and protects the professional rights of its members.

(2) The Board of Auditors is a legal person in public law.

(3) The Board of Auditors shall operate pursuant to legislation, the statutes of the Board of Auditors, the resolutions of the bodies of the Board of Auditors, the decisions and precepts made by the Ministry of Finance, the generally recognised rules and practice of professional activities of auditors, and good morals.

(4) The statutes of the Board of Auditors shall provide for the organisation of work of the bodies of the Board of Auditors, legal relationship between the members of the Board of Auditors and the bodies of the Board of Auditors and regulate other issues within the competence of the Board of Auditors.

(5) The Board of Auditors shall be registered in the state register of state and local government agencies.

§ 102. Objective of Board of Auditors

(1) The objectives of the Board of Auditors are:
1) high quality of the professional activities, good repute and reliability of the members of the Board of Auditors;
2) development and harmonisation of good practice of professional activities of the members of the Board of Auditors;
3) organisation of oversight of the members of the Board of Auditors;
4) organisation of in-service training for the members of the Board of Auditors;
5) protection of the professional rights of the members of the Board of Auditors.

(2) In order to achieve its objectives, the Board of Auditors shall:
1) extend full cooperation with competent authorities by assisting upon exercising oversight, applying enforcement powers of the state and achieving the effectiveness of the measures taken;
2) co-ordinate the professional activities of the members of the Board of Auditors;
3) administer its assets;
4) represent the Board of Auditors in international professional organisations;
5) resolve issues pertaining to sworn auditor's professional activities.

§ 103. Member of Board of Auditors

(1) The following is a member of the Board of Auditors:
1) a sworn auditor as of the date of taking the sworn auditor’s oath;
2) an audit firm as of the date of the decision to issue an activity licence;
3) a person whose qualifications have been recognised by the Minister of Finance on the basis of subsection 30 (1) of this Act as of the date of taking the sworn auditor’s oath.

(2) A member of the Board of Auditors shall be excluded from the Board of Auditors by a resolution of the management board:
1) on the basis of an application;
2) upon termination of the validity or revocation of an activity licence;
3) upon a failure to pay the mandatory membership fee of the Board of Auditors by the due date or in the prescribed amount without good reason and regardless of a warning given by the management board;
4) upon deprivation of the qualification of a sworn auditor.

§ 104. Bodies of Board of Auditors

(1) The Board of Auditors shall act through its bodies.

(2) The bodies of the Board of Auditors are the general meeting, the President, the management board, the revision committee and the Oversight Board. The President is a member of the management board of the Board of Auditors.

(3) The bodies of the Board of Auditors shall be elected in the following order: the President, the members and alternate members of the management board, the members and alternate members of the revision committee, and finally the members and alternate members of the Oversight Board.

(4) The competence of the bodies of the Board of Auditors shall be provided for in this Act.

(5) The legal acts and resolutions adopted by the bodies of the Board of Auditors shall be mandatory for the members of the Board of Auditors.

Division 2

Assets and Mandatory Membership Fee of Board of Auditors

§ 105. Assets and budget of Board of Auditors

(1) The assets of the Board of Auditors are formed from:
1) the mandatory membership fee of the members of the Board of Auditors;
2) allocations from the state budget;
3) professional examination fees and in-service training fees;
4) income received from investment of the assets of the Board of Auditors;
5) fines imposed as disciplinary penalties received by the Board of Auditors;
6) donations;
7) other income.

(2) The expenditure of the Oversight Board for the organisation of oversight shall be financed through the allocations from the state budget intended for that purpose. Allocations from the state budget intended for that purpose shall be sufficient and consistent and shall ensure independence of the achievement of the objectives and performance of the obligations relating to oversight imposed on the Oversight Board by this Act. Allocations from the state budget intended for that purpose shall, among other, cover the expenditure relating to the oversight of the persons specified in subsection 81 (3) of this Act.
(3) The Board of Auditors shall not secure the obligations of other persons or grant loans.

(4) The budget of a financial year of the Board of Auditors shall, among other, set out the following:
1) income from the receipt of membership fee;
2) income from allocations from the state budget intended for the organisation of oversight;
3) expenditure of the Oversight Board for the organisation of oversight;
4) expenditure for the remuneration of the President;
5) expenditure for the remuneration of the members of the management board;
6) expenditure for the remuneration of the members of the revision committee.

(5) The Association of Auditors shall not change the intended purpose of the allocations from the state budget provided for in subsection (2) of this section.

(6) The Board of Auditors shall establish a liquidity reserve in order to ensure lawful performance of its obligations.

(7) The amount of the liquidity reserve shall be at least one third of the operating expenses of the previous financial year of the Board of Auditors and it shall not be less than 64,000 euros.

(8) The procedure for the establishment and use of a liquidity reserve shall be prescribed in the statutes of the Board of Auditors.

§ 106. Mandatory membership fee of members of Board of Auditors

(1) The mandatory membership fee of a member of the Board of Auditors (hereinafter membership fee) consists of two parts:
1) membership fee of a sworn auditor;
2) membership fee of a licensed member (hereinafter licence fee).

(2) The calculation period for membership fee is the financial year of the Board of Auditors. The amount of the membership fee shall be established for the financial year of the Board of Auditors, which is the calculation period.

(3) Membership relating to the obligation to pay the membership fee shall be ascertained as of 1 July of the financial year, which is the calculation period.

(4) The membership fee of a sworn auditor shall be at least 64 euros per sworn auditor.

(5) The rate of the licence fee is 0.5-3 per cent of the total sales revenue from the audit services provided on the basis of the activity licence specified in subsection 81 (1) of this Act in the membership fee calculation period preceding the calculation period of the membership fee of an audit firm, which shall be indicated in an activity report complying with § 157 of this Act.

[RT I, 12.11.2010, 1 - entry into force 15.11.2010]

(6) The management board of the Board of Auditors shall submit a proposal to the Oversight Board concerning the membership fee together with the budget of the financial year, which is the calculation period, not later than by 31 August of the current financial year.

[RT I, 12.11.2010, 1 - entry into force 15.11.2010]

(7) The Oversight Board shall establish the amount of the membership fee of a sworn auditor and the rate of the licence fee for the following financial year of the Board of Auditors not later than by 15 September of the current financial year.

[RT I, 12.11.2010, 1 - entry into force 15.11.2010]

(8) The amount of a licence fee may be determined in accordance with the principle of equal treatment for a person specified in subsection 108 (1) of this Act by a resolution of the Oversight Board if the person fails to submit an activity report by the due date or submits false information in the activity report or if the person commences or continues the professional activities of a sworn auditor.

(9) The provisions specified in subsection (5) of this section shall also apply to a sworn auditor who has passed the aptitude test for recognition and operates as an audit firm in the form of a sole proprietor.

[RT I, 12.11.2010, 1 - entry into force 15.11.2010]

(10) With good reason, the Oversight Board may decide to change the due date for the payment of the membership fee of a member of the Board of Auditors and reduce the sworn auditor’s membership fee or the rate of the licence fee.
§ 107. Payment of membership fee of sworn auditor

(1) A sworn auditor is required to pay the membership fee of a sworn auditor. The membership fee of a sworn auditor may be paid by the organisation where the sworn auditor is employed.

(2) The due date for the payment of the membership fee of a sworn auditor is 10 November of the financial year, which is the calculation period for the membership fee.

(3) A person who becomes a member of the Board of Auditors during the financial year, which is the calculation period for a membership fee, shall pay the membership fee of a sworn auditor within one month as of becoming a member.

§ 108. Payment of licence fee

(1) An audit firm is required to pay a licence fee.

(2) The due date for the payment of a licence fee is the following date of the financial year which is the calculation period for the licence fee:
   1) 10 November when 65 per cent of the amount payable shall be paid;
   2) 28 February when 35 per cent of the amount payable shall be paid.

(3) The amount of the licence fee payable shall be calculated as a an amount which equals the total sales revenue from the professional activities of a sworn auditor of the financial year preceding the calculation period multiplied by the rate of the licence fee.

(4) A person who becomes a member of the Board of Auditors during the financial year which is the calculation period for a licence fee and who is required to pay the licence fee shall pay a sum which equals three times the amount of the membership fee of a sworn auditor established for this calculation period within six months as of becoming a member.

(5) An audit firm is not required to pay the amount specified in clause (2) 2) of this section upon the submission and satisfaction of an application for suspension or termination of an activity licence before 31 December of the current year.

(6) The rate of the licence fee of an audit firm subject to quality control with increased frequency shall increase 1.5 times (hereinafter increased rate). The increased rate shall be applied as of the financial year which is the calculation period for the membership fee during which the management board of the Board of Auditors adopts a resolution on the basis of subsection 142 (2) of this Act until the end of the financial year which is the calculation period of the membership fee during which the management board of the Board of Auditors adopts a resolution on restoration of the nominal frequency of quality control.

(7) The amount of the licence fee payable on the basis of the increased rate shall be paid to the Board of Auditors within ten working days as of the receipt of the corresponding request.

Division 3
General Meeting of Board of Auditors

§ 109. General meeting

(1) The general meeting of the Board of Auditors is a body, which is comprised of all the members of the Board of Auditors.

(2) The general meeting shall:
   1) approve the statutes of the Board of Auditors;
   2) determine the number of the members and alternate members of the management board;
   3) elect the President, the management board, the revision committee and the members and alternate members of the Oversight Board representing the Board of Auditors from among the sworn auditors;
   4) decide on the removal of the members and alternate members elected from among the sworn auditors;
   5) remove a member or alternative member of the management board elected from among the sworn auditors at the request of the Oversight Board;
   6) settle complaints within the competence provided for in subsection 115 (1) of this Act;
   7) approve the annual report and the budget of the Board of Auditors;
   8) approve the symbols of the Board of Auditors;
   9) decide other issues prescribed by law and the statutes of the Board of Auditors.

§ 110. Annual general meeting

(1) The management board shall call an annual general meeting at least once a year within four months following the end of a financial year.
(2) The Management Board shall notify the members of the Board of Auditors of the time, venue and agenda of an annual general meeting at least one month before the meeting is held.

