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Auditors Activities Act¹

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RT I 2010, 9, 41

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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.
- (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 and who has taken the oath.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 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.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 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 in charge of the policy sector.

§ 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 in charge of the policy sector.

(2) A public sector entity's internal auditor is a person who has passed the sub-part specified in clause 2 of subsection 1 of § 34 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 in charge of the policy sector.

(3) A public sector company's internal auditor is a person who has passed the sub-part specified in clause 1 of subsection 1 of § 34 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 in charge of the policy sector.

§ 7. Audit firm

(1) A sworn auditor, except a person specified in subsection 3 of § 81 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.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(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.

(5) An audit firm and a sworn auditor are deemed to be interrelated if:

1) a sworn auditor is an audit firm operating as a sole proprietor;

2) a sworn auditor is a legal representative or a procurator of an audit firm;

3) the majority of votes represented by the shares of an audit firm belong to a sworn auditor;

4) the requirement provided for in subsection 3 of § 76 of this act would remain unfulfilled upon the leaving of the sworn auditor from the audit firm.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

§ 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.

(4) 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 within the meaning of subsection 3¹ of § 44 of this Act.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 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 in Estonia.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 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 and who is not a sworn auditor or audit firm of the Contracting State and who is not recognised as such.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 12. Public sector entity and publicsector 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) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.07.2017]

5) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.07.2017]

(2) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.07.2017]

(3) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.07.2017]

Chapter 2 PROFESSIONAL EXAMINATION, QUALIFICATIONS AND QUALIFICATION LEVELS

Subchapter 1 Professional examination

§ 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 in charge of the policy sector.

(4) Out of the professional examination questions and tasks prepared on the basis of the professional examination program only the questions and tasks 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.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

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

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(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) 300 euros for the organisation and taking of the special part of accounting;

[RT I, 30.06.2017, 1 – entry into force 01.07.2017]

2) 300 euros for the organisation and taking of the special part of sworn auditors;

[RT I, 30.06.2017, 1 – entry into force 01.07.2017]

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) 900 euros for the organisation and taking of the sub-part of public sector internal auditors;

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

7) 1,300 euros for the organisation and taking of the sub-part of certification of internal auditors;

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(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 7 of subsection 2 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 1 and 3 of subsection 1 and subsection 2 of § 20 of this Act;

2) fails to perform the obligation provided for in subsection 5 of § 23 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 recognised in a Contracting State if he or she applies for the qualification of a sworn auditor;

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

- 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 of subsection 1 of this section shall be deemed to be fulfilled in the 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 clause 1 of subsection 1 and clause 1 of subsection 2 of this section shall be deemed to be fulfilled in the 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 2 of subsection 2 of this section shall be deemed to be fulfilled in the 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.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(5¹) The requirement provided for in clause 1 of subsection 1 and clause 2 of subsection 2 of this section shall be deemed to be fulfilled in the case of an applicant for the qualification level of a public sector 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.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(6) The requirement provided for in clause 1 of subsection 2 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 in charge of the policy sector.

(8) The obligation to pay the professional examination fee provided for in clause 3 of subsection 1 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 in charge of the policy sector.

(3) The professional examination program shall be prepared and submitted to the Ministry of Finance by:

- 1) the Board of Auditors concerning clauses 1, 2 and 5 of subsection 1 of § 19 of this Act;
- 2) the National Audit Office concerning clause 3 of subsection 1 of § 19 of this Act.

(4) The procedure for professional examinations shall set out whether the preparation of the questions, tasks 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 tasks of the professional examination and up to half of sample answers shall be made available to the public.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(5) The internal auditors professional qualifications committee specified in subsection 6 of § 121 of this Act shall make proposals, if necessary, concerning the professional examination program and preparation of the questions, tasks or sample answers of the special part of the professional examination of an internal auditor prepared on the basis thereof.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

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

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

§ 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 through the information system of the register:
[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

- 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 3 of subsection 1 of § 20 of this Act.

(2) An examinee shall, among other, confirm in the application to be submitted on the basis of clause 1 of subsection 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 2 and 3 of subsection 1 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.

Subchapter 2**Award, deprivation and mutual recognition of qualification of sworn auditor, registration of third-country sworn auditor and specifications of public sector sworn auditors**

[RT I, 23.12.2014, 2 - entry into force 01.01.2015]

§ 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 1 and 2 of subsection 1 of § 19 of this Act.

(2) A sworn auditor shall be referred to an additional professional examination by a decision of the Oversight Board if as a result of the

disciplinary proceedings it turns out that the insufficiency of the knowledge or skills of the sworn auditor may compromise the quality of the sworn auditor's professional activities. The term for taking additional examination shall be assigned to a sworn auditor by a resolution of the Oversight Board.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(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 5 of subsection 1 of § 19 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 a examination shall pass the sections of the professional examination specified in clauses 1–3 of subsection 1 of § 19 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 1 of § 46 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 the professional examination of a sworn auditor, an examinee shall submit, in addition to the provisions of subsection 1 of § 23 of this Act, the following to the Oversight Board through the information system of the register:

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

- 1) a copy of a document certifying education which confirms compliance with the requirement provided for in clause 1 of subsection 1 of § 20 of this Act;
- 2) a copy of a document provided for in the procedure established on the basis of subsection 7 of § 20 of this Act which confirms compliance with the requirement provided for in clause 1 of subsection 2 of § 20 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 subsections 3, 4 and 6 of § 20 of this Act.

(2) In addition to the provisions of subsection 1 of § 23 of this Act, in order to take an aptitude test for recognition of a professional examination an examinee who is a sworn auditor of another Contracting State shall submit through the information system of the register to the Oversight Board, instead of the copies of the documents specified in subsection 1 of this section, 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.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(3) In addition to the provisions of subsection 1 of § 23 of this Act, in order to take an aptitude test for recognition of a professional examination, an examinee who is a third-country sworn auditor who is a natural person shall submit the following to the Oversight Board through the information system of the register:

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

- 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 Oversight Board. The Oversight Board shall enter a notation confirming the qualification in the register.

(2) The Oversight Board 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 of making the decision.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 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 Oversight Board. The Oversight Board shall enter a notation confirming the qualification in the register.

(2) The Oversight Board 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 of making the decision.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 30. Mutual recognition of qualification of sworn auditor

(1) The Oversight Board shall decide 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 for in § 3 of this Act. The notation confirming the recognition of the qualification shall be entered in the register by the Oversight Board.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(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 Oversight Board shall refuse to recognise the qualification if the applicant for the qualification fails to meet the requirements for a sworn auditor provided for in this Act.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(4) The Oversight Board 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 making of the decision.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 30¹. Registration of third-country sworn auditor

(1) A third-country sworn auditor shall be registered in the register if he or she:

1) submits the sworn auditor's report concerning the annual accounts or consolidated accounts of a company incorporated in a third country whose securities issued have been admitted for trading on the Estonian regulated securities market;

2) is subject to the Estonian auditing activities oversight or the auditing activities oversight of a third state, which is equivalent to the provisions of Articles 29, 30 and 32 of Directive 2006/43/EC of the European Parliament and of the Council on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC (OJ L 157, 09.06.2006, pp.87-107);

3) complies with the requirements provided for in this Act for sworn auditors and audit firms or the requirements equivalent to the requirements cited in Article 4 (5) of Directive 2006/43/EC of the European Parliament and of the Council.

(2) A third- country sworn auditor need not be registered in the register if:

1) the company specified in clause 1 of subsection 1 of this section issues, for the purposes of § 184² of the Securities Market Act, only debt securities admitted for trading on the Estonian market and whose nominal value is at least 10 0,000 euros or which corresponded to at least 100,000 euros on the date of their issue if these debt securities are nominated in other currencies, or

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

2) Estonia has entered into a mutual agreement with a third country whose company's securities have been admitted for trading on the Estonian regulated securities market on not to apply the registration obligation to a sworn auditor and not to subject a sworn auditor to oversight. The assumption of entering into a mutual agreement is that in the third country the third-country sworn auditors are subject to public oversight, quality control, investigative and sanctions systems which are equal to the provisions of this Act or Articles 29, 30 and 32 of Directive 2006/43/EC of the European Parliament and of the Council.

(3) The equivalence specified in clause 2 of subsection 1 and clause 2 of subsection 2 of this section is assessed by the European Commission. Until the European Commission has not made the decision the equivalence may be assessed by the Oversight Board, who may rely on the assessment of equivalence by another member state in giving an opinion. The Oversight Board shall submit the assessment of equivalence to the European Commission.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(4) The equivalence specified in clause 3 of subsection 1 of this section shall be assessed by the Oversight Board, taking account of the specification provided for in Article 45 (6) of Directive 2006/43/EC of the European Parliament and of the Council.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 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.

(4) The Oversight Board shall enter the notation confirming the administration of the oath into the register.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

§ 32. Deprivation of qualification of sworn auditor and loss thereof

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(1) The Oversight Board shall decide on the deprivation of the qualification of a sworn auditor on the basis of the application of the sworn auditor.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(1¹) A person who has been awarded the qualification of a sworn auditor shall lose qualification if he or she has failed to take the oath within 45 days as of the acquiring of the qualification without good reason.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(1²) A sworn auditor shall lose the qualification if he or she has been excluded from the Board of Auditors in the case specified in clause 3 of subsection 2 of § 103 of this Act.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(2) If quality control, disciplinary proceeding, proceeding concerning a complaint, misdemeanour proceeding or investigation has been initiated with regard to a sworn auditor, a third-country registered sworn auditor or an audit firm related thereto within the meaning of subsection 5 of § 7 of this Act, the decision concerning deprivation of the qualification of a sworn auditor or deletion of third-country registered sworn auditor from the register may be made on the basis of the application of the sworn auditor after termination of the corresponding proceeding.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(3) Provisions concerning the deprivation of the qualification of a sworn auditor and the loss thereof shall be applied to the termination and extinguishment of the recognition of qualification.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(4) The Oversight Board may deprive of the qualification of a sworn auditor:

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

1) in the case of repeated or material violation of the bases for sworn auditor's activities or professional activities;

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

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 2 of § 148 of this Act apply to the violations provided for in clause 1 of subsection 4 of this section.

