

## **LAW ON AUDIT**

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### **I GENERAL PROVISIONS**

#### Subject of Regulation

#### **Article 1**

This Law shall regulate the conditions and manner of conducting audit of financial statements, mandatory nature of audit, qualification of persons and licenses to perform audit, issuance and revoking the operating permits from audit firms and independent auditors, supervision over performance of audit, the Chamber of Certified Auditors (hereinafter: the Chamber), establishment and competence of the Committee for Public Oversight of Audit Operations, international co-operation with competent authorities in the field of supervision, as well as other matters related to audit.

#### Definitions

#### **Article 2**

Certain terms shall, under this law, have the following meanings:

- 1) Audit of Financial Statements (hereinafter referred to as: the Audit) shall be the process of review and assessment of financial statements, as well as data and methods applied in preparation of financial statements on the basis of which an independent expert opinion is provided on whether the financial statements in all materially significant aspects give a true and honest display of the financial state and results of operations of a legal person, in accordance with the appropriate regulations for the preparation of financial statements;
- 2) Statutory Audit shall mean an audit of the regular annual and consolidated financial statements, prepared in accordance with the law governing accounting, which is mandatory according to this law;

- 3) Audit Firm shall be a company based in the Republic of Serbia, established in accordance with the law governing companies, and which, in accordance with this law, has a valid permit to conduct audit;
- 4) Audit Firm of a Member State shall be a legal person, irrespective of its legal form, that has a permit of the competent authority of a Member State of the European Union (hereinafter referred to as: the Member State) to conduct statutory audit;
- 5) Third Country Audit Firm shall be a legal person, irrespective of its legal form, that has a permit of the competent authority of the third country to conduct statutory audits;
- 6) Certified Auditor shall be a natural person who, in accordance with this law, passed an exam to acquire the title of a certified auditor, but does not have a valid license to conduct audit;
- 7) Licensed Certified Auditor shall be a natural person which, in accordance with this law, passed an exam to acquire the title of certified auditor, and has a valid license to conduct audit;
- 8) Independent Auditor shall be a licensed certified auditor, who, in accordance with this law, has a valid permit to conduct audit as a sole proprietor;
- 9) Auditor of a Member State shall be a natural person that has a valid document of the competent authority of a Member State to conduct statutory audit;
- 10) Third Country Auditor shall be a natural person that has a valid document of the competent authority of the third country to conduct statutory audit, excluding nationals of the Republic of Serbia who acquired that document in one of the former members of the SFRY that are not members of the European Union;
- 11) Group Auditor shall be an audit firm that performs statutory audit of consolidated financial statements;
- 12) The Network shall refer to the organization:
  - (1) Whose aim is mutual cooperation and which incorporates audit companies, or independent auditors, and
  - (2) Whose aim is distribution of profits or costs, or which has common ownership, control or management, common policy and procedures of auditing quality control, common business strategy, which uses a common name or a significant part of professional resources;
- 13) Audit Firm Affiliated with a firm from a Member State shall be an audit firm that is affiliated to the audit firm from a Member State by common ownership, control or management;
- 14) Audit Report shall be a report on the conducted audit that is issued by an audit firm or an independent auditor in accordance with this law and International Standards on Auditing;
- 15) Competent Authorities shall be authorities or bodies of Member States and third countries that are authorized to regulate audit and/or supervision of auditors and audit

companies, as well as to cooperate with competent authorities of other countries in the field of auditing;

16) International Standards on Auditing and International Standard on Quality Control (hereinafter referred to as: ISA) shall be the International Standards on Auditing (ISA) and the International Standard on Quality Control (ISQC) and related opinions and standards that are published by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), amendments to these standards, as well as future standards issued or adopted by this body, the translation of which was determined and published by the ministry competent for finance affairs (hereinafter referred to as: the Ministry);

17) International Financial Reporting Standards (hereinafter referred to as IFRS) shall be the International Financial Reporting Standards (IFRS) and the International Financial Reporting Standard for Small and Medium-Sized Entities (IFRS for SMEs) that are defined in more detail by the law governing accounting;