§ 111. Special general meeting

(1) The President shall call a special general meeting:
1) on his or her own initiative;
2) on the proposal of the Management Board;
3) on the proposal of the revision committee;
4) on the proposal of the Oversight Board;
5) on the proposal of the Minister of Finance;
6) on the request of at least one-sixth of the members of the Board of Auditors.

(2) If the President fails to call a special general meeting within one month after receiving a proposal from the members of the Board of Auditors, the Oversight Board, the Management Board, the revision committee or the Minister of Finance, the Management Board of the Board of Auditors shall call a general meeting.

(3) The President or the Management Board shall notify the members of the Board of Auditors of the time, venue and agenda of a special general meeting at least two weeks before the meeting is held.

§ 112. Adoption of resolutions and election

(1) The general meeting shall have a quorum regardless of the number of participants.

(2) The resolutions of the general meeting are adopted by open vote unless the general meeting decides otherwise.

(3) Each member of the Board of Auditors has one vote.

(4) A member of the Board of Auditors may, on the basis of a written authorisation, also represent one or several other members of the Board of Auditors in addition to himself or herself having thereby the corresponding number of votes. The Board of Auditors shall enable its member to notify in a format that can be reproduced in writing of the appointment of a representative and of the withdrawal of authorisation by the person represented to the Board of Auditors in a secure manner, which enables identification of the member of the Board of Auditors. The detailed procedure for appointment of a representative and withdrawal of the authorisation may be determined in the Statute.

(5) A resolution is deemed to be adopted if over one-half of the votes represented at the general meeting are in favour. A resolution of the general meeting may prescribe a greater majority requirement.

(6) The members of the bodies of the Board of Auditors shall be elected at the general meeting in accordance with the following principles:
1) votes are given to each candidate separately;
2) the candidate who receives the greatest numbers of votes shall be elected unless this Act provides for a different majority requirement.

(7) In the election of the President, the candidate who receives more than one-half of the votes of the participants shall be elected. If no candidate receives the required majority of votes, a second round shall be held between the two candidates who received the greatest number of votes. The candidate who receives the greatest number of votes in the second round shall be elected. If votes are divided equally, lots shall be drawn.

Division 4
President and Management Board of Board of Auditors

§ 113. President

(1) The President shall represent the Board of Auditors in all legal acts taking into account the provisions of clause 115 (2) 1) of this Act.

(2) The President shall organise the work of the management board and chair the sessions of the management board and the general meeting.

(3) In the absence of the President, his or her duties shall be performed by the Vice-President.
(4) The amount of the remuneration of the President shall be determined in the budget by a resolution of the management board.

(5) The President shall be elected for three years.

(6) No one shall be elected to the office of President for more than one consecutive term.

§ 114. Management Board

(1) The management board is a permanent body of the Board of Auditors, which consists of seven to eleven members and organises the activities of the Board of Auditors.

(2) The members of the management board shall be elected for a term of three years.

(3) The authority of a member of the management board shall commence as of the date of election. The authority of a member of the management board terminates as of the date of the election of a new member of the management board.

(4) The management board shall adhere to the lawful orders of the Oversight Board concerning oversight.

(5) A member of the management board shall not be a member of the revision committee or the Oversight Board.

(6) The statutes of the Board of Auditors may prescribe more specific rules of procedure of the management board.

(7) The remuneration of the members of the management board shall be determined in the budget by a resolution of the general meeting.

(8) The meetings of the management board are not public.

§ 115. Competence and functions of management board

(1) Upon organising the activities of the Board of Auditors, the management board is competent to:
1) elect the Vice-President of the Board of Auditors from among its members and remove the Vice-President;
2) appoint the Chancellor of the Board of Auditors who shall perform the executive and organisational duties assigned by the management board;
3) direct the Board of Auditors taking into account the provisions of subsection 114 (4) of this Act;
4) administer the assets of the Board of Auditors;
5) organise the accounting of the Board of Auditors;
6) prepare the budget for the financial year and annual report of the Board of Auditors, except to the extent specified in clauses 105 (4) 2) and 3) of this Act, and submit the budget and the report to the general meeting for approval;
7) decide on making the transactions necessary for the activities of the Board of Auditors, except in matters specified in clauses 105 (4) 2) and 3) of this Act to the extent of and according to the budget approved by the general meeting;
8) organise cooperation with research institutions and universities.

(2) In the field of oversight the management board is competent to:
1) represent the Board of Auditors with the consent of the Oversight Board;
2) adopt resolutions relating to the professional examination on the basis of subsection 24 (2) of this Act;
3) carry out quality controls pursuant to the procedure approved by the Oversight Board;
4) conduct disciplinary proceedings pursuant to the procedure approved by the Oversight Board;
5) conduct processing of the complaints received with respect of members of the Board of Auditors and investigation thereof pursuant to the procedure approved by the Oversight Board;
6) carry out in-service training of sworn auditors in compliance with the in-service training program;
7) decide on recognition of in-service training on the basis of subsection 42 (4) of this Act;
8) organise processing of information entered in the register on the basis of the authorisation of the Minister of Finance;
9) make proposals to the Minister of Finance on the basis of subsection 32 (4) or 87 (5) of this Act;
10) notify the Oversight Board and the Ministry of Finance on the basis of subsection 88 (3) of this Act;
11) make proposals to the Oversight Board on the basis of subsection 106 (6) of this Act;
12) make proposals to the Oversight Board concerning control periods of quality controls;
13) organise the collection, processing of information and submission of reports to the Oversight Board within the limits of the competence provided for in this subsection.

(3) The function of the management board is to develop or amend and submit to the Oversight Board:
1) the standards provided for in clause 46 (1) 1) of this Act and the interpretations thereof;
2) the standards provided for in subsection 46 (2) of this Act and the interpretations thereof;
3) the procedure for quality control;
4) the procedure for conduct of disciplinary proceedings;
5) the procedure for the processing and investigation of complaints;
6) the procedure for the preparation, submission and publication of activity reports and transparency reports;
7) the operations procedure of the Board of Auditors;
8) the in-service program for a sworn auditor;
9) recommendations and instructions relating to audit activities;
10) the questions and sample answers of the professional examination;
11) translations of international standards and other documents relating to audit activities.

(4) The function of the management board is to develop or amend and submit to the Ministry of Finance:
1) the program and procedure of the professional examination;
2) the procedure for the certification of practicing under the supervision of a sworn auditor and operating in the
profession of a sworn auditor.

(5) The management board shall submit the budget provided for in clause (1) 6) of this section to the general
meeting after it has been approved by the Oversight Board.

(6) The management board shall submit the proposals provided for in clause (2) 9) and the procedures provided
for in subsection (4) of this section to the Ministry of Finance after they have been approved by the Oversight
Board.

§ 116. Resolution of management board

(1) Each member of the management board has one vote. Unless otherwise provided for by this Act, members
of the management board do not have the right to abstain from voting or to remain undecided.

(2) The management board has a quorum if more than one-half of the members of the management board
participate in the meeting of the management board. Minutes shall be taken of the meetings of the management
board. The requirements for taking of the minutes shall be provided for in the Statutes of the Board of Auditors.

(3) The management board is entitled to take a decision without calling the meeting if all the members of the
Board agree. The procedural rules and the requirements for taking the minutes of the election with regard to
adopting the resolution of the Board without convening a meeting shall be provided for in the Statutes of the
Board of Auditors.

(4) A resolution of the management board is adopted if more than one-half of the votes of the members of the
management board participating in the voting are in favour. The President shall have the casting vote upon an
equal division of votes.

(5) In disciplinary proceedings the management board shall make a resolution by which it deems a disciplinary
offence to be established and imposes a disciplinary penalty or deems the absence of a disciplinary offence to be
established.

(6) A member of the Board of Auditors with respect to whom the resolution of the management board is made
shall be immediately notified of the resolution.

(7) A member of the management board shall not vote if entry into a transaction with the member is being
decided or any other decision pertaining directly the member or his or her interests is being voted.

[RT I, 12.11.2010, 1 - entry into force 15.11.2010]

§ 117. Liability of members of management board

(1) The members of the management board shall be solidarily liable for any damage caused to the Board of
Auditors by violation of law or the requirements of the statutes of the Board of Auditors or by a failure to fulfil
their obligations.

(2) A member of the management board shall be relieved from liability if he or she maintained a dissenting
opinion in the adoption of the resolution which was the basis for the illegal activity, and the dissenting opinion
has been recorded in the minutes or if he or she was not present when the resolution was adopted.

(3) The limitation period for submission of claims against a member of the management board shall be five
years unless another limitation period has been agreed upon with the member of the management board.

Division 5
§ 118. Revision committee

(1) The revision committee shall consist of three members.

(2) The revision committee shall audit the annual report of the Board of Auditors.

(3) A member of the revision committee shall not be a member of the Oversight Board or be in an employment relationship with the Board of Auditors or the Ministry of Finance.

(4) The members of the revision committee shall be elected for a term of three years.

(5) Each member of the revision committee has one vote. A resolution of the revision committee shall be adopted if at least two-thirds of the votes of the members of the revision committee are in favour. Members of the revision board do not have the right to abstain from voting or to remain undecided.

§ 119. Financial year and reporting

(1) The financial year of the Board of Auditors begins on 1 January and ends on 30 December.

(2) The management board shall prepare an annual report for the previous financial year and submit it to the Oversight Board within seventy-five days following the end of the financial year.

(3) The revision committee shall review the annual report and prepare a report of the revision committee thereof within ten working days as of the submission of the annual report to the revision committee. The report of the revision committee shall give, among other, a review of the audit procedures, present the circumstances requiring the indication separately and the summary of the audit and indicate whether the revision committee makes a proposal to the general meeting to approve or turn down the annual report.

(4) The Oversight Board shall review the annual report and the opinion of the revision committee and prepare a written report thereon (hereinafter report of the Oversight Board). The Oversight Board shall indicate in the report whether it approves the annual report prepared by the management board. In addition, the Oversight Board shall indicate in the report how the Oversight Board has organised and directed oversight.

(5) The Oversight Board has the right to make proposals in the report of the Oversight Board to the management board for making amendments in the prepared annual report before submission thereof to the general meeting.