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

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(8) The Oversight Board shall immediately notify the competent authorities of the Contracting States, with which the person specified in the decision is related according to the notation concerning the place of business made in the register on the basis of this Act, and the Committee of European Auditing Oversight Bodies of the decision specified in subsection 5 of this section and the bases thereof.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(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 1 or 2 of subsection 4 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 criminal records database pursuant to the Criminal Records Database 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.

Subchapter 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 3 of subsection 1 of § 19 of this Act and the sub-part specified in clause 2 of subsection 1 of § 34 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 1 of subsection 1 of § 34 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 3 of subsection 1 of § 34 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 1 of § 70 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 2 and 3 of subsection 1 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 1 of § 23 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 1 of subsection 1 of § 20 of this Act;
- 2) a copy of a document provided for in the procedure established on the basis of subsection 7 of § 20 of this Act which confirms compliance with the requirement provided for in clause 2 of subsection 2 of § 20 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 5 of § 20 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 in charge of the policy sector. A notation confirming that the qualification or qualification level shall be entered in the register on the basis of a decision of the minister in charge of the policy sector.

(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 in charge of the policy sector. A competent authority provided for in subsection 2 of § 7 of the Recognition of Foreign Professional Qualifications Act is the Ministry of Finance.

[RT I, 30.12.2015, 1 – entry into force 18.01.2016]

(3¹) Subsection 3 of § 14 of the Recognition of Foreign Professional Qualifications Act shall not be applied to aptitude tests upon recognition 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 but the contents and procedure for organisation of an aptitude test shall be established by a regulation of the minister in charge of the policy sector.

[RT I, 30.12.2015, 1 – entry into force 18.01.2016]

(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 in charge of the policy sector 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 in charge of the policy sector 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 of this Act 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 2 of § 148 of this Act apply to the violations provided for in clause 1 of subsection 2 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 1 or 2 of subsection 2 of § 37 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

Subchapter 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 criminal records database 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 criminal records database pursuant to the Criminal Records Database 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 procedure.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

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

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(3) A sworn auditor is required to participate in the in-service training recognised or organised by the Board of Auditors in the areas provided for in § 22 of this Act for at least 120 academic hours within a three year calculation period. The in-service training organised by the Board of Auditors shall cover at least 48 academic hours of the specified volume.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(4) A sworn auditor is required to cover at least 60 academic hours of the in-training obligation specified in subsection 3 of this section within two years as of the beginning of the three-year calculation period.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

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

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(5¹) If a sworn auditor has participated in the in-service training to a larger volume than required, the number of hours participated in excess, but no more than 40 academic hours, shall be calculated into the fulfilment of the in-service training obligation of the following period.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(6) The provisions of this section concerning a sworn auditor do not apply to:

1) to a person who is on maternity leave, paternity leave, adoptive parent's leave or parental leave;

[RT I, 26.10.2018, 1 – entry into force 01.04.2022]

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.

(6¹) In the case specified in subsection 6 of this section the rate of obligatory in-service training provided for in subsection 3 of this section which is applied to a sworn auditor decreases in proportion to the ratio of the duration of the exemption from the duration of the accounting period.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(7) The calculation period of the in-service obligation starts as of the beginning of the financial year of the Board of Auditors. After acquiring the qualification of a sworn auditor or recognition thereof the calculation period of in-service training starts from the beginning of the financial year of the Board of Auditors following the year of the administration of the oath of a sworn auditor.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

§ 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.

(1¹) The professional activity of a sworn auditor is provision of auditing service and other business activity.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(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.

(3¹) Other business activity of a sworn auditor is counselling, training and provision of service in the fields specified in subsection 1 of § 22 of this Act.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(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.

Subchapter 2

Bases of professional practice of sworn auditor

§ 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 2 of subsection 1 of this section and the standards provided for in clause 3 of subsection 1 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 2 of subsection 1 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 audit assurance service (hereinafter trusted client), from the members of the executive management or higher management body thereof within the meaning of the Accounting Act (hereinafter executive management or higher management body), from the partners, shareholders, members and persons otherwise related to the person, agency or body.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(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.

§ 47¹. Restriction on activities

A sworn auditor and a former sworn auditor who has signed a client contract with a trusted client or has prepared a sworn auditor's report on the basis thereof or who has participated in the independent decision-making capacity in provision of audit assurance service to a trusted client may not become a member of the executive management or higher management body of the trusted client before at least one year has passed from the last such act or, if the trusted client was a public – interest entity, at least two years have passed.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 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 president, management board and supervisory board of the Board of Auditors for the performance of its functions;

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

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;

[RT I, 21.11.2020, 1 – entry into force 01.01.2021]

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 subsection 2 of § 16 or clause 4 of subsection 2 of § 51 of the Money Laundering and Terrorist Financing Prevention Act;

[RT I, 10.07.2020, 1 – entry into force 20.07.2020]

8¹) in the cases specified in subsections 4–8 of § 14 of the Covered Bonds Act;

[RT I, 28.02.2019, 1 - entry into force 01.03.2019]

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.

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

§ 49. Involvement of persons in professional activities of sworn auditor

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(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 2 of § 45, of this Act extend to a person involved in the professional activities.

(3) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(4) Involvement is permitted only if:

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

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) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

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) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(5) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 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.

§ 53¹. Accountancy revision

(1) Accountancy revision is other business activities specified in subsection 3¹ of § 44 of this Act.
[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(2) Accountancy revision is part of internal control. The objective, scope and control procedures shall be approved by a person, body or board that has designated the revision or a person engaged therein.

(3) If the annual report is the object of control of the accountancy revision, then, in the course of revision:

1) control plan is prepared setting out the control procedures, which are necessary for achievement of the objective approved by a person, body or board that approved the objective or a person engaged in revision, for instance, such procedures by which the compliance of the annual accounts and management report is compared with the requirements provided for in the Accounting Act or data of the annual accounts are compared with the opening balances, accounting registers, original documents, approved budget and decisions of management bodies:

2) evidence is collected and assessed;

3) a written summary of revision is prepared.

(4) The management board of the Board of Auditors shall work out the guidance documents for the conduct of revision and disclose it on the home page of the Board of Auditors.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015, provisions of subsection 4 shall enter into force on 1 January 2017]

§ 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 in charge of the policy sector on the proposal of the Oversight Board in accordance with the taxonomy of annual reports established on the basis of subsection 1 of § 141 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 1 of § 141 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 in charge of the policy sector on the basis of clause 1 of subsection 2 of § 7 of the Commercial Register Act.

[RT I, 05.05.2022, 1 – entry into force 01.02.2023]

Subchapter 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.

(1¹) A client contract shall include the procedure for cancellation of the client contract and the notification obligation pursuant to § 57 of this Act.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(1²) A contract for the provision of the statutory audit of annual accounts shall be entered into for at least two years.

[RT I, 30.06.2017, 1 – entry into force 01.07.2017]

(1³) Contracts for the provision of the statutory audit of annual accounts of a public interest entity may be entered into or the contracts entered into may be extended for a total of up to ten consecutive years. Guided by the conditions provided for in point (a) of Article 17 (4) and Article 17 (5) of Regulation (EU) No 537/2014 of the European Parliament and of the Council on specific requirements regarding statutory audit of public interest entities and repealing Commission Decision 2005/909/EC [OJ L 158/77, 27.05.2014, pp. 77–112] contracts may be entered into or the contracts entered into may be extended for a total of up to 20 consecutive years.

[RT I, 30.06.2017, 1 – entry into force 01.07.2017]

(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.

(2¹) If a third-country audit firm does not comply with the obligation provided for in subsection 2 of this section, the audit firm of the consolidation group shall notify the Oversight Board thereof.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(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.

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

(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 other business activities.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 59. Special requirements for statutory audit of annual and consolidated financial statements of public interest entity

[RT I, 30.06.2017, 1 – entry into force 01.07.2017]

An audit of annual and consolidated financial statements of a public interest entity shall be based, in addition to the provisions of this Act, on the provisions of Regulation (EU) No 537/2014 of the European Parliament and the Council.

[RT I, 30.06.2017, 1 – entry into force 01.07.2017]

§ 59¹. Prohibition on provision of additional services to public interest entity

An audit firm carrying out the statutory audit of a public interest entity or any member of the network of sworn auditors to which such audit firm belongs shall not, directly or indirectly, provide to the audited public interest entity, to its parent undertaking or to its controlled undertaking in the member state any service specified in Article 5 (1) of Regulation (EU) No 537/2014 of the European Parliament and of the Council. The services specified in Article 5 (3) of the same regulation may be provided in compliance with the requirements set in that paragraph.

[RT I, 30.06.2017, 1 – entry into force 01.07.2017]

§ 60. Documents of professional activities of sworn auditor

(1) An audit firm and the person specified in subsection 3 of § 81 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 3 of § 81 of this Act.

(7) The obligation to preserve the documents provided for in subsection 1 of this section continues even if the sworn auditor is deprived of the qualification or the validity of the activity licence of an audit firm expires for any other reason but the death of the sworn auditor but for no t longer than two years after deprivation of the qualification or expiry of the validity of the activity licence.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 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.

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

(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 1 of § 89 of this Act.

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

(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;

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

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 of this Act also during the period specified in subsection 4 of § 62 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 2–4 of subsection 2 of § 76 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 32,000 euros for all the claims submitted in a year.

(2¹) The client contract fees provided for in subsections 1 and 2 of this section are fees prescribed in the client contract for labour operations forming the basis for audit service reports issued during the last ended management report period.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(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.