18) Code of Professional Ethics of Auditors shall be the Code of Ethics for Professional Accountants of the International Federation of Accountants (IFAC Code of Ethics for Professional Accountants), on the basis of which the Chamber shall adopt its own Code or decide to directly apply the Code of Ethics for Professional Accountants of the International Federation of Accountants;

19) International Education Standards shall be the International Education Standards for Professional Accountants (International Education Standards - IES) adopted by the International Federation of Accountants;

20) Companies of Public Interest shall be the following:

(1) Large legal persons classified in accordance with the law governing accounting;

(2) Legal persons that are considered to be public companies in accordance with the law governing the market of capital;

(3) All legal persons declared by Government, at the proposal of the competent Ministry, as legal persons of public interest for the Republic of Serbia, irrespective of their size;

21) Non-Practitioner shall be a natural person that, for at least three years prior to membership in the Committee for Public Oversight of Audit Operations, has not performed audits, has not had a right to vote in an audit firm, has not been a general manager or a member of the management or supervising body of an audit firm, and has not been employed by an audit firm.

22) Key Audit Partner shall be:

(1) A licensed certified auditor appointed by an audit firm or an independent auditor for a certain auditing assignment as the main and responsible person for conducting the statutory audit on behalf of the audit firm, or on behalf of the independent auditor, who shall also sign the Audit Report;

(2) In case of a Group Audit - a licensed certified auditor appointed by an audit firm as the main and responsible person for performing the statutory audit at the group level, who shall also sign the group Audit Report;

23) Third Country shall be a country that is not a member of the European Union;

24) Affiliated Persons shall be affiliated persons in terms of the law governing companies;

25) Affiliate of an Auditing Firm shall be an organizational unit of an audit firm without the capacity of a legal person;

26) Certified Internal Auditor shall be a natural person with an appropriate professional title acquired in accordance with this Law;

27) Committee for Public Oversight of Audit Operations shall be a body established by the Government with the competences determined by this law.

Determination and Publication of ISA Translations

### **Article 3**

The translations of the ISA shall be determined by a decision of the Ministry.

The decision referred to in paragraph 1 of this Article that also establishes the date of the start of application of ISA, together with the text of translation of the ISA, shall be published by the Ministry in the Official Herald of the Republic of Serbia and on the Ministry's internet page.

Who can Conduct the Audit

### **Article 4**

Audit may be conducted by:

1) The Audit Firm referred to in Article 2, item 3) of the present law that employs full time at least one Licensed Certified Auditor and fulfills other requirements provided by this law;

2) The Audit Firm of the Member State that got the permit to conduct audit in accordance with this law;

3) Third Country Audit Firm that was issued a permit to conduct audit in accordance with this law;

4) Independent auditor referred to in Article 2, item 8) of this law;

5) Auditor of a Member State, registered as a sole proprietor in the Republic of Serbia, who has a valid license and permit to carry out audits, issued by the competent authority in the Republic of Serbia;

6) Third Country Auditor, registered as a sole proprietor in the Republic of Serbia, who has a valid license and permit to carry out audits, issued by the competent authority in the Republic of Serbia.

Audit firms referred to in paragraph 1 of this Article shall perform audit through Licensed Certified Auditors.

Persons Unworthy to Conduct Audit, Acquire Licenses and Perform Other Audit Tasks

### **Article 5**

Persons, who have been convicted of offenses established by this law, may not perform the audit, acquire licenses and titles in accordance with this law, nor may they perform other tasks in the field of audit, determined by this law.

The crimes that shall make certain persons unworthy of performing the tasks referred to in paragraph 1 of this Article, in terms of this law shall be the offenses against labor rights, economy, property, justice, money laundering, terrorism financing, public order, legal transactions, and official duty.

Conditions for Issuing a License to Conduct Audit

### **Article 6**

License to conduct audit (hereinafter: the License) shall be an official document issued by the Ministry, in accordance with this law.