(6) Within four months after the end of the financial year, the management board shall submit the annual report together with the opinion of the revision committee and the report of the Oversight Board to the general meeting for approval.

§ 120. State supervision of activities of Board of Auditors

(1) State supervision over the Board of Auditors shall be exercised by the Ministry of Finance.

(2) Copies of all the resolutions of the general meeting of the Board of Auditors shall be sent to the Ministry of Finance. The management board of the Board of Auditors shall send a copy of the annual report approved by the general meeting together with the copies of the opinion of the revision committee and the report of the Oversight Board to the Ministry of Finance within ten working days as of the approval of the annual report by the general meeting.

(3) The Board of Auditors is required to submit copies, transcripts and extracts of the documents and procedural materials of its bodies to the Ministry of Finance at the request thereof.

(4) The Minister of Finance has the right to file protests with administrative courts against administrative acts or measures of the bodies of the Board of Auditors.

Chapter 9
OVERSIGHT AND REGISTER

Division 1
Oversight

§ 121. Bases for oversight

(1) The Oversight Board is an independent supervisory body of the Board of Auditors established on the basis of this Act whose function is to organise oversight in the public interest and take measures for facilitating the development of audit activities, the achievement and protection of the quality of the professional activities a sworn auditor.

(2) The Oversight Board is an administrative agency which consists of seven to nine members and who performs the functions assigned to it by law in accordance with public interest.

(3) The rules of procedure of the Oversight Board shall be established by a regulation of the Minister of Finance.

(4) The members of the Board of Auditors are subject to oversight. Oversight includes, among other, the internal quality control of a professional association, disciplinary proceedings and the processing and investigation of complaints.

(5) Internal auditors and the Board of Auditors are subject to the oversight of the Ministry of Finance.

(6) The Minister of Finance shall form an advisory committee, which shall consist of up to five members, in order to resolve issues relating to the professional activities of internal auditors and the oversight thereof (hereinafter the professional qualifications committee of internal auditors).

(7) If the Oversight Board becomes aware of elements of a punishable act provided by law, the Oversight Board shall, depending on the circumstances of the act:
   1) make a proposal to the management board of the Board of Auditors to commence disciplinary proceedings;
   2) make a proposal to the Ministry of Finance to issue a precept in compliance with the provisions of § 130 of this Act or to commence misdemeanour proceedings;
   3) make a proposal to the Prosecutor’s Office to commence criminal proceedings.

(8) The state is liable for the damage caused by the Oversight Board as a public authority.

(9) The provisions of the Substitutive Enforcement and Penalty Payment Act apply to imposition of penalty payment, substitutive enforcement and application of a coercive measure prescribed in this Act.

(10) Close links between a member of the Board of Auditors and another person and the requirements or implementation of the requirements arising from the legislation of a state where a person with whom a member of the Auditors Association has close links is founded or operates, shall not prevent exercise of the required oversight.

§ 122. Information and documents required for oversight

(1) The management board of the Board of Auditors, a member of the Oversight Board, a public servant of the Ministry of Finance, a member of the control team provided for in subsection 138 (1) of this Act and a person appointed on the basis of subsection 138 (4) of this Act have the right to verify all the details relating to the professional activities of a member of the Board of Auditors, obtain information necessary for oversight from a member of the Board of Auditors, examine documents relating to the professional activities of a sworn auditor in any medium and receive copies, transcripts and extracts.

(2) If the management board of the Board of Auditors becomes aware of information concerning violation of this Act by a member of the Board of Auditors and it appears from the circumstances as a whole that there is a reason for suspicion of an offence and the offence cannot be regarded as a disciplinary offence provided for in § 144 of this Act, the Board of Auditors shall forward the information to the Oversight Board.

(3) If the Oversight Board becomes aware of information concerning violation of this Act by a member of the Board of Auditors and it appears from the circumstances as a whole that there is a reason for suspicion of an offence and the offence cannot be regarded as a disciplinary offence provided for in § 144 of this Act or a misdemeanour provided for in Chapter 10, the Oversight Board shall notify the competent state authority thereof.
§ 123. Competence and functions of Ministry of Finance

(1) The Ministry of Finance is competent to:
1) organise maintenance of the register;
2) exercise state supervision over the Board of Auditors;
3) decide on the award, refusal to award and deprivation of the qualification of a sworn auditor on the basis of subsection 32 (4) of this Act;
4) decide on the issue or refusal to issue, suspension, restoration or termination of validity of an activity licence;
5) decide on the recognition or refusal to recognise the equivalence of the qualification of a sworn auditor;
6) exercise the oversight of internal auditors;
7) decide on the award, refusal to award and deprivation of the qualification of an internal auditor or the qualification level of a public sector internal auditor;
8) decide on the recognition of or refusal to recognise the results of an examination similar to the sub-part of the special part of internal auditors of the professional examination;
9) process complaints submitted concerning the professional activities of an internal auditor;
10) carry out investigations on the basis of subsection 132 (5) of this Act;
11) make decisions concerning the professional examination on the basis of subsection 33 (4) of this Act;
12) decide on the release from in-service training on the basis of clause 67 (7) 3) of this Act;
13) recognise in-service training on the basis of subsection 67 (3) of this Act;
14) apply administrative coercion on the bases, to the extent and pursuant to the procedure prescribed by law;
15) conduct proceedings relating to inadequate performance or a failure to perform the obligations imposed by this Act and impose punishment on a member of the Board of Auditors or a member of the management board thereof.

(2) The function of the Ministry of Finance is to prepare or amend:
1) the standards for professional practice of an internal auditor and the standards on which the professional activities of an internal auditor are based on;
2) the procedure for practicing under the supervision of an authorised internal auditor;
3) the procedure for the preparation and submission of the activity report of an internal auditor;
4) the in-service program for an internal auditor.

(3) The function of the Ministry of Finance is to organise the translation of international internal auditing standards and other documents relating to internal auditing.

(4) If necessary, the internal auditors professional qualifications committee shall make a proposal to the Minister of Finance concerning the issues provided for in clauses (1) 6)-12) and subsection (2) of this section.

§ 124. Competence and functions of Oversight Board

(1) The Oversight Board is competent to:
1) organise and direct oversight;
2) approve or endorse the documents submitted pursuant to clause 115 (3) 1) of this Act and submit them for transposition and establishment;
3) approve the documents submitted pursuant to clauses 15 (2) 12) and (3) 2)-10) of this Act;
4) make the questions and sample answers of the professional examination available to the public;
5) request from the general meeting of the Board of Auditors the removal of a member of the management board or revision committee if the management board or revision committee fails to perform the functions arising from law or the statutes of the Board of Auditors or if the functions are not performed with due diligence;
6) exercise oversight over quality control;
7) exercise oversight over disciplinary proceedings;
8) exercise oversight over processing of complaints in the management board of the Board of Auditors;
9) exercise oversight over in-service training of sworn auditors;
10) appoint and remove members and chairman of the examination board;
11) decide on the permission of an applicant for a qualification or a person referred to re-examination to take the professional examination;
12) decide on whether or not a person has passed a professional examination;
13) make proposals for award of the qualification of a sworn auditor or the recognition of equivalence thereof or the award of the qualification level of a public sector sworn auditor;
14) receive the sworn auditor’s oath;
15) establish the amount of the membership fee and the rate of the licence fee of a sworn auditor;
16) decide on the release from in-service training on the basis of clause 42 (6) 3) of this Act;
17) determine the amount of the licence fee on the basis of subsection 106 (8) of this Act;
18) decide on the conditions for the payment of membership fee by members of the Board of Auditors on the basis of subsection 106 (10) of this Act;
19) deprive of the qualification on the basis of subsection 32 (1) of this Act;
20) make proposals to the Minister of Finance for deciding on the deprivation of a qualification;
21) extend full cooperation with competent authorities, the European Commission and the Ministry of Finance and make proposals on the basis of this Act;
22) make resolutions on the basis of subsection 160 (2) of this Act;
23) represent Estonia in the European Commission in connection with the oversight over audit activities;
24) approve the decisions of the Board of Auditors on the imposition of disciplinary penalty, the termination of or refusal to commence disciplinary proceedings;
25) process complaints submitted concerning the activities of the Board of Auditors;
26) carry out investigation on the basis of subsections 132 (1)-(4) of this Act;
27) make proposals on the basis of subsection 121 (7) of this Act;
28) prepare the budget of a financial year of the Board of Auditors to the extent specified in clauses 105 (4) 2) and 3) of this Act and decide on making transactions necessary for the operation of the Oversight Board;
29) approve the proposals of the management board of the Board of Auditors if so prescribed by law;
30) make proposals and issue orders to the management board of the Board of Auditors.

(2) The function of the Oversight Board is to organise:
1) professional examinations;
2) translation of international standards and other documents relating to audit activities.

(3) The Oversight Board shall resolve also other issues relating to audit activities and management of the Board of Auditors.

§ 125. Appointment of members of Oversight Board

(1) The members of the Oversight Board shall be appointed and removed by the Minister of Finance.

(2) A proposal concerning the members of the Oversight Board shall be made to the Minister of Finance by:
1) the Financial Supervision Authority - concerning one member;
2) the National Audit Office – concerning one member;
3) the Ministry of Justice – concerning one member;
4) the Board of Auditors – concerning two members.

§ 126. Requirements for members of Oversight Board

(1) The members of the Oversight Board shall be appointed from among the experts of accounting, finance, business or law.

(2) The members of the Oversight Board shall be Estonian citizens with active legal capacity, good professional or business reputation and experience necessary for management.

(3) The majority of the appointed members of the Oversight Board shall have passed the section of the professional examination provided for in clause 19 (1) 2) of this Act or the sub-part of the special part of internal auditors of the professional examination provided for in clauses 34 (1) 1) and 2) or 3) of this Act.

(4) The members of the Oversight Board shall not, within three years before appointment as a member, have:
1) provided an audit service as an audit firm;
2) had voting right in an audit firm;
3) been a member of the management board or a managing partner of an audit firm;
4) been employed in an audit firm or essentially related to it in any other way.

(5) The provisions of subsection (4) of this section do not apply to the members of the Oversight Board appointed on the basis of clauses 125 (2) 2) and 4) of this Act.