(4) An audit form is required to bring the insurance cover of its professional insurance contract into compliance with the rate provide d for in subsection 1 or 2 of this section within 50 days after the last ended management report period.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 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.

(5) A c l i e n t contract, sworn auditor's report or o t h e r related audit service c ontract shall not be signed by a sworn auditor who has been referred to an additional professional examination but who has not passed it.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 65¹. Statutory rotation of sworn auditor

One and the same sworn auditor may sign a sworn auditor's report for up to seven consecutive years with regard to the legal person in which a public sector entity has a majority holding or which is under the dominant influence of a public sector entity and a local government specified in subsection 1 of § 99 of this Act.

[RT I, 30.06.2017, 1 – entry into force 01.07.2017]

Chapter 4 INTERNAL AUDITOR

§ 66. Requirements for internal auditor

The provisions concerning repute and reliability of subsections 2 and 3 of § 39 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) A sworn auditor shall continuously improve himself or herself in order to keep his or her knowledge, skills and competence at the level which would not compromise the quality of the professional practice of a sworn auditor.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(2) The procedure of the in-service training of internal auditors may be established by a regulation of the minister in charge of the policy sector.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(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 6 of § 121 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 6 of § 121 of this Act for at least forty academic hours a year

(5) Upon the performance of the obligation specified in subsection 3 or 4 of this section 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) to a person who is on maternity leave, paternity leave, adoptive parent's leave or parental leave;

[RT I, 26.10.2018, 1 – entry into force 01.04.2022]

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.

(7¹) In the case specified in subsection 7 of this section the rate of obligatory in-service training applied to an internal auditor provided for in subsection 3 of this section decreases in proportion to the ratio of the duration of the exemption from the duration of the accounting period.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(8) The calculation period of the in-service training starts from the beginning of the calendar year. After acquiring the qualification or qualification level of an internal auditor the calculation period starts as of the beginning of the calendar year following the year of acquiring the qualification or qualification level.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

§ 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 assessment and improvement of the efficiency of risk management, control and management processes in a systematic, regular and consistent manner.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(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 of subsection 1 of this section and the standards provided for in clause 2 shall be established by a regulation of the minister in charge of the policy sector.

(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 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.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(3) A contract for professional activities entered into with a public sector entity on behalf of the provider of the service and an internal auditor's report shall be signed by a public sector internal auditor or a certified internal auditor.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(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) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.07.2017]

Chapter 5 AUDIT FIRM

§ 76. Requirements for audit firms

(1) The provisions concerning repute and reliability of subsections 2 and 3 of § 39 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;

4) a European company arising from Council Regulation (EC) No 2157/2001 on the Statute for a European company (SE) (OJ L 294, 10.11.2001, pp. 1-21).

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 and paid up in full.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(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 entered in the memorandum of association of an audit firm being founded or operating or entered in the registry card of the commercial register shall submit an application to the Oversight Board through the information system of the register together with the following documents and information:

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

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 posts held and, for the members of the management board and managing partners of a general or limited partnership, a description of their areas of responsibility;

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

3¹) confirmation of the trustworthiness of the members of the management board of the audit firm and managing partners of a general or limited partnership and of the compliance of them with the requirements of this Act.;

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

4) in the case of an audit firm being founded, a copy of a notarially certified copy of the memorandum of association or foundation resolution or partnership agreement.

(2) If, during the processing of the application for the 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 Oversight Board immediately thereof after making the amendments or becoming aware of the changes and shall submit the updated information or copies of the documents.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

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

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 79¹. Application for activity licence for audit firm holding activity licence of another Contracting State

(1) If an audit firm holds a valid activity licence in another Contracting State, the person entitled to represent the audit firm shall submit an application to the Oversight Board with the data specified in subsection 1 of § 79 of this Act, which are added a certificate issued by a competent authority of another Contracting State, which may not be older than three months and which confirms that the applicant holds a valid activity licence of that Contracting State.

(2) The audit firm shall notify the Oversight Board of the changes in data specified in subsection 1 of this section immediately after making the changes or becoming aware of the changes and shall submit new data.

(3) The validity of the activity licence issued on the basis of this section shall expire together with the expiry of the activity licence issued in the Contracting State specified in subsection 1 of this section. The provisions of §§ 76, 77, 85–87 and subsections 3 and 4 of § 90 of this Act shall not be applied to the audit firm to which the activity licence has been issued on the basis of this section.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 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 1 of § 79 of this Act or the copies thereof or if the same are incomplete or are not prepared according to the requirements, the Oversight Board has the right to request that the applicant for the activity licence eliminate the deficiencies.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

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

licence need to be verified.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(3) The Oversight Board shall verify the information submitted by an audit firm upon application for an activity licence; the Oversight Board 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.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(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 Oversight Board.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(5) The Oversight Board may refuse to review the 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 failed to submit the requested information, documents or the copies thereof by the end of the term. Upon refusal to review an application, the Oversight Board shall return the submitted documents.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

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

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

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]

(1¹) If the activity licence has been issued to an audit firm on the basis of § 79¹ of this Act, only the sworn auditor who has been granted the qualification in Estonia pursuant to § 28 or whose qualification has been recognised pursuant to § 30 may provide auditing service in Estonia on behalf of the audit firm. The provisions relating to a sworn auditor representing the audit firm on the basis of law shall be applied to the specified sworn auditor.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(2) If an audit firm or the person representing the audit firm on the basis of this Act or procuration is a public sector sworn auditor, the audit firm shall have the right to provide audit assurance services in a public sector entity in his or her own name.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(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 Oversight Board shall issue an activity licence.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(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 Oversight Board shall make a notation in the register concerning the issue and validity of an activity licence and the grant of the permission provided for in subsection 1 of § 89 of this Act.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 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 Oversight Board shall make a decision to issue or refuse to issue an activity licence within 30 days after the receipt of all the necessary appropriate documents and information, but not later than within two months after receipt of the application for the activity licence.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(3) If a person wishes an activity licence to be issued immediately after the administration of the sworn auditor's oath, the application provided for in clause 1 of subsection 1 of § 23 of this Act shall include also an application for the activity licence. In this case the Oversight Board shall make a decision to issue or refuse to issue an activity licence within 30 days after the administration of the sworn auditor's oath.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(4) The Oversight Board shall cooperate with the relevant competent state agency upon processing of an application for an activity licence if necessary.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(5) The Oversight Board shall immediately deliver the decision to issue or refuse to issue an activity licence to the audit firm or sworn auditor applying for the activity licence.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 85. Bases for refusal to issue activity licence

The Oversight Board may refuse to issue an activity licence if:

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

- 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 the dissolution of an audit firm upon making an entry on dissolution in the commercial register or entry into force of the court decision;
- [RT I, 23.12.2014, 2 – entry into force 01.01.2015]
- 5) in the event of the bankruptcy of an audit firm, upon declaration of bankruptcy by a court;
 - 6) in the event of the deprivation of the qualification of a sworn auditor if the audit firm operates as a sole proprietor upon entry into force of the decision on deprivation;
- [RT I, 23.12.2014, 2 – entry into force 01.01.2015]
- 7) in the event of a failure to pass an additional professional examination if the audit firm operates as a sole proprietor upon entry into force of the decision on deprivation of the qualification;
- [RT I, 23.12.2014, 2 – entry into force 01.01.2015]
- 8) in the event of the exclusion of a member of the Board of Auditors from the Board of Auditors, upon entry into force of the decision;
- [RT I, 23.12.2014, 2 – entry into force 01.01.2015]
- 9) upon revocation of the activity licence.

§ 87. Revocation of activity licence

(1) An activity licence shall be revoked by the Oversight Board.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(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 or a sworn auditor related thereto, 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.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(4) The Oversight Board may revoke an activity licence if:

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

- 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 decision or precept of the Oversight Board within the term or to the extent prescribed;

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

- 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 3 of § 76 or § 77 of this Act for more than three months;

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

- 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) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

- (6) Before deciding on the revocation of a licence, the Oversight Board shall grant an opportunity to the audit firm or the representative thereof to be heard.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 88. Suspension and restoration of validity of activity licence

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

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

- (2) The Oversight Board may suspend an activity licence if:

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

- 1) an audit firm is connected with disputes which may cause significant damage to the reputation 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) a sworn auditor related to an audit firm within the meaning of subsection 5 of § 7 of this Act is referred to an additional professional examination.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

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

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

- (4) The validity of an activity licence suspended on the basis of clause 1 or 2 of subsection 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 3 of subsection 2 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 the activity licence suspended on the basis of clause 4 of subsection 2 of this section, shall be restored after the sworn auditor has passed the professional examination.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 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 Oversight Board may 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.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

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

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

- (3) A decision made after suspension or termination of the validity of an activity licence by which the Oversight Board grants permission for the completion of the transactions and acts relating to the professional activities of a sworn auditor shall set out:

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

- 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.

§ 89¹. Voluntary dissolution of audit firm

(1) An audit firm may not be voluntarily dissolved without the written consent of the Oversight Board.

(2) In order to obtain permission for voluntary dissolution of an audit firm the management board of the audit firm, a managing partner of a general or limited partnership and a sworn auditor operating as a sole proprietor are required to submit an application for the permission of voluntary dissolution of the audit firm to the Oversight Board within at least 20 days before the decision on the dissolution of the audit firm is made.

(3) The Oversight Board may refuse to grant the permission for voluntary dissolution to the audit firm if quality control, disciplinary proceeding, proceeding concerning a complaint, misdemeanour proceeding or investigation has been initiated with regard to the audit firm or a sworn auditor related thereto for the purposes of subsection 5 of § 7 of this Act.

(4) In the case specified in subsection 3 of this section the Oversight Board may refuse to grant the permission until termination of the corresponding proceeding with regard to the audit firm or a sworn auditor related thereto who is providing professional service of a sworn auditor as a sole proprietor or is a legal representative or procurator of this audit firm and the claims arising from the proceeding and of the Oversight Board are satisfied.