(6) A member of the Oversight Board with respect to whom the provisions of subsection (4) of this section do not apply shall not be appointed Chairman of the Oversight Board.

(7) The following persons shall not be appointed as members of the Oversight Board:
1) a person under preliminary investigation for or accused of a criminal offence for which the law prescribes imprisonment or a person with a criminal record for criminal official misconduct or any other intentionally committed criminal offence;
2) a person whose previous unlawful act or omission has resulted in the bankruptcy, compulsory dissolution or revocation of the activity licence of a company;
3) a person who is bankrupt or a person who has been subject to the prohibition on business or who has been deprived of the right to engage in an economic activity pursuant to law.

(8) No one shall be appointed Chairman of the Oversight Board for more than two consecutive terms.

§ 127. Term of authority of member of Oversight Board

(1) The term of authority of a member of the Oversight Board is five years as of appointment as a member of the Oversight Board.
(2) Upon expiry of the term of authority, a member of the Oversight Board shall perform his or her functions until the appointment of a new member, except in the case provided for in subsection 128 (2) of this Act.

(3) Upon expiry of the term of authority or the removal or death of a member of the Oversight Board, the person specified in subsection 125 (2) shall make a proposal to the Minister of Finance concerning a new member of the Oversight Board within a reasonable period of time.

§ 128. Removal of member of Oversight Board

(1) If a member of the Oversight Board submits a written application for resignation before the expiry of his or her term of authority, the member who submitted the application shall be removed within thirty working days.

(2) A member of the Oversight Board shall be immediately removed before the expiry of his or her term of authority if:
   1) a judgment of conviction made against him or her in a criminal matter enters into force;
   2) in the event of violation of the provisions concerning the independence of a member of the Oversight Board or obligation to maintain professional secrecy;
   3) a bankruptcy order enters into force or a prohibition on business is applied with regard to him or her or the right to engage in economic activity is taken away from him or her pursuant to law;
   4) he or she does not comply with the requirements established by this Act for a member of the Oversight Board or submits false information concerning compliance with such requirements.

(3) A member of the Oversight Board may be removed before the expiry of his or her term of authority if he or she suffers from an illness lasting for more than four months or if there is any other good reason due to which he or she is unable to perform his or her obligations.

§ 129. Chairman of Oversight Board

The Chairman of the Oversight Board shall:
   1) organise the activities and administration of the Oversight Board;
   2) convene and chair the meetings of the Oversight Board;
   3) organise the taking of minutes at the meetings;
   4) perform other functions concerning the activities of the Oversight Board.

§ 130. Precept of Ministry of Finance

(1) The Ministry of Finance may issue a precept in which the Ministry of Finance:
   1) demands that a member of the Oversight Board or an internal auditor terminate the offence;
   2) demands that a member of the Oversight Board reverse a measure;
   3) demands that a member of the Oversight Board issue an administrative act, take a measure or pass a new resolution on a matter;
   4) refers an internal auditor to an additional professional examination.

(2) The Ministry of Finance may issue a precept on the proposal of the Oversight Board in which the Ministry of Finance:
   1) demands that a member of the management board of the Board of Auditors, a sworn auditor or an audit firm terminate the offence;
   2) demands that a member of the management board of the Board of Auditors reverse a measure;
   3) demands that the Management Board of the Board of Auditors issue of an administrative act, take a measure or pass a new resolution of a matter;
   4) demands that an audit firm eliminate the deficiencies which constitute the basis for revocation of the activity licence;
   5) demands that a sworn auditor eliminate the deficiencies which constitute the basis for deprivation of the qualification;
   6) demands that the violation of the procedure for the use of a business name provided for in § 9 of this Act be terminated.

(3) A precept of the Ministry of Finance shall set out:
   1) the name and position of the person preparing the precept;
   2) the date of preparation of the precept;
   3) the name and address of the recipient of the precept;
   4) the factual and legal basis for the precept;
   5) a clearly expressed demand together with references to the provisions of the relevant legislation;
   6) the term for compliance with the precept;
   7) the amount of the penalty payment to be imposed upon a failure to comply with the precept;
   8) the procedure for the contestation of the precept.

(4) A precept shall be submitted to the recipient of the precept immediately against a signature or sent to the recipient of the precept by registered mail with advice of delivery.

(5) A recipient of a precept is obliged to comply with the precept and the contestation of a precept shall not discharge the recipient of the precept from the obligation to comply with the precept.
§ 131. Penalty payment

(1) In the event of a failure to comply or an inappropriate compliance with the precept issued pursuant to this Act, the Ministry of Finance has the right to impose a penalty payment pursuant to the procedure provided for in the Substitutive Enforcement and Penalty Payment Act.

(2) In the event of a failure to comply or an inappropriate compliance with a precept, the upper limit for the penalty payment is, in the case of a natural person, up to 5,000 euros to enforce the performance of one and the same obligation and, in the case of a legal person, up to 50,000 euros to enforce the performance of one and the same obligation.

§ 132. Investigation

(1) The Oversight Board may investigate the activities of a member of the Board of Auditors independently in order to ascertain, detect, correct or prevent activities which do not comply with the requirements provided for in this Act.

(2) The Oversight Board shall apply investigative measures with respect to the President, Management Board, revision committee and general meeting of the Board of Auditors in order to achieve the objectives and perform the functions of oversight provided for in this Act.

(3) The Oversight Board shall apply investigative measures with respect to third-country sworn auditors entered in the register in Estonia concerning their activities in Estonia.

(4) The Oversight Board shall grant authorisation to the Management Board of the Board of Auditors for investigative activities or investigation proceedings.

(5) The Ministry of Finance may investigate the activities of an internal auditor independently in order to detect, correct or prevent activities which do not comply with the requirements provided for in this Act.

Division 2
Confidentiality of Oversight, Disclosure of Activities and Reporting

§ 133. Confidentiality of oversight

(1) Proceedings conducted for the exercise of oversight on the basis of this Act are not public.

(2) Information and documents in any type of media obtained from the subjects of oversight or other persons or agencies, including data, certificates, reports and precepts prepared in the course of financial oversight, and other documents containing information on the results of oversight shall be confidential.

(3) A person shall maintain indefinitely the confidentiality of the confidential information and documents specified in subsection (2) of this section which has become known to him or her unless otherwise provided for in this Act.

(4) Persons shall not use any confidential information and documents specified in subsection (2) of this section of which they have become aware in their personal interests.

(5) Confidential information and documents specified in subsection (2) of this section, including documents containing information on the results of oversight, may be disclosed:
   1) to the institutions specified in clauses 48 (3) 1)-5) of this Act for the performance of their functions on condition that they are required to maintain professional secrecy pursuant to law;
   2) to a competent authority pursuant to the procedure prescribed in §§ 160 and 162 of this Act;
   3) if the information disclosed does not enable ascertaining data concerning specific persons.

§ 134. Disclosure of activities

(1) The resolutions of the bodies of the Board of Auditors and resolutions concerning oversight over audit activities are not public information and they shall be disclosed only to the extent necessary for the purpose of entering the resolutions in the register on the basis provided for in subsections 156 (3)-(6) of this Act.

(2) The Oversight Board and the Ministry of Finance have the right to disclose, in full or in part, an administrative act or a decision made in a misdemeanour matter if it is necessary to protect the public, investors or clients of subjects of oversight or to ensure the lawful or regular operation of audit.
(3) The Oversight Board and the Ministry of Finance have the right to disclose systematised and statistical data concerning the subjects of oversight which reflect in an aggregate form the activities, the services provided by or the financial situation of the subject of oversight and the changes occurring therein. Disclosure of information is permitted only if the information disclosed does not enable ascertaining data relating to a single client of the subject of oversight or a single client of the subject of oversight included in the set of persons referred to in the consolidated data.

§ 135. Yearbook of oversight

No later than by 15 October each year, the Oversight Board shall make a yearbook of oversight, which sets out the work schedules and activities of the Oversight Board and the results thereof, available in the public computer network.

Division 3
Internal Quality Control in Professional Association as Part of Oversight

§ 136. Internal quality control in professional association

(1) The objective of the Board of Auditors in the course of internal quality control of a professional association (hereinafter quality control) is to verify the compliance of the audit service provided during the control period by a person subject to quality control with the legislation regulating the audit activities and the standards approved or instructions and recommendations given on the basis thereof:

[RT I, 12.11.2010, 1 - entry into force 15.11.2010]

(2) An audit firm and a person specified in subsection 81 (3) of this Act are subject to quality control.

(3) Quality control shall be organised by the Management Board of the Board of Auditors under the direction and supervision of the Oversight Board and pursuant to the quality control procedure.

(4) Quality control with respect to persons recognised on the basis of subsection 30 (1) of this Act shall be performed with regard to the audit service provided in Estonia by these persons.

[RT I, 12.11.2010, 1 - entry into force 15.11.2010]

(5) The quality control procedure shall be approved by the Oversight Board.

§ 137. Quality control

(1) The Board of Auditors shall carry out regular or special quality control at the workplace or seat of the person specified in subsection 136 (2) of this Act or the seat of the Board of Auditors.

(2) The quality controls carried out by the Board of Auditors shall be based on the previous collection of data and risk analysis.

(3) Regular quality control of a person subject to quality control shall be carried out with the frequency of at least once in six years (hereinafter nominal frequency) unless otherwise provided for in this Act.

(4) After the issue of an activity licence the regular quality control of a person subject to quality control shall be carried out within two years as of the issue of the activity licence.

(5) Regular quality control with respect to an audit firm who has entered into a client contract with a public interest entity and with respect to a sworn auditor who provides an audit service in this entity while being employed in a public sector entity shall be carried out at least once in three years as of the issue of the sworn auditor’s report to the public interest entity.

(6) In the course of quality control the following shall be assessed:

1) compliance with the requirements provided for in the professional activities standards for sworn auditors established or approved on the basis of § 46 of this Act and the requirements provided for in this Act;

2) the amount and quality of resources used for the provision of an audit service in order to ascertain compliance with the sworn auditors established or approved on the basis of § 46 of this Act and to allow to decide on the compliance with the requirements provided for by this Act;

3) internal control as a system and the efficiency thereof;

4) other acts and procedures necessary for achievement of the objectives of oversight over the performance of the functions.