[RT I, 23.12.2014 2 – entry into force 01.01.2015]

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

(1) The principle provided for in subsection 4 of § 57 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 Oversight Board shall immediately 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 the issue of activity licence, suspension, restoration or termination of the validity of the activity licence and the reason therefor. The Oversight Board shall immediately notify also the Committee of European Auditing Oversight Bodies of the suspension, restoration or termination of the validity of the activity licence.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(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 4 of § 87 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 criminal records database pursuant to the Criminal Records Database Act.

Chapter 7**AUDIT OBLIGATION AND AUDIT COMMITTEE**

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

Subchapter 1**Audit Obligation**

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

§ 91. Audit obligation

(1) Unless otherwise provided for 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 4,000,000 euros;
- 2) total assets as of the balance sheet date 2,000,000 euros;
- 3) average number of employees 50 people.

[RT I, 30.06.2017, 1 – entry into force 01.07.2017]

(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 12,000,000 euros;
- 2) total assets as of the balance sheet date 6,000,000 euros;
- 3) average number of employees 180 people.

[RT I, 30.12.2015, 4 – entry into force 01.01.2016]

(3) The audit of the annual accounts is compulsory for all public limited companies which have more than two shareholders, the state accounting entity, local authority, legal persons governed by public law, political parties and companies receiving allocations from the state budget in which the state has at least the required interest within the meaning of the State Assets Act.

[RT I, 30.06.2017, 1 – entry into force 01.07.2017]

(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 a will or a foundation that is subject to audit pursuant to the Statutes or the Supervisory Board decision or which is in correspondence with the conditions provided for in subsections 1 or 2 of this section.

[RT I, 17.12.2010, 20 – entry into force 01.01.2011, valid for annual reports for reporting periods starting on or after 1 January 2010]

§ 92. Review obligation

(1) Unless otherwise provided for by law, a review of the annual accounts is compulsory within the meaning of the Accounting Act for an accounting entity, in whose annual accounts at least two of the indicators of the financial year exceed the following conditions:

- 1) sales revenue or income 1,600,000 euros;
- 2) total assets as of the balance sheet date 800,000 euros;
- 3) average number of employees 24 people.

[RT I, 30.12.2015, 4 – entry into force 01.01.2016]

(2) A review of the annual report is compulsory within the meaning of the Accounting Act for an accounting entity, in whose annual accounts at least one of the indicators of the financial year exceeds the following conditions:

- 1) sales revenue or income 4,800,000 euros;
- 2) total assets as of the balance sheet date 2,400,000 euros;
- 3) average number of employees 72 people.

[RT I, 30.12.2015, 4 – entry into force 01.01.2016]

(2¹) Review of the annual accounts is compulsory for a foundation unspecified in subsection 4 of § 91 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;

[RT I, 17.12.2010, 20 – entry into force 01.01.2011, valid for annual reports for reporting periods starting on or after 1 January 2010]

(3) A compulsory review may be replaced by an audit.

§ 93. Specifications of audit and review obligations

The obligations provided for in subsection 3 of § 91 and subsections 1 and 2 of § 92 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 1 of § 28 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

(1) In the course of an audit or review an audit firm is required to verify the compliance with the annual accounts of financial and other information disclosed together with the annual accounts in adherence to the standards for the professional practice of a sworn auditor 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.

(2) An audit firm is required, within the meaning of the public interest entity and the Accounting Act, upon performance of an audit of a medium-sized undertaking, a large undertaking, a medium-sized consolidation group and a large consolidation group, to:

- 1) disclose in the sworn auditor's report whether the management report is substantially in accordance with the annual accounts;
- 2) disclose in the sworn auditor's report whether the management report has been prepared in accordance with the applicable requirements provided for by law;
- 3) describe in the sworn auditor's report the nature of the misstatements identified in the management report if the audit firm has identified significant misstatements in the management report taking into account the facts obtained in the course of the audit and the understanding of the company and its operating environment.

(3) Subsection 2 of this section shall not be applied to information which is submitted in the management report on the basis of subsections 6–8 of § 24 and subsections 4–6 of § 31 of the Accounting Act.

[RT I, 13.05.2021, 1 – entry into force 01.06.2021; subsections 2 and 3 shall apply to accounting periods of annual reports beginning on or after 1 June 2020]

§ 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]

§ 95². Invalidity of agreement restricting right of appointment of audit firm

An agreement restricting the freedom of choice of persons entitled to appoint an audit firm, regarding the appointment of an audit firm

to conduct an audit or review of annual accounts, to a certain category of an audit firm or audit firms, shall be invalid.
[RT I, 30.06.2017, 1 – entry into force 01.07.2017]

Subchapter 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 one of whom shall be an expert in accounting or auditing. The committee members as a whole shall have competence relevant to the sector in which the audited entity is operating. In order to elect a member of the audit committee, his or her written consent is required.

[RT I, 30.06.2017, 1 – entry into force 01.07.2017]

(4) A person entitled to manage everyday business and make transactions, a procurator, an internal auditor or a person performing the audit of the organisation whose activities the audit firm is dealing with shall not be a member of an audit committee.

[RT I, 30.06.2017, 1 – entry into force 01.07.2017]

(4¹) The majority of the audit committee members, including the chairman of the audit committee, shall be independent of the audited entity, except in the case all the audit committee members are also members of the body that formed the committee.

[RT I, 30.06.2017, 1 – entry into force 01.07.2017]

(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 or consolidated accounts;

4) independence of an audit firm and a sworn auditor representing an audit firm on the basis of law and the compliance of their activities with other requirements of this Act and, where appropriate, with requirements of Regulation (EU) No 537/2014 of the European Parliament and of the Council.

[RT I, 30.06.2017, 1 – entry into force 01.07.2017]

(2) In connection with the functions specified in subsection 1 of this section, an audit committee is required to give an overview of the results of the statutory audit and their work to the body that elected or the person that appointed its members and make proposals at least in the following issues:

[RT I, 30.06.2017, 1 – entry into force 01.07.2017]

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. An audit firm shall submit to the audit committee of a public interest entity the additional report specified in Article 11 of Regulation (EU) No 537/2014 of the European Parliament and of the Council.

[RT I, 30.06.2017, 1 – entry into force 01.07.2017]

(3¹) The audit committee of a public interest entity shall forward the additional report specified in subsection 3 of this section to the Financial Supervision Authority within five days as of the receipt thereof.

[RT I, 30.06.2017, 1 – entry into force 01.07.2017]

(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 in charge of the policy sector.

(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 who shall have an obligation to form an audit committee are a public interest entity and a legal person in which a public sector entity has a majority holding or which is under the dominant influence of a public sector entity in whose annual accounts or in the annual accounts of whose consolidation group at least three of the indicators of the financial year exceed the following indicators:

- 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

[RT I, 30.06.2017, 1 – entry into force 01.07.2017]

(2) An accounting entity that is required to prepare a consolidated annual report pursuant to subsection 1 of § 28 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 1 of § 27 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

[Repealed – RT I, 30.06.2017, 1 – entry into force 01.07.2017]

Chapter 8 BOARD OF AUDITORS

Subchapter 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 organizations;
- 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 administration of the sworn auditor's oath;
- 2) an audit firm as of the entry into force of the decision to issue an activity licence;
- 3) a person whose qualification has been recognized on the basis of subsection 1 of § 30 of this Act as of the date of the administration of the sworn auditor's oath.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(2) The membership in the Board of Auditors of a member thereof shall terminate:

- 1) upon deprivation of the qualification of a sworn auditor or termination of the recognition of the qualification of the person specified in

subsection 1 of § 30 of this Act;

2) upon termination of the validity or revocation of an activity licence of an audit firm;

3) upon a failure to pay the mandatory membership fee by the due date or in the prescribed amount without good reason and regardless of a warning given by the management board.

(3) In the case specified in clause 3 of subsection 2 of this section a member of the Board of Auditors shall be excluded from the Board of Auditors by the decision of the management board.

(4) If quality control, disciplinary proceeding, proceeding concerning a complaint, misdemeanour proceeding or investigation has been initiated with regard to a member of the Board of Auditors or a sworn auditor or audit firm related thereto, the decision concerning the exclusion from the Board of Auditors may be made on the basis of clause 3 of subsection 2 of this section after termination of the corresponding proceeding.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

§ 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: first the President, then the members and alternate members of the management board, and finally the members and alternate members of the revision committee.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(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.

Subchapter 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 up to 50 per cent through the allocations from the state budget intended for that purpose. Allocations from the state budget intended for that purpose shall be consistent and shall ensure, together with other receipts in the insight part of the budget, independence of the performance of the obligations imposed on the Oversight Board by this Act.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(3) The Board of Auditors shall not secure the obligations of other persons or grant loans. The transaction which violates that prohibition is void.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(3¹) The budget of the financial year of the Board of Auditors consists of oversight and general parts. The financial resources of oversight are kept on a separate bank account from the financial resources of the general part and the Board of Auditors keeps separate accounts of them. The Oversight Board has the right of possession, use and disposal of financial resources of oversight.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(3²) The general part of the budget is approved by the general meeting. The oversight part of the budget is approved by the Oversight Board. The parts of the budget are approved by 31 October of the current financial year.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(3³) The parts of the budget for the financial year of the Board of Auditors are prepared and approved so that the economic result arising from the difference between revenue and expenses would be positive or equal to zero. The budget result may be negative for up to 25% of the revenues of the budget part but the deficit is covered from the liquid assets accumulated as the surplus of the same budget part from the previous periods, which exceed the liquidity reserve.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(3⁴) Until approval of the budget part the management board and the supervisory board may incur expenditures in the commenced financial year for up to one twelfth of the respective expenditures of the budget part of the previous year.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(4) The general part of the budget of the financial year and its estimated budget shall, among other, set out the following:

- 1) income from the receipt of membership fee;
- 2) income from training fees;
- 3) expenditure for the remuneration of the President;
- 4) expenditure for the remuneration of the members of the management board;
- 5) expenditure for the remuneration of the members of the revision committee;
- 6) expenditure for investment activities.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(4¹) The oversight part of the budget and its estimate shall, among other, set out the following:

- 1) revenue from receipt of oversight fees;
- 2) revenue from allocations from state budget intended for a specific purpose for organisation of oversight;
- 3) revenue from professional examination fees;
- 4) expenses on the fees of the members of the Oversight Board;
- 5) expenses on the fees of persons employed pursuant to subsection 2 of § 129 of this Act;
- 6) other expenses for organisation of oversight.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(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 the liquidity reserve in order to mitigate liquidity risk. Liquidity risk is a risk that the Board of Auditors lacks sufficient liquid funds to ensure lawful performance of its obligations.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(7) The amount of the liquidity reserve shall be at least 175,000 euros of which at least 100,000 euros belongs to the oversight funds (hereinafter liquidity reserve of oversight). The liquidity reserve of oversight is kept in the same bank account with the oversight funds unless the Oversight Board decides otherwise.

(8) The liquidity reserve funds may be placed in the demand deposit or fixed-term deposit with a term of up to 180 days. The liquidity reserve funds are placed by the management board on the basis of the decision of the Oversight Board.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(9) The liquidity reserve funds may only be used if the cash flows in the current financial year do not enable making expenditures under the budget or subsection 3⁴ of this section.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(10) A body of the Board of Auditors which has used the liquidity reserve funds is required to, no later than in the budgetary year following the year of the using of funds, prescribe the surplus of the budget part prepared by the user in the amount which would enable restoring of the liquidity reserve in the amount prescribed in this Act.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 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 three parts:

- 1) membership fee of a sworn auditor;
- 2) membership fee of a licensed member (hereinafter licence fee);
- 3) oversight fee of a member holding an activity licence (hereinafter oversight fee).

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(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. Upon determining the amount of the parts of the membership fee it is taken into account that they would ensure, together with other receipts, the performance of the tasks assigned to the bodies of the Board of Auditors by this Act.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(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 is 50-100 euros per sworn auditor.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(5) The rate of the activity licence fee is 0.3–0.8 per cent of the total sales revenue from the audit services provided on the basis of the activity licence specified in subsection 1 of § 81 of this Act in the membership fee calculation period preceding the calculation period of the membership fee of the audit firm, which shall be reflected in the management report complying with § 157 of this Act.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(5¹) The rate of the oversight fee is 0.7–2.4 per cent of the total sales revenue from the audit services provided on the basis of the activity licence specified in subsection 1 of § 81 of this Act in the membership fee calculation period preceding the calculation period of the membership fee of the audit firm, which shall be reflected in the management report complying with § 157 of this Act.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(5²) The membership fee and activity licence fee of a sworn auditor are paid in the general part of the budget and the oversight fees are paid in the oversight part of the budget.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(6) The management board of the Board of Auditors and the Oversight Board shall each submit to the minister in charge of the policy sector by 1 March of the current financial year:

- 1) their proposals concerning the amount of the oversight fee for the following financial year;
- 2) the estimate of expenses and revenues for the following financial year.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(7) The amount of the membership fee of a sworn auditor and the rate of the activity licence fee for the financial year which is the calculation period shall be established by the general meeting of the Board of Auditors. If the general meeting does not approve the general part of the budget by the term specified in subsection 3² of § 105 of this Act, the membership fee and the activity licence fee of a sworn auditor in that financial year shall be deemed to be established at the highest rate permitted by law.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(7¹) The rate of the oversight fee for the financial year which is the calculation period shall be established by the minister in charge of the policy sector by 30 August of the current financial year.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(8) The amount of a licence fee may be determined by a resolution of the management board of the Board of Auditors for a person provided for in subsection 1 of § 108 of this Act, who fails to submit the management report by the due date or submits false information in the management report or who commences or continues the professional activities of a sworn auditor, in accordance with the principle of equal treatment.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(9) The provisions specified in subsection 5 and 5¹ of this section shall also apply to a sworn auditor who has passed the aptitude test for recognition, who operates as an audit firm in the form of a sole proprietor.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(10) With good reason, the management board of the Board of Auditors may decide to change the due date for the payment of the membership fee and activity licence fee of a member of the Board of Auditors and to reduce the amount of the fee.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 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 activity licence fee and oversight fee

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(1) An audit firm is required to pay the activity licence fee and the oversight fee.

(2) The activity licence fee is paid by 10 November of the financial year which is the calculation period for the membership fee.

(2¹) The due date of payment of the oversight fee in the financial year which is the calculation period for the membership fee is:

- 1) 10 November when 65 per cent of the amount payable is to be paid;
- 2) 28 February when 35 per cent of the amount payable is to be paid.

(3) The amount of the oversight fee payable shall be calculated as 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, but this cannot be lower than 400 euros per calculation period.

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

(5) An audit firm is not required to pay the amount specified in clause 2 of subsection 2¹ of this section upon the submission and satisfaction of the application for suspension or termination of the activity licence before 31 December of the current year.

(6) The rate of the oversight 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 from the financial year which is the calculation period for the membership fee during which the Oversight Board made a decision on the basis of subsection 2 of § 142 of this Act until the end of the financial year which is the calculation period of the membership fee, during which the Oversight Board makes a decision on restoration of the nominal

frequency of quality control.

(7) The increased rate of the oversight fee shall also be applied to an audit firm that has made amendments in the management report concerning the financial volume of audit services and other business activities of the audit firm after 30 September. In such case the increased rate of the oversight fee shall be calculated on the difference between the sales revenue and actually provided audit services reflected in the management report as follows:

- 1) if the sales revenue reflected in the management report increases, the amount of the membership fee to be added is multiplied by 1.5;
- 2) if the sales revenue reflected in the management report decreases, the amount of the membership fee to be refunded shall be divided by 1.5.

(8) The amount of the oversight 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.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

Subchapter 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, members and alternate members of the management board and revision committee 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 1 of § 115 of this Act;
- 7) approve the annual report of the Board of Auditors, the general part of the budget of the current financial year and the estimate of the general part of the budget for at least the following financial year;

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

7¹) approves the rate of the activity licence fee and the amount of the membership fee of a sworn auditor;

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

7²) provides a guideline to the management board for making the proposal specified in clause 1 of subsection 6 of § 106 of this Act;

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

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 in charge of the policy sector;
- 6) at 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 in charge of the policy sector, 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.

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

(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.

Subchapter 4

President and management board of Board of Auditors

§ 113. President

(1) The President shall represent the Board of Auditors in all legal acts which are not given in the competence of the chairman of the Oversight Board pursuant to this Act.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(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) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 114. Management Board

(1) The management board consisting of at least three members is a permanent body of the Board of Auditors which organises the activities of the Board of Auditors to achieve the lawful and mandatory objectives of the Board of Auditors.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(2) The members of the management board shall be elected for the term of up to 42 months.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(3) The authority of a member of the management board shall commence as of the date of election unless otherwise decided by the general meeting.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(3¹) The authority of a member of the management board terminates on a regular basis upon the election of a new member of the management board as of the date of the beginning of the authority of a new member of the management board. The authority of a member of the management board terminates prematurely on the date of resignation or recalling thereof.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(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 4 of § 114 of this Act;
- 4) administer the assets of the Board of Auditors;
- 5) organise the accounting of the Board of Auditors;

5¹) submit to the minister in charge of the policy sector the following, specified in subsection 6 of § 106 of this Act;

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

5²) determine the amount of the activity licence fee on the basis of subsection 8 of § 106;

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

5³) decide on the conditions of the membership fee of the Board of Auditors on the basis of subsection 10 of § 106;

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

6) prepare and submit to the general meeting for approval the annual accounts of the Board of Auditors for the ended financial year, the estimate of the general part of budget of the current financial year and the estimate budget of the general part of budget for the following financial year;

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

7) decide on making of the transactions necessary for the activities of the Board of Auditors to the extent of and according to the budget of the general part or its estimate approved by the general meeting;

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

8) organise cooperation with research institutions and universities.

(2) In the field of oversight the management board is competent to:

1) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

2) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

3) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

4) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

5) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

6) carry out in-service training of sworn auditors in compliance with the in-service training procedure;

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

7) decide on recognition of in-service training on the basis of subsection 3 of § 42 of this Act;

[Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

8) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

9) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

10) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

11) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

12) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

13) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(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 1 of subsection 1 of § 46 of this Act and the interpretations thereof;

2) the standards provided for in subsection 2 of § 46 of this Act and the interpretations thereof;

3) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

4) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

5) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

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 training procedure for a sworn auditor;

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

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) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

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

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(7) The management board shall give the powers which are necessary for use and disposal of the oversight part of the budget to the chairman of the Oversight Board.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 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) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]
- (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.

Subchapter 5**Audit of operations, reporting and administrative supervision of Board of Auditors****[RT I, 13.03.2014, 4 - entry into force 01.07.2014]****§ 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. In the course of the audit at least the acts specified in subsection 3 of § 53¹ of this Act shall be carried out.
[RT I, 30.06.2017, 1 – entry into force 01.07.2017]
- (2¹) The general meeting of the Board of Auditors may assign one-time tasks to the revision committee for control and assessment of the legality, feasibility and cost effectiveness of the activities of the Board of Auditors and of the expediency of the use of property by the decision for which the draft is prepared by the management board or the Oversight Board.
[RT I, 23.12.2014, 2 – entry into force 01.01.2015]
- (2²) The competence of the revision committee does not include the control and assessment of the activities specified in subsection 2 of § 115 and § 124.
[RT I, 23.12.2014, 2 – entry into force 01.01.2015]
- (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.
[RT I, 12.11.2010, 1 – entry into force 15.11.2010]
- (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.

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

(4) The Oversight Board shall review the annual report and the report of the revision committee and prepare a written report thereon (hereinafter report of the Oversight Board). The report of the Oversight Board shall indicate whether the Oversight Board approves the annual report prepared by the management board.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(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.