§ 138. Quality control team

(1) The quality control team (hereinafter control team) formed by the Management Board of the Board of Auditors shall ascertain the facts of quality control and internal disciplinary proceedings of a professional
(1) The manager of the control team shall be a member of the Management Board of the Board of Auditors.

(2) The Management Board of the Board of Auditors shall determine the size of the control team and elect the members on the basis of the risk analysis, objective, schedule and object. The smallest control team consists of two members.

(3) A member of a control team shall be a sworn auditor and shall have experience in the preparation of reports on the professional activities of a sworn auditor and financial reports and shall have completed special training in quality control organised by the Ministry of Finance.

(4) At least one person appointed by the Oversight Board shall participate in the quality control carried out or disciplinary proceedings conducted by the Board of Auditors.

(5) The person specified in subsection (4) of this section shall not be a member of a control team.

§ 139. Independence of control team

(1) The Management Board of the Board of Auditors shall elect the members of a control team in such a way that conflicts of interests between a member of the control team and the object of the control or proceedings or persons associated therewith would be avoided.

(2) A member of a control team elected by the Management Board of the Board of Auditors shall declare to the Oversight Board that there is no conflict of interests between him or her and the object of the quality control or disciplinary proceedings or the persons associated therewith.

(3) The Oversight Board may request from the Management Board of the Board of Auditors appointment of a new member of a control team:
   1) if the requirements provided for in subsections 138 (1)-(3) of this Act are not complied with;
   2) the conflict of interests provided for in subsection (1) of this section is not avoided;
   3) in order to replace a member who has failed to submit the declaration provided for in subsection (2) of this section or who submitted an incomplete or incorrect declaration.

(4) A member of a control team with respect to whom the Oversight Board has applied the replacement provided for in subsection (3) of this section shall not be elected a member of a control team within five years as of the date of submission of the request for replacement by the Oversight Board.

(5) A conflict of interests shall be deemed to be avoided if more than two years have passed from a relationship or any other association causing the conflict of interest provided for in subsection (1) of this section.

(6) The Board of Auditors shall organise remuneration of a member of a control team.

(7) A person on whom a punishment has been imposed on the basis of this Act, which is in force, shall not be elected a member of a control team.

§ 140. Record and report of work of control team

(1) The work of a control team shall be recorded. The record shall be signed on the one side by all the members of the control team and on the other side by the person with respect to whom quality control is carried out or disciplinary proceedings are conducted or by a person entitled to represent thereof. Each party that signs the record shall receive one copy of the record.

(2) The record provided for in subsection (1) of this section shall include at least:
   1) data of the persons participating in the work;
   2) the time of the performance and description of work;
   3) the findings, pronouncements, conclusions, proposals and dissenting opinions based on work.

(3) The chairman of a control team shall submit to the Management Board of the Board of Auditors a report concerning the results of the work of the control team, which shall be signed by all the members of the control team.

(4) A report of the control team shall include at least:
   1) the composition of the control team and data of the person specified in subsection 138 (4) of this Act;
   2) the time of the performance and description of work;
   3) the description of findings, including the main deficiencies discovered in the course of work;
   4) the pronouncements of the control team, including the main conclusions;
   5) reasoned opinion of the control team concerning the compliance or non-compliance of the professional activities of a sworn auditor to the requirements provided for in this Act;
6) a proposal of the control team to the Management Board of the Board of Auditors
7) the records, certificates and other documents prepared in the course of the work of the control team;
8) evidence characterising the course of work and motivating the opinion of the control team.

(5) The person specified in subsection 138 (4) of this Act shall not sign the record and report specified in
subsections (1) and (3) of this section.

(6) The person specified in subsection 138 (4) of this Act shall prepare a report concerning the quality control
or the disciplinary proceedings to the body that appointed him or her in which the person shall:
1) give an overview of the activities of the control team;
2) give an overview of his or her activities;
3) present the relevant findings, conclusions, proposals and summary.

(7) Evidence characterising the activities and findings and motivating the conclusions, proposals or summaries
reflected in the report shall be appended to the report provided for in subsection (6) of this section.

(8) The procedure for the preparation and submission of records and reports concerning the work of control
teams shall be established in the quality control procedure.

§ 141. Results of work of control team

(1) The management board of the Board of Auditors shall discuss the subjects covered in a report and make the
   corresponding resolutions.

(2) The management board of the Board of Auditors shall allow a member of the Board of Auditors concerned
to explain the circumstances and pronouncements concerning quality control or disciplinary proceedings.

(3) A resolution of the management board of the Board of Auditors made on the basis of the report of a control
team shall be promptly communicated to the member of the Board of Auditors concerned and it is binding to the
latter in the part concerning him or her.

(4) The management board of the Board of Auditors shall forward to the Auditor General the information
concerning the results of oversight over a person specified in subsection 81 (3) of this Act who is employed in
the National Audit Office and is subject to quality control in accordance with this Act.

§ 142. Changing nominal frequency of quality control

(1) The management board of the Board of Auditors shall decide on increasing or decreasing of the frequency
of quality control on the basis of the results of the control team.

(2) The management board of the Board of Auditors has the right to increase the nominal frequency of quality
control up to the frequency of at least once a year (hereinafter increased frequency) if material violations are
ascertained as a result of the work of the control team or disciplinary proceedings which, however, are not
sufficient to make a proposal to the Ministry of Finance for the suspension or termination of an activity licence.

(3) The Board of Auditors may decrease the increased frequency of quality control after a quality control in the
course of which no material violations are detected.

Division 4

Internal disciplinary proceedings in
professional association as part of oversight

§ 143. Commencement and conduct of internal disciplinary proceedings in professional associations

(1) Internal disciplinary proceedings in a professional association (hereinafter disciplinary proceedings) with
respect to a member of the Board of Auditors shall be commenced on the basis of the results of an investigation,
quality control, a precept issued by the Ministry of Finance or any other document or information which
gives a reason to believe that the member of the Board of Auditors has committed a disciplinary offence.
The management board of the Board of Auditors shall request a written explanation from the member of the
Board of Auditors concerning the circumstances which are the basis for the commencement of disciplinary
proceedings.

(2) In order to commence disciplinary proceedings, the management board of the Board of Auditors shall pass a
resolution which shall be promptly communicated to the member of the Board of Auditors with respect to whom
the disciplinary proceedings were commenced.

(3) The circumstances and conduct of disciplinary proceedings shall not be public.

(4) The procedure for disciplinary proceedings shall be approved by the Oversight Board.
§ 144. Disciplinary offences of member of Board of Auditors

(1) Disciplinary offences of a member of the Board of Auditors are wrongful non-performance or unsatisfactory performance of duties of a member of the Board of Auditors, a failure to comply or unsatisfactory compliance with legislation regulating the activities of a member of the Board of Auditors or the resolutions of the Board of Auditors or Ministry of Finance if deprivation of qualification or revocation of an activity licence is not prescribed for such violation in this Act.

(2) The disciplinary offences of a member of the Board of Auditors include:
1) submission or disclosure of incorrect or misleading information;
2) disclosure of incorrect or misleading advertisements;
3) violation of the obligation to undergo in-service training;
4) operation in a legal form concerning which there is no notation in the register;
5) operation in a field prohibited by this Act;
6) operation without professional liability insurance;
7) failure to submit an activity report or other information;
8) failure to disclose a transparency report;
9) an act committed in connection with the professional activities of a sworn auditor or other business activities which is in conflict with the provisions of the code of ethics and generally recognised moral standards or which discredits the profession of a sworn auditor, the Board of Auditors or other persons;
10) violation of the requirement to comply with the professional activities standards for a sworn auditor provided for in subsection 45 (1) of this Act.

§ 145. Disciplinary penalties imposed on member of Board of Auditors

In disciplinary proceedings the disciplinary penalties of a member of the Board of Auditors are:
1) admonition;
2) reprimand;
3) a fine or a fine together with referral to an additional professional examination.

§ 146. Disciplinary liability of and imposition of disciplinary penalties on member of Board of Auditors

(1) If a member of the Board of Auditors fails to comply or complies inadequately with this Act, other legislation regulating the activities of a member of the Board of Auditors, or the resolutions or recommendations of the Board of Auditors or the Ministry of Finance, the management board of the Board of Auditors is required to bring disciplinary proceedings against the member of the Board of Auditors.

(2) The management board of the Board of Auditors has the authority to impose a disciplinary penalty on a member of the Board of Auditors in disciplinary proceedings.

§ 147. Fine imposed on member of Board of Auditors

(1) A fine imposed on a member of the Board of Auditors as a disciplinary penalty shall not be less than 200 euros.

(2) A fine imposed as a disciplinary penalty to a member of the Board of Auditors who is a natural person shall be up to 6,400 euros. A fine imposed as a disciplinary penalty to a member of the Board of Auditors who is a legal person shall be up to 12,800 euros.

(3) A fine imposed as a disciplinary penalty shall be included in the income of the Board of Auditors and it shall be paid to the Board of Auditors within three months as of the imposition thereof.

(4) The resolution of the management board of the Board of Auditors concerning a fine imposed as a disciplinary penalty is an enforcement instrument within the meaning of clause 2 (1) 21) of the Code of Enforcement Procedure.

§ 148. Time limit for imposition of disciplinary penalty on member of Board of Auditors

(1) A disciplinary penalty for an offence specified in subsection 144 (1) and clauses 144 (2) 1)-8) and 10) of this Act may be imposed within three years as of the date on which the offence was committed.
[RT I, 12.11.2010, 1 - entry into force 15.11.2010]

(2) A disciplinary penalty for an offence specified in clause 144 (2) 9) of this Act may be imposed within one year as of the date on which the offence was committed.
[RT I, 12.11.2010, 1 - entry into force 15.11.2010]
§ 149. Prohibition on imposition of several disciplinary penalties for one offence

(1) Only one disciplinary penalty may be imposed for each offence.

(2) The continuation of an offence after the imposition of a disciplinary penalty is a new offence and another disciplinary penalty may be imposed on a member of the Board of Auditors therefor.

(3) The bringing of administrative, criminal or proprietary charges against a member of the Board of Auditors does not prevent the imposition of a disciplinary punishment for the same act.

[RT I, 12.11.2010, 1 - entry into force 15.11.2010]

(4) A disciplinary penalty imposed for a previously committed offence that has not expired at the time of the commission of a disciplinary offence is a circumstance aggravating the disciplinary penalty.

§ 150. Expiry of disciplinary penalty

A disciplinary penalty expires if no new disciplinary penalty is imposed on the member of the Board of Auditors within two years as of the date on which the penalty was imposed.

§ 151. Contestation of disciplinary penalty

A member of the Board of Auditors may file an appeal against the imposition of a disciplinary penalty with the Administrative Court of Tallinn within thirty days as of the date on which the member is notified of the imposition of the disciplinary penalty on him or her.

Division 5
Bases for Operation of Register

§ 152. Aim of maintaining register

(1) The Auditors Activities Register is a state register which contains information concerning the persons who fall within the scope of application of this Act and the activities thereof.

(2) The aim and functions of maintaining the register are:
   1) to make information available to the public;
   2) to register and keep records of persons in order to exercise oversight;
   3) to enable electronic forwarding of information and documents;
   4) to create preconditions and possibilities for electronic records management.

§ 153. Maintenance of register and chief processor and authorised processor of register

(1) The register shall be established and the statutes of the register shall be established by a regulation of the Government of the Republic.

(2) The register concerning sworn auditors, audit firms, public sector sworn auditors, internal auditors, persons recognised on the basis of § 30 of this Act and third-country sworn auditors shall be maintained electronically.

(3) The chief processor of the register is the Ministry of Finance who shall organise maintenance of the register.

(4) The authorised processor of the register is the Board of Auditors, the management board and the Oversight Board of which make register entries and use the information in the register in accordance with the competence provided for in this Act.

§ 154. Legal effect of register entry

(1) A register entry becomes valid on the date on which it is made.

(2) An entry shall be held as correct with regard to a third person, except if the third person knew or should have known that the entry is not correct. An entry shall be deemed not to apply with regard to legal acts which are performed within ten days after the entry is made if a third person proves that the third person was not aware nor should have been aware of the content of the entry.

(3) If facts which must be entered in the register are not entered in the register, such facts shall have legal effect with regard to a third person only if the third person knew or should have known about them.

(4) Facts contained in an entry made on the basis of a court order acquire legal effect as of the entry into force of the court order.
§ 155. Liability for correctness of register information

(1) If data entered in the register change, a person entered in the register or a person entitled to represent him or her shall immediately submit the new data through the information system of the register.

(2) A person obligated to submit data to the register is responsible for the correctness of the data submitted.

(3) If incorrect information is submitted to the register, the persons who signed the submitted information shall be solidarily liable for any damage wrongfully caused.

§ 156. Disclosure of information entered in register

(1) The registry card information is public, except for the information to the disclosure of which restrictions have been established by law.

(2) In the case of a risk to the life or security of a person, the Ministry of Finance may establish restrictions to the use and disclosure of information entered in a registry card.

(3) The registry card information concerning the suspension and restoration of an activity licence shall be public within three years as of making the entry certifying the restoration of the activity licence.

(4) The registry card information concerning persons whose activity licence expires or whose activity licence is revoked shall be public within one year as of entry into force of the decision on the expiry or revocation of the activity licence.

(5) The registry card information concerning penalties imposed on the basis of this Act shall be disclosed immediately after the expiry of the term for filing a challenge, complaint or appeal provided by law if the decision is not contested. In the case of contestation of a decision, the disclosure shall depend on further decisions and the terms for filing a challenge against the decisions.

(6) The registry card information concerning the penalties imposed and precepts issued on the basis of this Act shall be public in the registry card within three years as of making the corresponding entry.

(7) Everyone has the right to examine the list of the register and obtain copies of registry cards.

(8) The procedural files included in the register are not public.

(9) The rates for fees for the issue of copies or certificates and for other register services provided by the Ministry of Finance shall be established by a regulation of the Minister of Finance.

Division 6
Reporting on Professional Activities of Sworn Auditor

[RT I, 12.11.2010, 1 - entry into force 15.11.2010]

§ 157. Activity report

(1) A member of the Board of Auditors is required to prepare and submit to the Board of Auditors through the information system of the register an activity report within fifty days following the end of the activity report period.

(2) An activity report shall include information concerning the practice of the activities of the member of the Board of Auditors during the activity report period - from 1 July to 30 June. An activity report shall be prepared in Estonian.

(3) An activity report shall set out at least the following information:

1) the legal form of the professional activities of a sworn auditor of an audit firm;
2) the in-service training completed by the sworn auditor, the organisers and duration thereof;
3) the financial volume of the audit services and other business activities of the audit firm;
4) the duration of the audit services and other business activities of the audit firm in hours;
5) the valid information to be entered in the registry card.

(4) In addition to the information provided for in subsection (3) of this section, the Oversight Board may specify the information to be submitted in the activity report concerning the practice of the activities of a member of the Board of Auditors.
(5) The format of the activity report and the procedure for the preparation and submission thereof shall be approved by the Oversight Board.

(6) The information in an activity report concerning the practice of the activities of a member of the Board of Auditors is not public, except for the valid information to be entered in the registry card.

(7) The management board of the Board of Auditors shall submit a consolidated report of the information contained in activity reports to the Oversight Board not later than by 31 August of the current year.

§ 158. Transparency report

(1) An audit firm that has entered into a client contract with a public interest entity is required to prepare and submit to the Board of Auditors through the information system of the register a transparency report within fifty days following the end of the transparency report period and publish it on its website or, in the absence thereof, on the website of the Board of Auditors in the public computer network not later than by 31 August of the current year.

(2) A transparency report shall include information concerning the practice of the professional activities of a sworn auditor of an audit firm during the transparency report period - from 1 July to 30 June. A transparency report shall be prepared in Estonian and in one of the official languages of the states where the public interest entity that is the client operates.

(3) An audit firm provided for in subsection (1) of this section shall submit and disclose at least the following information in a transparency report concerning the practice of the professional activities of a sworn auditor:
   1) the structure and partners or shareholders of the audit firm and of the consolidation group, if it exists;
   2) in case of belonging to a network of sworn auditors, except to the Board of Auditors, the description of the network and legal regulation and structure thereof;
   3) description of the management structure of the audit firm;
   4) description of risk management, internal and quality control of the audit firm and the declaration of the audit firm concerning the efficiency of the functioning thereof;
   5) reference to when the last quality control was carried out;
   6) information concerning public interest entities with whom a client contract has been entered into during the last transparency report period;
   7) confirmation concerning the independence of the professional activities, the prerequisite of which is that the internal review concerning ascertainment of the compliance with the requirement for independence has been performed, the necessary safeguards have been applied and the applied safeguards have been indicated in the documents of professional activities;
   8) description of the in-service strategy to be adhered to;
   9) financial information characterising the activities of the audit firm;
   10) sales revenue divided into fees for auditing, review service, other assurance services and related services and fees for other business activities, including tax advisory services;
   11) information concerning the bases of remuneration of the audit firm.

(4) In addition to the information provided for in subsection (3) of this section, the Oversight Board may specify the information to be submitted in the transparency report concerning the practice of the professional activities of a sworn auditor.

(5) The format of the transparency report and the procedure for the preparation, submission and publication thereof shall be approved by the Oversight Board.

(6) A member of the Board of Auditors who has entered into a client contract with a public interest entity is required to prepare, submit and publish a transparency report pursuant to the procedure applied in the Contracting State with the public interest entity of which the client contract was entered into.

(7) The management board of the Board of Auditors shall submit a consolidated report of the information contained in transparency reports to the Oversight Board not later than by 31 August of the current year.

(8) The information in a transparency report concerning the practice of the professional activities of a sworn auditor submitted through the information system of the register is not public.

(9) The Oversight Board may decide unilaterally to disclose information which the person who prepared a transparency report should have disclosed in the transparency report pursuant to the provisions of this Act but which the person failed to disclose.

§ 159. Internal auditor’s activity report

(1) An internal auditor is required to prepare and submit through the information system of the register the activity report of an internal auditor within two months following the end of the activity report period of an internal auditor.
(2) An activity report of an internal auditor shall include information concerning the practice of the professional activities of an internal auditor during the activity report period of an internal auditor - from 1 July to 30 June. An activity report of an internal auditor shall be prepared in Estonian.

(3) An internal auditor shall submit and disclose at least the following information in an activity report of an internal auditor concerning the practice of the professional activities of an internal auditor:
1) the in-service training completed, the organisers and duration thereof;
2) the valid information to be entered in the registry card.

(4) In addition to the information provided for in subsection (3) of this section, the information to be submitted in the activities report of an internal auditor concerning the practice of his or her professional activities may be specified by a regulation of the Minister of Finance.

(5) The format of the activity report of an internal auditor and the procedure for the preparation and submission thereof shall be established by a regulation of the Minister of Finance.

(6) The information in an activities report of an internal auditor concerning the practice of his or her professional activities submitted through the information system of the register is not public

## Division 7
### Professional Cooperation of Sworn Auditor with Competent Authorities

### § 160. Restrictions on communication of information to competent authorities

(1) Only the Oversight Board may communicate or disclose information or documents relating to professional activities to competent authorities outside of Estonia.

(2) The Oversight Board may, by its resolution, refuse a request of a competent authority for obtaining or disclosure of information or documents relating to the professional activities of a sworn auditor or for oversight or investigation or participation therein if:
1) provision or disclosure of information or documents relating to the professional activities of a sworn auditor or oversight or investigation or participation therein would damage the sovereignty, security or public order of the European Union or Estonia;
2) communication of personal data would violate the provisions of § 18 of the Personal Data Protection Act;
3) Estonian public authorities have already initiated judicial proceedings with respect to the same activity;
4) the requested information or documents would not be used for oversight over the professional activities of a sworn auditor in the public interest.

### § 161. Cooperation with competent authorities of Contracting States

(1) The Oversight Board shall extend full cooperation with competent authorities of the Contracting States.