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

(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.

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

§ 120. Administrative supervision of activities of Board of Auditors

[RT I, 13.03.2014, 4 – entry into force 01.07.2014]

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

[RT I, 13.03.2014, 4 – entry into force 01.07.2014]

(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 in charge of the policy sector 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

Subchapter 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 authority, which consists of five to seven members and who perform the functions assigned to it by law in accordance with public interest.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(3) The rules of procedure of the Oversight Board shall be established by a regulation of the minister in charge of the policy sector.

(4) The members of the Board of Auditors and the sworn auditors registered pursuant to subsection 1 of § 30¹ of this Act (hereinafter third-country registered sworn auditor) are subject to state oversight and the internal quality control of the Board of Auditors.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(4¹) Within the frames of the state oversight the Oversight Board performs the quality control and proceeding and investigation of complaints, issues precepts, assigns non-compliance levy for the performance thereof and decides on the deprivation of the qualification of a sworn auditor, the suspension of the activity licence of a sworn auditor or declaring it invalid.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(4²) Within the frames of the internal control of the Board of Auditors the Oversight Board conducts disciplinary proceedings.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(5) Internal auditors are subject to the state oversight by the Ministry of Finance.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(6) The minister in charge of the policy sector 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) Upon becoming aware of elements of a punishable act provided by law, the Oversight Board may, dependent on the

circumstances of the act:

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

1) make a proposal to commence disciplinary proceedings or terminate the violation of precept or both;

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

2) make a proposal to the Ministry of Finance to commence misdemeanour proceedings;

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

3) make a proposal to the Prosecutor's Office to commence criminal proceedings.

(8) Pursuant to the State Liability Act the state is liable for the damage caused unlawfully to the subject of oversight by the Oversight Board upon performance of the state oversight as well as for the damage caused to the Board of Auditors by the chairman of the Oversight Board by violation of obligations.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(9) The provisions of the Substitutional Performance and Non-Compliance Levies Act apply to imposition of non-compliance levy, substitutional performance and application of a coercive measure prescribed in this Act.

(9¹) The Law Enforcement Act shall be applied to the state oversight performed on the basis of this Act with the specifications provided for in this Act and the European Union legislation.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(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) A member of the Oversight Board and a member of the control team specified in subsection 1 of § 138 of this Act shall have the right to verify all the details relating to the professional activities of a member of the Board of Auditors and a third-country registered sworn auditor, obtain information necessary for oversight from a member of the Board of Auditors and a third-country registered sworn auditor, examine documents relating to the professional activities of a member of the Board of Auditors and a third-country registered sworn auditor in any medium and receive copies, transcripts and extracts thereof.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(2) If the management board of the Board of Auditors has become aware of information concerning violation of this Act by a member of the Board of Auditors or a third-country registered sworn auditor the management board of the Board of Auditors is required to forward the information to the Oversight Board.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(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 set of circumstances that there is a reason for suspicion of an offence, which as a violation of law cannot be considered 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 body thereof.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

§ 123. Competence and functions of Ministry of Finance

(1) The Ministry of Finance is competent to:

1) organise maintenance of the register;

2) exercise administrative supervision over the Board of Auditors;

[RT I, 13.03.2014, 4 – entry into force 01.07.2014]

3) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

4) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

5) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

5¹) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

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 5 of § 132 of this Act;

11) make decisions concerning the professional examination on the basis of subsection 4 of § 33 of this Act;

12) decide on the release from in-service training on the basis of clause 3 of subsection 7 of § 67 of this Act;

13) recognise in-service training on the basis of subsection 3 of § 67 of this Act;

14) apply administrative coercion on the bases, to the extent and pursuant to the procedure prescribed by law;

15) conduct proceedings of misdemeanours specified in Chapter 10 of this Act;

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

16) establish the rate of oversight fee pursuant to subsections 5¹ and 7¹ of § 106 of this Act.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(1¹) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(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 bases thereof;
- 2) the procedure for practicing under the supervision of a recognised internal auditor;
- 3) the procedure for the preparation and submission of the management report of an internal auditor;
- 4) the in-service training procedure for an internal auditor.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(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 in charge of the policy sector concerning the issues provided for in clauses 6–12 of subsection 1 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;

1¹) prepare and approve of the oversight part of the budget;

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

2) approve or accept the documents submitted pursuant to clause 1 of subsection 3 of § 115 of this Act and submit them for transposition and establishment, where necessary, with amendments;

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

3) approve the documents submitted pursuant to clauses 2 and 6–10 of subsection 3 of § 115 of this Act, with amendments where necessary;

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

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) organise quality control;

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

7) carry out disciplinary proceedings;

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

8) conduct proceedings and investigation of complaints against a member of the Board of Auditors;

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

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) award, refuse to award and deprive of the qualification of a sworn auditor;

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

13¹) issue, refuse to issue and declare invalid an activity licence and suspend and restore the validity of the activity licence;

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

13²) recognise the equivalence and refuse to recognise the equivalence of the qualification of a sworn auditor;

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

13³) enter into register and delete from register a third-country registered sworn auditor;

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

13⁴) assess the equivalence pursuant to subsections 3 and 4 of § 30¹ of this Act;

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

13⁵) issue a permit specified in subsection 1 of § 89 of this Act;

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

14) administer the sworn auditor's oath;

15) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

16) decide on the release from in-service training on the basis of clause 3 of subsection 6 of § 42 of this Act;

17) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

18) decide on the conditions for the payment of oversight fee on the basis of subsection 11 of § 106 of this Act;

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

19) deprive of the qualification on the basis of subsection 1 of § 32 of this Act;

20) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

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 2 of § 160 of this Act;

- 23) represent Estonia in the European Commission in connection with the oversight over audit activities;
- 24) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]
- 25) process complaints submitted concerning the activities of the Board of Auditors;
- 26) carry out investigation on the basis of subsections 1–4 of § 132 of this Act;
- 27) make proposals on the basis of subsection 7 of § 121 of this Act;
- 28) submit the information specified in subsection 6 of § 106 of this Act to the minister in charge of the policy sector;
- [RT I, 30.06.2017, 1 – entry into force 01.09.2017]
- 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.
- 31) grant permission for voluntary dissolution of an audit firm.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(2) The function of the Oversight Board is to organise:

- 1) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]
- 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.

§ 124¹. Decisions of Oversight Board

(1) Each member of the Oversight Board has one vote. A member of the Oversight Board does not have the right to abstain from voting or to remain undecided unless otherwise provided by this Act.

(2) The Oversight Board has a quorum if over half of the members of the Oversight Board participate in the meeting of the Oversight Board. Minutes are taken of the meeting of the Oversight Board. Requirements for the minutes are provided in the rules of procedure of the Oversight Board.

(3) The Oversight Board has the right to adopt a decision without calling the meeting if all the members of the Oversight Board agree to it. The rules of procedure of the Oversight Board provide for the procedural rules and requirements for the record of voting for adoption of the decision without calling the meeting.

(4) The decision of the Oversight Board is adopted if over half of the votes of the members of the Oversight Board who participated in the voting are given in favour of the decision. Upon equal distribution of votes the chairman has the casting vote.

(5) The decision of the Oversight Board is signed by the chairman of the Oversight Board.

(6) The decision of the Oversight Board shall be immediately communicated to the persons with regard to whom the decision was made.

(7) A member of the Oversight Board may not vote if the vote is taken with regard to the decision directly relating to him or his interests.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 125. Appointment of members of Oversight Board

(1) The members of the Oversight Board shall be appointed and removed by the minister in charge of the policy sector.

(2) A proposal concerning the members of the Oversight Board shall be made to the minister in charge of the policy sector 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) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(3) The amount of remuneration paid to a member of the Oversight Board is determined by the minister in charge of the policy sector.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(4) A written consent of the person is required for nomination to a member of the Oversight Board.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 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) At least one of the appointed members of the Oversight Board shall be a sworn auditor. The Oversight Board as a whole shall have enough knowledge in the relevant areas in terms of statutory audit in order to perform the functions of the Oversight Board. [RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(4) A member of the Oversight Board shall not, during the membership or within three years before appointment as a member, have:

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

- 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) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(6) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(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) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 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 2 of § 128 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 2 of § 125 shall make a proposal to the minister in charge of the policy sector 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

(1) 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.

(2) The Chairman of the Oversight Board has the right to enter into contracts of employment, contracts for services and authorisation agreements on behalf of the Board of Auditors for preparation and implementation of the decisions of the Oversight Board.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(3) The Chairman of the Oversight Board or a person authorised thereby is a representative of the Board of Auditors:

- 1) upon contesting the decision or precept of the Oversight Board in the court;
- 2) in legal relationships arising from contracts specified in subsection 2 of this section.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 129¹. Liability of member of Oversight Board

(1) Members of the Oversight Board are solidarily liable for damage wrongfully caused by their unlawful behaviour.

(2) A member of the Oversight Board is required to compensate to the state for the damage caused by violation of liabilities deliberately or due to gross negligence. Compensation required for damage caused by gross negligence may not exceed the six-month rate of the remuneration paid to a member of the Oversight Board.

(3) A member of the Oversight Board is released from liability if, upon adoption of a decision which is in conflict with the law, he or she holds a position which is in accordance with the law and submits a corresponding dissenting opinion, which is annexed to the minutes.

(4) A claim submitted against a member of the Oversight Board expires within three years as of the commission of the violation.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 130. Precepts of Ministry of Finance and Oversight Board

(1) The Ministry of Finance may issue a precept in which they:

1) demand that the Board of Auditors or internal auditor terminate the offence;

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

2) demand that the Board of Auditors reverse a measure;

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

3) demand that the Board of Auditors issue an administrative act, perform an act or pass a new resolution on a matter;

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

4) refer an internal auditor to an additional professional examination.

5) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(2) The Oversight Board may issue a precept in which they:

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

1) demand that a member of the management board of the Board of Auditors, a sworn auditor or an audit firm terminate the offence;

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

2) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

3) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

4) demand that an audit firm eliminate the deficiencies which constitute the basis for revocation of the activity licence;

5) demand that a sworn auditor eliminate the deficiencies which constitute the basis for deprivation of the qualification;

6) demand that the violation of the procedure for the use of a business name provided for in § 9 of this Act be terminated.

7) demand that a management board member of an audit firm, shareholder entitled to manage general partnership or limited partnership or a self-employed person to terminate violation of the procedure for voluntary dissolution of an audit firm provided for in § 89¹ of this Act.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(3) A precept shall set out:

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

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 non-compliance levy 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. Non-compliance levy

(1) In the event of a failure to comply with or an inappropriate compliance with the precept issued on the basis of this Act, the Ministry of Finance and the Oversight Board may impose a non-compliance levy pursuant to the procedure provided in the Substitutional Performance and Non-Compliance Levies Act.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(2) In the event of a failure to comply or an inappropriate compliance with a precept, the upper limit for the non-compliance levy 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 independently investigate the activities of the Board of Auditors or a member of the Board of Auditors and a third-country registered sworn auditor in order to ascertain, detect, correct or prevent activities which do not comply with the requirements provided for in this Act.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(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 may establish a control team for clarification of the circumstances in the investigation proceedings.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(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.

Subchapter 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 1–5 of subsection 3 of § 48 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 the client of the subject of oversight.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

§ 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 3–6 of § 156 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 and the results of quality control or the 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 activities.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]
- (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.
- (4) The Oversight Board communicates consolidated data on all the disciplinary and misdemeanour penalties imposed on the basis of this Act to the Committee of European Auditing Oversight Bodies once a year.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]
- (5) The Oversight Board shares information specified in Article 26 (6) of Regulation (EU) No 537/2014 of the European Parliament and of the Council with the audit committee of the relevant public-interest entity.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 135. Yearbook of oversight

No later than on 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. Among other, it shall be indicated in the yearbook of oversight how oversight has been organised and managed by the Oversight Board.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

Subchapter 3

Internal quality control as part of oversight

[RT I, 30.06.2017, 1 - entry into force 01.09.2017]

§ 136. Quality control

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

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

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

- (2) An audit firm and a person specified in subsection 3 of § 81 of this Act and a third-country registered sworn auditor are subject to

quality control.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(3) Quality control shall be organised by the Oversight Board.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(4) Quality control with respect to persons recognised on the basis of subsection 1 of § 30 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 3 of § 81 of this Act or at the seat of the Board of Auditors. The quality control of a third-country registered sworn auditor is carried out at the seat of the Board of Auditors.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(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.

(5¹) Regular quality control is not performed with regard to an audit firm who has been issued activity licence on the basis of § 79¹ of this Act.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(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.

(7) Upon carrying out quality control the extent and volume of the activity controlled is taken account of and the fact that the standards specified in clause 1 of subsection 6 of this section are intended for application in a manner which is proportional to the scope and complexity of the activity of the audited entity.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 138. Quality control team

(1) The quality control team (hereinafter control team) formed by the Oversight Board shall carry out the quality control and the internal disciplinary proceedings of a professional association and ascertain the facts of the complaint and investigation.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(2) The Oversight Board shall determine the size of the control team and elect the members on the basis of the risk analysis, objective, schedule and object. The control team shall consist of at least two members.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(3) The members of the control team shall have completed special training in quality control organised by the Ministry of Finance or Oversight Board and they shall have relevant education and experience in the field of audit and financial reporting.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(4) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(5) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 139. Independence of control team

(1) The Oversight Board 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.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(2) A member of a control team 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.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(3) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(4) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(5) A conflict of interests shall be deemed avoided if more than three years have passed from a relationship or any other association causing the conflict of interest.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(6) The members of the control team are remunerated from the oversight part of the budget. If a member of the control team does not belong to the Oversight Board, the chairman of the Oversight Board shall enter into a contract with the member of the team pursuant to subsection 2 of § 129 of this Act.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(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 conduct of the quality control 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 the quality control is carried out or a person entitled to represent thereof. Each party that signs the record shall receive one copy of the record.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(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 control team shall submit to the Oversight Board a report concerning the results of the work of the control team, which shall be signed by all the members of the control team.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(4) A report of the control team shall include at least:

- 1) the composition of the control team;

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

- 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 Oversight Board;
- 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) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(6) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(7) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(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 Oversight Board shall discuss the subjects covered in the report and make the corresponding resolutions.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(2) The Oversight Board is required to offer an opportunity to a relevant member of the Board of Auditors concerned to explain the circumstances and positions of the quality control or disciplinary proceedings.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(3) A decision of the Oversight Board made on the basis of the report of a control team shall be immediately communicated to the member of the Board of Auditors involved and it is binding to the latter in the part concerning him or her.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

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

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 142. Changing nominal frequency of quality control

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

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(2) The Oversight Board has the right to increase the nominal frequency of quality control specified in § 1 37 of this Act 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 or proceedings of a complaint, which, however, are not sufficient in order to make a proposal for the suspension of the validity or termination of an activity licence.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(3) The Oversight Board may reduce the increased frequency of quality control after such quality control in the course of which no material violations are detected.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

Subchapter 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 or 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 Oversight Board 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.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

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

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(2¹) It is not needed to commence disciplinary proceedings if the possible disciplinary offence is of little importance in the opinion of the Oversight Board or if on the basis of the same violation proceedings are commenced for deprivation of the qualification or for declaring the activity licence invalid. The disciplinary offence is not of little importance if, by commission thereof, a significant proprietary damage has been caused for the purposes of the Penal Code.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(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 with or unsatisfactory compliance with other legislation regulating the activities of a member of the Board of Auditors as well as failure to comply with or unsatisfactory performance of the decisions of the Oversight Board.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(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 the management report on time after the time limit for submission and disclosure of the transparency report;

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

8) failure to submit or disclose the transparency report on time;

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

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 1 of § 45 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) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.09.2017]
- 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) The Oversight Board may bring disciplinary proceedings against a member of the Board of Auditors upon commission of a disciplinary offence.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

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

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(3) The Oversight Board shall make a decision in disciplinary proceedings by which:

- 1) establishes a disciplinary offence and imposes a penalty;
- 2) terminates the proceedings and does not impose the penalty if the offence was insignificant or has expired;
- 3) terminates the proceedings and does impose penalty if the offence provides a basis for declaring the activity licence invalid or for deprivation of the qualification or
- 4) establishes the absence of disciplinary offence.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(4) The Oversight Board enters the imposed disciplinary penalties on the registry card of the responsible person noting thereby the contents of the offence.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 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 on 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 on a member of the Board of Auditors who is a legal person shall be up to 32, 0 00 euros.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(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. Two thirds of the fines paid shall be paid in the oversight part of the budget and one third in the general part of the budget.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(4) The decision of the Oversight Board concerning a fine imposed as a disciplinary penalty is an enforcement instrument within the meaning of clause 21 of subsection 1 of § 2 of the Code of Enforcement Procedure.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

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

(1) A disciplinary penalty for an offence specified in subsection 1 and clauses 1–8 and 10 of subsection 2 of § 144 of this Act may be imposed within three years as of the day of becoming aware of the offence but not later than seven years from the date on which the offence was committed.

(2) A disciplinary penalty for an offence specified in clause 9 of subsection 2 of § 144 of this Act may be imposed within two years as of the date on which the offence was committed.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 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.

Subchapter 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 controller and 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 controller of the register is the Ministry of Finance who shall organise maintenance of the register.
- (4) The 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) The disclosure of data specified in this section may be restricted by a decision of the Oversight Board if the disclosure would cause disproportionate damage to the companies or private individuals involved or would cause a risk to the ir life or security or the stability of financial markets or the on-going criminal investigation.
[RT I, 30.06.2017, 1 – entry into force 01.09.2017]
- (3) The registry card information concerning the suspension and restoration of an activity licence shall be public within three years as of the entry into force of the decision reflecting the restoration of the activity licence.
[RT I, 23.12.2014, 2 – entry into force 01.01.2015]
- (4) The registry card information concerning persons whose activity licence has expire d or whose activity licence is declared invalid shall be public within five year s as of entry into force of the decision on the expiry or revocation of the activity licence.
[RT I, 30.06.2017, 1 – entry into force 01.09.2017]
- (5) The registry card information concerning penalties imposed, precepts issued on the basis of this Act and results of the quality control shall be disclosed immediately after the expiry of the term for filing a challenge, complaint or appeal provided for by law if the decision is not contested. In the case of the contestation of the decision, the disclosure shall depend on further decisions and the terms for filing a challenge against the decisions.
[RT I, 23.12.2014, 2 – entry into force 01.01.2015]
- (6) The registry card information concerning the penalties imposed and precepts issued on the basis of this Act shall be public o n the registry card within five years as of the disclosure of the corresponding decision. The registry card information concerning the results of the quality control shall be public on the registry card within seven years as of the entry into force of the corresponding decision.
[RT I, 30.06.2017, 1 – entry into force 01.09.2017]
- (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 in charge of the policy sector.

Subchapter 6 **Reporting on professional activities of sworn auditor** **[RT I, 12.11.2010, 1 - entry into force 15.11.2010]**

§ 157. Management report

(1) A member of the Board of Auditors is required to prepare the management report and submit it to the Board of Auditors through the information system of the register. The management report shall be submitted within 50 days after the end of the period of the management report. Upon termination of the membership of the Board of Auditors the management report shall be submitted within 50 days as of the termination of membership.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(2) A management report shall contain information concerning the activities of a member of the Board of Auditors during the management report period from 1 July to 30 June. In case the management report is to be submitted relating to the exclusion of the member of the Board of Auditors from the Board of Auditors, the management report shall be prepared for the period which remains between the exclusion of the member of the Board of Auditors from the Board of Auditors and the end date of the last statutory management report period. The management report is prepared in the Estonian language.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(3) A management 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 a management 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, whose trusted client for the financial year of the Board of Auditors ended is a public interest entity, is required to prepare a transparency report specified in Regulation (EU) No 537/2014 of the European Parliament and of the Council, submit it to the Board of Auditors through the information system of the register thereof at the latest on 31 October and disclose it by the same date on its home page or, in the absence thereof, on the home page of the Board of Auditors.