(2) Upon carrying out the professional activities of a sworn auditor in a Contracting State, the members of the Board of Auditors shall be subject to the oversight and quality control of the competent authority of the Contracting State.

(3) A representative appointed by the Oversight Board may participate in the oversight or quality control of a competent authority specified in subsection (2) of this section.

### § 162. Cooperation with competent authorities of third countries

(1) The Oversight Board shall co-operate with the competent authorities of third countries pursuant to the procedure provided for in this Division.

(2) If the European Commission has deemed the data protection level of a third country to be sufficient, the Oversight Board shall prepare a contract with the relevant competent authority of the country, which shall regulate cooperation based on mutual recognition.

(3) A cooperation contract provided for in subsection (2) of this section shall be signed by the Minister of Finance on the authorisation of the Government of the Republic.

(4) The working procedure provided for in the cooperation contract specified in subsection (2) of this section shall set out, among other, that: 

Auditors Activities Act   Page 49 / 55
1) a competent authority shall explain to the Oversight Board the objective of the request for or disclosure of documents or information relating to the professional activities of a sworn auditor or of the oversight or investigation;
2) the obligation to maintain professional secrecy applies to competent authorities, the employees and former employees thereof;
3) a competent authority may use and disclose the requested information or documents relating to the professional activities of a sworn auditor only upon oversight over the professional activities of a sworn auditor in the public interest.

(5) The Ministry of Finance shall submit the working procedure provided for in the cooperation contract specified in subsection (2) of this section to the European Commission.

Chapter 10
LIABILITY

§ 163. Hindering quality control, disciplinary proceedings or investigation

(1) Hindrance of quality control, disciplinary proceedings or internal investigation in a professional association or proceedings concerning a complaint or refusal to submit documents or information necessary for inspection or a failure to submit these on time, submission of inaccurate information, or submission of documents or information in such a form that it prevents the exercise of oversight is punishable by a fine of up to 300 fine units.

(2) The same act, if committed by a legal person, is punishable by a fine of up to 32,000 euros.
[RT I 2010, 22, 108 - entry into force 01.01.2011]

§ 164. Violation of bases for activities of sworn auditor, professional activities and provision of audit services

(1) Violation of the provisions of subsection 42 (1), subsections 55 (1) and (2), subsection 58 (1) and subsections 63 (1)-(5) by a sworn auditor with respect to whom a disciplinary penalty for such misconduct is in force is punishable by a fine of up to 200 fine units.

(2) The same act, if committed by a legal person, is punishable by a fine of up to 20,000 euros.
[RT I 2010, 22, 108 - entry into force 01.01.2011]

§ 165. Violation of requirements for collection, preservation and destruction of documents concerning professional activities

(1) Violation of the requirements for the collection, preservation and destruction of documents concerning professional activities by an audit firm with respect to whom a disciplinary penalty for such misconduct is in force is punishable by a fine of up to 300 fine units.

(2) The same act, if committed by a legal person, is punishable by a fine of up to 32,000 euros.
[RT I 2010, 22, 108 - entry into force 01.01.2011]

§ 166. Violation of requirements for audit companies

Violation of the requirements provided for in §§ 76 and 77 of this Act by an audit firm with respect to whom a disciplinary penalty for such misconduct is in force is punishable by a fine of up to 32,000 euros.
[RT I 2010, 22, 108 - entry into force 01.01.2011]

§ 167. Quality control or disciplinary proceedings not complying with requirements provided by law

Carrying out quality control or conducting disciplinary proceedings not in compliance with the requirements provided by law by a member of the management board of the Board of Auditors if the Ministry of Finance has issued a precept to the member of the management board of the Board of Auditors, on the basis of subsection 130 (2) of this Act, to terminate or eliminate the same violation and the precept has not been complied with, is punishable by a fine of up to 300 fine units.

§ 168. In-service training which does not comply with requirements provided by law

Organisation of professional in-service training of sworn auditors that is not in compliance with the requirements provided by law by a member of the management board of the Board of Auditors if the Ministry of Finance has issued, on the basis of subsection 130 (2) of this Act, a precept to the member of the management board of the Board of Auditors to terminate or eliminate the same violation and the precept has not been complied with, is punishable by a fine of up to 200 fine units.
§ 169. Procedure

(1) The provisions of the Penal Code and the Code of Misdemeanour Procedure apply to the proceedings concerning the misdemeanours provided for in §§ 163-168 of this Act.

(2) Extra-judicial proceedings concerning the misdemeanours provided for in §§ 163-168 of this Act shall be conducted by the Ministry of Finance.

Chapter 11
IMPLEMENTATION OF ACT

§ 170. Application of professional activities standard for sworn auditor

(1) Until establishment or approval of a professional activities standard for sworn auditors on the basis provided for in § 46 of this Act, the services related to the professional activities of a sworn auditor shall be provided in compliance with the relevant service standard approved by IFAC or auditing rules.

(2) Auditing rules include requirements for professional ethics and the activities of sworn auditors and audit companies based on international standards approved by IFAC. Auditing rules have been prepared by the management board of the Board of Auditors.

(3) The auditing rules prepared by the management board of the Board of Auditors shall be established by a regulation of the Minister of Finance.

(4) Until the establishment of the professional activities standard for internal auditors on the basis provided for in § 70 of this Act, internal auditors shall perform their official duties related to the professional activities in compliance with the relevant standard approved by IIA.

§ 171. Application of Act to auditors to whom professional licence of auditor has been issued prior to entry into force of this Act

(1) An auditor to whom a professional licence has been issued prior to the entry into force of this Act and who has been entered in the list of auditors and whose professional activities have not been suspended for more than two consecutive years upon entry into force of this Act or who has been entered in the list of auditors after entry into force of this Act on the basis of § 185 of this Act shall be awarded the qualification of a sworn auditor upon entry into force of this Act or entry in the list of auditors and a notation certifying the qualification shall be entered in the register.

(2) A person who has been awarded the qualification of a sworn auditor on the basis of subsection (1) of this section and has been entered in the list of auditors before entry into force of this Act shall take the oath provided for in subsection 31 (1) of this Act.

(3) The provisions of this Act concerning an audit firm operating as a sole proprietor apply, until 30 September 2012, to a person, who has been awarded the qualification of a sworn auditor on the basis of subsection (1) of this section and whose professional activities have not been suspended as a disciplinary penalty upon entry into force of this Act and who has performed the obligation provided for in subsection (2) of this section and has submitted the corresponding application to the Oversight Board. In the case of a person who has been awarded the qualification of a sworn auditor on the basis of subsection (1) of this section, the termination of the validity, revocation or suspension of an activity licence means that the provisions of this Act concerning an audit firm operating as a sole proprietor cease to be applicable. When the provisions cease to be applicable, an activity licence shall be applied pursuant to the general procedure.

[RT I, 22.09.2011, 3 - entry into force 02.10.2011]

(4) A person who has been awarded the qualification of a sworn auditor on the basis of subsection (1) of this section and who has passed the test of the sub-part of the special part of sworn auditors of the professional examination specified in subsection 26 (2) of this Act by 1 October 2012 may submit an application for an activity licence.

[RT I, 22.09.2011, 3 - entry into force 02.10.2011]

(5) A person who has been awarded the qualification of a sworn auditor on the basis of subsection (1) of this section and who has not passed the test of the sub-part of the special part of sworn auditors of the professional examination specified in subsection 26 (2) of this Act by 1 October 2012 may submit an application for an activity licence or belong as a sworn auditor to the majority of votes represented by the shares of an audit firm or represent an audit firm as a sworn auditor after passing the special part of accounting and the special part of sworn auditors of the professional examination.

[RT I, 22.09.2011, 3 - entry into force 02.10.2011]
(6) A sworn auditor operating as a sole proprietor or a sworn auditor representing an audit firm on the basis of law who has not passed the test of the sub-part of the special part of sworn auditors of the professional examination specified in subsection 26 (2) of this Act may sign the sworn auditor’s report until 30 September 2012 on the basis of the client contract concluded before 30 September 2012 for the provision of audit service specified in §§ 50 and 51 of this Act.

[RT I, 22.09.2011, 3 - entry into force 02.10.2011]

(7) The provisions of subsection 137 (4) of this Act do not apply to a sworn auditor to whom an activity licence has been issued on the basis of subsection (4) of this section.

(8) Upon entry into force of this Act, the professional activities of an auditor to whom a professional licence of an auditor has been issued before entry into force of this Act and who has been entered in the list of auditors and who has been referred to an additional examination by a resolution of the management board of the Board of Auditors, but who has not passed the additional examination by the date of entry into force of this Act at the latest or to whom subsection (1) of this section does not extend, shall be terminated within the meaning of the Authorised Public Accountants Act in force until the entry into force of this Act.

(9) A person who has been awarded the qualification of a sworn auditor on the basis of subsection (1) of this section who has met the obligation provided for in subsection (2) of this section and who is a member of the Board of Auditors shall pass the specified part of the professional examination specified in 19 (1) of this Act upon application for the professional level of a sworn auditor.

[RT I, 12.11.2010, 1 - entry into force 15.11.2010]

§ 172. Expiry of professional licence of auditor

The professional licences issued to auditors before entry into force of this Act and valid at the time this Act enters into force shall become invalid on the date of entry into force of this Act. An auditor who holds an invalid professional licence has no right to provide an audit service.

§ 173. Bringing of client contracts into compliance with this Act

Client contracts entered into before the entry into force of this Act shall be brought into compliance with this Act by 31 December 2010.

§ 174. Application of Act to audit firms in the list of auditors at time of entry into force of this Act

(1) Activity licences shall be issued to audit firms in the list of auditors at the time of entry into force of this Act on the date of entry into force of this Act.

(2) An audit firm that has been issued an activity licence on the basis of subsection (1) of this section is a member of the Board of Auditors as of the issue of the activity licence.

(3) The validity of an activity licence issued on the basis of subsection (1) of this section terminates on 1 July 2010 if an audit firm fails to comply with the requirements for audit firms provided for by this Act by the specified due date.