[RT I, 30.06.2017, 1 – entry into force 01.07.2017]

(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) The transparency report shall include at least the information specified in Article 13 (2) of Regulation (EU) No 537/2014 of the European Parliament and of the Council.

[RT I, 30.06.2017, 1 – entry into force 01.07.2017]

(4) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.07.2017]

(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) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.07.2017]

(7) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.07.2017]

(8) [Repealed – RT I, 30.06.2017, 1 – entry into force 01.07.2017]

(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) A management 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. A management report of an internal auditor shall be prepared in Estonian.

(3) An internal auditor shall submit and disclose at least the following information in a management 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 in charge of the policy sector.

(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 in charge of the policy sector.

(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

Subchapter 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 and same persons;

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

3¹) if the proceedings of a complaint, investigation or disciplinary or misdemeanour proceedings have already been carried out with respect to the same activity and the same persons;

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

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 State

(1) The Oversight Board shall extend full cooperation with the competent authorities of the Contracting States and shall appoint a representative to the Committee of European Auditing Oversight Bodies.

[RT I, 30.06.2017, 1 – entry into force 01.07.2017]

(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 Subchapter.

(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 in charge of the policy sector 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:

- 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 and without endangering the security of the industrial and intellectual property of the entity audited.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(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.

§ 162¹. Cooperation with European oversight bodies

The Oversight Board shall cooperate with the European Securities and Markets Authority, the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Systemic Risk Board if this is necessary for the performance of obligations and tasks arising from Regulation (EU) No 537/2014 of the European Parliament and of the Council.

[RT I, 30.06.2017, 1 – entry into force 01.07.2017]

Chapter 10 LIABILITY

§ 163. Hindering quality control, disciplinary proceedings or investigation

[Repealed – RT I, 12.07.2014, 1 – entry into force 01.01.2015]

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

(1) Violation of the provisions of subsections 1 and 2 of § 55, subsection 1 of § 58 and subsections 1–5 of § 63 of this Act by a sworn auditor is punishable by a fine of up to 200 fine units.

[RT I, 12.07.2014, 1 – entry into force 01.01.2015]

(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 or destruction of documents concerning professional activities is punishable by a fine of up to 300 fine units.

[RT I, 12.07.2014, 1 – entry into force 01.01.2015]

(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

[Repealed – RT I, 12.07.2014, 1 – entry into force 01.01.2015]

§ 166¹. Violation of procedure for dissolution of audit firm

Violation of the procedure for voluntary dissolution of an audit firm, provided for in § 89¹ of this Act, by a member of the audit firm, a managing partner of a general or limited partnership or a sworn auditor operating as a sole proprietor is punishable by a fine of up to 300 fine units.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

§ 166². Violation of restriction on activity

Violation of restriction on activities provided for in § 47¹ of this Act is punishable with a fine of up to 300 fine units.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 166³. Violation of liabilities established on management body of public-interest entity or member of Board of Auditors

(1) For violation of requirement provided for in subsection 1² or 1³ of § 55 of this Act or in Articles 4, 5 or 16 of Regulation (EU) No 537/2014 of the European Parliament and of the Council the responsible member of the management body of the public-interest entity or responsible member of the audit committee is punishable with a fine of up to 300 fine units.

(2) The extra-judicial body shall immediately notify of the application of the penalty specified in this section the Oversight Board, who shall notify the Committee of European Auditing Oversight Bodies thereof.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

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

[Repealed – RT I, 12.07.2014, 1 – entry into force 01.01.2015]

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

[Repealed – RT I, 12.07.2014, 1 – entry into force 01.01.2015]

§ 169. Procedure

The extra-judicial body conducting proceedings of misdemeanours provided for in §§ 164 – 166³ of this Act is the Ministry of Finance.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

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 in charge of the policy sector.

(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 1 of § 31 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 2 of § 26 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 2 of § 26 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 the audit firm on the basis of the law or procuration after passing the special part of accounting and the special part of sworn auditors of the professional examination.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(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 2 of § 26 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 4 of § 137 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 clause 3 of subsection 1 of § 19 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 4 of § 137 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 1 and 2 of § 59 of this Act do not apply to the public interest entities specified in clauses 1–3 of subsection 1 of § 13 and subsections 2 and 3 of § 13 until entry into force of the provisions of subsection 7 of § 207 of this Act.

(2) The requirement for practice of an examinee shall be deemed to be complied with until entry into force of subsection 6 of § 20 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 4 of § 149 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 1 of § 125 of this Act and the members of the internal auditors professional qualifications committee on the basis of subsection 6 of § 121 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 1 of § 152 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.

(5) The powers of the current Oversight Board expire on 1 September 2017. The minister in charge of the policy sector shall appoint the new members of the Oversight Board and chairman on 2 September 2017.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 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 6 of § 105 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.

(9) The quality control, disciplinary proceeding and investigation of a complaint which has been commenced before 1 September 2017, shall be completed pursuant to the procedure which was in force during the commencement of the proceedings.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(10) The Oversight Board shall commence carrying out quality controls, including approve the period of new quality control and the sample of the quality control, before 30 September 2017.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(11) On 1 September 2017 the open liquid funds recognised in the entry “Cash” on the balance sheet in the annual accounts of the Board of Auditors as at 30 June 2017 and open liquid funds in Annex 2 are deemed to be belonging in the liquidity reserve in the amount specified in subsection 7 of § 105 of this Act.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 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]

§ 179¹. Implementation of oversight fee

The rate of oversight fee in the accounting period of the membership fee of an audit firm beginning on 1 July 2017 is 1.2 per cent of the sum of the sales revenue of the accounting period of the membership fee from provision of audit services provided on the basis of the activity licence specified in subsection 1 of § 81 of this Act, which is recognised in the management report pursuant to § 157 of this Act.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

§ 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 3 of § 42 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 3 of § 42 of this Act shall be twelve academic hours in the financial year of the Board of Auditors which begins on 1 July 2010.

(3) The three-year accounting period specified in subsection 3 of § 42 and the condition specified in subsection 4 of the redaction of this Act which entered into force on 1 January 2015 shall be applied from the financial year of the Board of Auditors which started on 1 July 2013.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

§ 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 1 and 2 of § 64 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 1 and 2 of § 64 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 1 and 2 of § 157 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 1 and 2 of § 158 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 1 and 2 of § 159 of this Act

§ 183. Application of requirements for internal auditor and sworn auditor

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

Until entry into force of subsection 2 of § 20 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 640,000 euros;
- 2) balance sheet total 320,000 euros;
- 3) number of employees 10 persons.

(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.

(2¹) The redaction of subsections 1 and 2 of § 91 and subsections 1 and 2 of § 92 of this Act, which entered into force on 1 January 2016, shall be applied to the accounting periods of annual accounts which start on 1 January 2016 or later.

[RT I, 30.12.2015, 4 – entry into force 01.01.2016]

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

§ 184¹. Implementation of obligations of audit firm relating to management report

Subsections 2 and 3 of § 95 of this Act shall be applied to the accounting periods of annual reports beginning on or after 1 June 2020.

[RT I, 13.05.2021, 1 – entry into force 01.06.2021]

§ 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 2 of § 22 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 1 of § 31 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.

§ 185¹. Duration of concluded audit contracts

The provisions of Article 41 of Regulation (EU) No 537/2014 of the European Parliament and of the Council shall be applied to the contracts which were entered into before the entry into force of subsection 1³ of § 55 of this Act.

[RT I, 30.06.2017, 1 – entry into force 01.07.2017]

§ 185². Ex-post evaluation of Board of Auditors and oversight regulation

By 1 July 2019 the Ministry of Finance shall analyse the expediency and purposefulness of the implementation of the regulation concerning public Board of Auditors provided for in Chapter 8 and oversight carried out in the public interests provided for in Chapter 9 and shall submit, where necessary, proposals for amendment to legislation.

[RT I, 30.06.2017, 1 – entry into force 01.07.2017]

§ 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 2 and 6 of § 20 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 1 and 2 of § 75 of this Act enter into force on 1 January 2014.

[RT I, 18.12.2012, 3 – entry into force 19.12.2012]

2) subsection 3 of § 75 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 4 of § 76 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 2 and 3 of § 81 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 1 of subsection 1 of § 99 of this Act enters into force on 1 July 2010;

2) clause 2 of subsection 1 of § 99 of this Act enters into force on 1 January 2011.

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

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

(9¹) The redaction of § 179 which entered into force on 15 November 2010 shall apply retroactively to the activity report period corresponding to the period specified in subsection 1 of § 182 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) Clause 2 of § 191, clause 2 of § 192 and clause 2 of § 193 of this Act enter into force on 1 January 2015.

[RT I, 23.12.2013, 4 – entry into force 24.12.2013]

(11) Provisions of subsection 4 of § 53¹ of this Act shall enter into force on 1 January 2017.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

¹ Directive 2006/43/EC of the European Parliament and of the Council on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC (OJ L 157, 9.6.2006, pp. 87–107), amended by , amended by Directive 2008/30/EC of the European Parliament and of the Council (OJ L 81, 20.03.2008, p.53), amended by Directive 2013/34/EU (OJ L 182, 29.06.2013, p.19) and Directive 2014/56/EU of the European Parliament and of the Council (OJ L 158, 27.05.2014, p.196).

[RT I, 30.06.2017, 1 - entry into force 01.09.2017]