(4) The provisions of subsection 137 (4) of this Act do not apply to an audit firm that has been issued an activity licence on the basis of subsection (1) of this section.

§ 175. Entry into force of provisions concerning public interest and public sector entities

(1) The provisions of subsections 59 (1) and (2) of this Act do not apply to the public interest entities specified in clauses 13 (1) 1)-3) and subsections 13 (2) and (3) until entry into force of the provisions of subsection 207 (7) of this Act.

(2) The requirement for practice of an examinee shall be deemed to be complied with until entry into force of subsection 20 (6) of this Act on 1 January 2014 in the case of a person employed in a public sector entity who applies for the qualification of a sworn auditor and who certifies that he or she has been employed for at least three years in a position in the National Audit Office which has enabled him or her to acquire sufficient knowledge in the field of finance, law and accounting and who has a recommendation from the Auditor General.

[RT I, 22.09.2011, 3 - entry into force 02.10.2011]

§ 176. Exercise of oversight and application of circumstance aggravating disciplinary penalty

(1) The Authorised Public Accountants Act in force until the entry into force of this Act shall be applied to oversight uncompleted at the time of entry into force of this Act.

(2) The provisions of subsection 149 (4) and § 150 of this Act apply to disciplinary penalties imposed on the basis of the Authorised Public Accountants Act in force until the entry into force of this Act.
§ 177. Convening Oversight Board and setting up register

(1) The Ministry of Finance shall appoint the members and Chairman of the Oversight Board on the basis of subsection 125 (1) of this Act and the members of the internal auditors professional qualifications committee on the basis of subsection 121 (6) of this Act by 31 March 2010.

(2) The Oversight Board is the legal successor of the professional qualifications committee provided for in the Authorised Public Accountants Act in force until the entry into force of this Act.

(3) The register provided for in subsection 152 (1) of this Act shall be set up not later than on 1 July 2010.

(4) From 1 July 2010, an audit firm shall notify the Oversight Board of the client contracts entered into with public interest entities for the provision of an audit assurance service and of the expiry of such contracts through the information system of the register.

§ 178. Bringing of activities and documents of Board of Auditors into compliance with this Act

(1) The term of authority of the management board of the Board of Auditors and the revision committee, which commenced before entry into force of this Act, end upon the election of the bodies of the Board of Auditors, but not later than on 31 December 2010.

(2) The financial year of the Board of Auditors during which this Act is passed shall be shortened by six months. The financial year of twelve months complying with this Act commences on 1 July 2010.

(3) The management board of the Board of Auditors shall make a proposal to the Minister of Finance concerning two members of the Oversight Board. The authority of the members of the Oversight Board appointed on the basis of the proposal of the management board of the Board of Auditors remains in force until 31 December 2010 or until the representatives of the Board of Auditors are elected to the Oversight Board on the basis of this Act.

(4) The Board of Auditors shall bring its activities and documents into compliance with this Act not later than by 1 July 2010.

(5) The functions of the President of the Board of Auditors shall be performed by the Chairman of the management board of the Board of Auditors until the election of the bodies of the Board of Auditors on the basis of this Act,

(6) The management board of the Board of Auditors shall establish the budget of the Board of Auditors for the financial year shortened by six months provided for in subsection (2) of this section and, if necessary, the liquidity reserve specified in subsection 105 (6) of this Act and the amount of an additional single membership fee not later than by 25 March 2010.

(7) The membership of the Board of Auditors with respect to an additional single membership fee shall be determined as of 8 March 2010.

(8) The due date for payment of an additional single membership fee established on the basis of subsection (6) of this section is 30 April 2010.

§ 179. Application of membership fee of sworn auditor and rate of licence fee

During the membership fee calculation period beginning in the year of entry into force of this Act:
1) the amount of membership fee of a sworn auditor shall be 64 euros;
2) the rate of the licence fee shall be 1 per cent of the total sales revenue of the audit services of a sworn auditor.

[RT I, 12.11.2010, 1 - entry into force 15.11.2010]

§ 180. Application of obligation of sworn auditor to undergo in-service training

(1) The duration of in-service training organised by the Board of Auditors provided for in subsection 42 (3) of this Act shall be applied from the financial year of the Board of Auditors which begins in 2011.

(2) The duration of in-service training provided for in subsection 42 (3) of this Act shall be twelve academic hours in the financial year of the Board of Auditors which begins on 1 July 2010.

§ 181. Application of provisions concerning mandatory professional liability insurance

(1) Upon entry into force of this Act, the period of time from 1 July 2008 to 30 June 2009 shall be deemed to be the last ended activity report period provided for in subsections 64 (1) and (2) of this Act.
(2) The mandatory professional liability insurance contracts complying with the requirements provided for in this Act shall take effect not later than on 1 July 2010.

(3) The mandatory professional liability insurance contracts valid until the date provided for in subsection (2) of this section shall comply with the requirements provided for in the Authorised Public Accountants Act in force until the entry into force of this Act and the requirements established on the basis of thereof.

(4) The compulsory professional liability insurance contracts in accordance with the requirements provided for in this Act shall be brought in compliance with the information of the last ended activity report period provided in subsections 64 (1) and (2) of this Act not later than by 30 September of the current year.

[RT I, 12.11.2010, 1 - entry into force 15.11.2010]

§ 182. Application of provisions concerning reporting of professional activities of sworn auditor

(1) Upon entry into force of this Act, the period of time from 1 July 2009 to 30 June 2010 shall be deemed to be the activity report period provided for in subsections 157 (1) and (2) of this Act.

(2) Upon entry into force of this Act, the period of time from 1 July 2009 to 30 June 2010 shall be deemed to be the transparency report period provided for in subsections 158 (1) and (2) of this Act.

(3) Upon entry into force of this Act, the period of time from 1 January 2010 to 31 December 2010 shall be deemed to be the activity report period of an internal auditor provided for in subsections 159 (1) and (2) of this Act.

§ 183. Application of requirements for internal auditor

Until entry into force of subsection 20 (2) of this Act on 1 January 2014, an examinee shall, before submitting an application for taking the professional examination, have practiced:

[RT I, 22.09.2011, 3 - entry into force 02.10.2011]

1) at least three years under the supervision of a sworn auditor if he or she applies for the qualification of a sworn auditor;
2) at least two years under the supervision of a certified internal auditor or shall have operated at least five years in a profession which has enabled him or her to acquire sufficient knowledge in the field of finance, law and internal control if he or she applies for the qualification or qualification level of an internal auditor.

§ 184. Audit obligation until entry into force of §§ 91 and 92 of this Act

(1) Until entry into force of §§ 91 and 92 of this Act, in addition to other cases provided by the Act, an audit of the annual accounts is compulsory for accounting entities in whose annual accounts at least two of the three indicators of the financial year specified below exceed the following conditions as of the balance-sheet date:

1) sales revenue (net turnover), in the case of a company, or income, in the case of other accounting entities

2) balance sheet total 320,000 euros;
3) number of employees 10 people.

(2) Until entry into force of §§ 91 and 92 of this Act, an audit of the annual accounts is compulsory for all public limited companies, state accounting entities, local governments, legal persons in public law, foundations and political parties receiving allocations from the state budget.

3) The obligation provided for in this section does not apply to the Chamber of Notaries, the Bar Association and the Board of Auditors.

§ 185. Specifications of awarding qualification upon entry into force of this Act

(1) An auditors examination commenced before entry into force of this Act and uncompleted during entry into force of this Act shall be conducted and the corresponding qualification of an auditor shall be awarded pursuant to the Authorised Public Accountants Act in force until the entry into force of this Act.

(2) A person who has passed an auditors examination organised on the basis of subsection (1) of this section shall not be issued a professional licence of an auditor specified in subsection 22 (2) of the Authorised Public Accountants Act in force until the entry into force of this Act.

(3) In order to obtain the qualification of an auditor, a person specified in subsection (2) of this section shall take the oath provided for in subsection 31 (1) of this Act before the Oversight Board instead of the oath of office provided for in § 26 of the Authorised Public Accountants Act in force until the entry into force of this Act.
§ 186. [Repealed – RT I 2010, 22, 108 – entry into force 01.01.2011]

§ 187.–§ 206.[Omitted from this text]

§ 207. Entry into force of Act

(1) This Act enters into force on 8 March 2010.

(2) The provisions of subsections 20 (2) and (6) of this Act enter into force on 1 January 2014. [RT I, 22.09.2011, 4 - entry into force 02.10.2011]

(3) The provisions of § 75 of this Act:
   1) subsections 75 (1) and (2) of this Act shall enter into force on 1 January 2014. [RT I, 18.12.2012, 3 - entry into force 19.12.2012]
   2) subsection 75 (3) of this Act enters into force on 1 January 2015. [RT I, 22.09.2011, 4 - entry into force 02.10.2011]

(4) The provisions of subsection 76 (4) of this Act enter into force on 1 October 2011. [RT I, 12.11.2010, 1 - entry into force 15.11.2010]

(5) The provisions of subsections 81 (2) and (3) of this Act enter into force on 1 January 2011 and apply to the accounting periods of annual reports beginning on 1 January 2012 or later. [RT I, 22.09.2011, 4 - entry into force 02.10.2011]

(6) The provisions of §§ 91 and 92 of this Act enter into force on 1 January 2011 and apply to accounting periods of annual reports beginning on 1 January 2010 or later.

(7) The requirement provided for in:
   1) clause 99 (1) 1) of this Act enters into force on 1 July 2010;
   2) clause 99 (1) 2) of this Act enters into force on 1 January 2011.

(8) The requirement provided for in subsection 100 (1) of this Act enters into force on 1 January 2013.

(9) The obligation provided for in subsection 126 (3) of this Act enters into force on 1 January 2013.

(9\(^1\)) The redaction of section 179 which entered into force on 15 November 2010 shall apply retrospectively to the activity report period corresponding to the period specified in subsection 182 (1) of this Act and to the financial year being the calculation period of the membership fee starting on 1 July 2010. [RT I, 12.11.2010, 1 - entry into force 15.11.2010]

(10) Clauses 191 2), 192 2) and 193 2) of this Act enter into force on 1 January 2014. [RT I, 22.09.2011, 3 – entry into force 02.10.2011]