The License shall be issued to the person that fulfills the following conditions:

- 1) Passed exam for the title Certified Auditor;
- 2) Completed higher education on studies of second degree in accordance with the law regulating higher education, or completed graduate studies with duration of at least four years;
- 3) Having at least three years of work experience in statutory audit, with at least two years thereof under supervision of a Licensed Certified Auditor. Work experience in statutory audit shall mean work experience, permanent or temporary, gained as employee of an Audit Firm, or Independent Auditor, in tasks of statutory audit;
- 4) That he is imposed with a License issuance ban, in accordance with this law, in case the License had been revoked beforehand – until the expiration of the period the issuance of new License was banned;
- 5) No previous convictions for an offense that makes him unworthy of to conduct audit, in terms of provisions of Article 5 hereof.

The License referred to in paragraph 1 of this Article may be issued to the Auditor of a Member State who has a valid document of the competent authority of a Member State for conducting statutory audit, the content of which corresponds to the License (license, certificate, etc.) and meets the requirements of paragraph 2, items 2) - 5) of this Article.

License referred to in paragraph 1 of this Article may, under conditions of reciprocity, be issued to a Third Country Auditor who has a valid document of the competent authority of a third country to carry out the statutory audit, the content of which corresponds to the License (license, certificate, etc.) and meets the requirements of paragraph 2, items 2) - 5) of this Article.

To obtain a License, Auditor of a Member State or a Third Country Auditor shall be required to pass the supplementary exam on the regulations of the Republic of Serbia in the fields referred to in Article 8, paragraph 4, item 1) of this law, which are included in the program of the Chamber referred to in paragraph 5 of this Article.

Issuance, Extension and Revocation of a License

## **Article 7**

The License application shall be submitted to the Ministry.

The following documents shall be submitted attached to the application for a License:

- 1) Certificate on passed exam for the title of Certified Auditor;
- 2) Proof of attained education under Article 6, paragraph 2, item 2) of this law;
- 3) Proof of work experience under Article 6, paragraph 2, item 3) of this law;
- 4) Certificate from the competent authority on no previous convictions under Article 6, paragraph 2, item 5) of this law.

The Ministry shall render a decision concerning the application for a License, either by issuing a License or declining the application for the License.

Against the decision referred to in paragraph 3 of this Article appeal shall not be allowed, but it shall be subject to judicial review, in accordance with law.

The License shall be issued for a period of three years and shall be extended at the request of a Licensed Certified Auditor with evidence that he continuously developed in his profession, in accordance with the law.

Request for extension of the License may be filed the earliest three months before the expiry of the License.

If the request for extension of License is submitted after the expiry of the License, it shall be deemed that the application for a new License has been submitted.

If a Licensed Certified Auditor fails to continuously develop in his profession or fails to submit a request for extension of the License, the License shall cease to be valid after the expiration of three years from the date of its issuance.

When submitting a request for the extension of the License, the applicant must fulfill the requirements of Article 6, paragraph 2, items 2) - 5) of this law and to submit proof that he made continuous professional development in accordance with the law.

The Ministry shall decide on the request for the extension of the License by applying mutatis mutandis the provisions of paragraphs 3 and 4 of this Article.

The License may be revoked in cases, manner and procedure established by this Law.

The decision on revocation of the License shall determine the period in which the person whose License is revoked may not be issued a new License, which may not be longer than five years from the day the decision was rendered.

The Ministry shall, without delay, ex officio, submit to the Chamber a copy of the decision on issuing, or extending and revoking of the License for entry in the appropriate register.

Exam for the Title of Certified Auditor

### **Article 8**

Exam for the title of certified auditor shall be taken in the Chamber, in accordance with this law.

Exam for the title of certified auditor shall include the necessary level of theoretical knowledge of subjects relevant to statutory audit and the ability to put such knowledge into practice.

Exam for the title of certified auditor referred to in paragraph 2 of this Article shall include the whole of following subject matters:

- 1) General theory and principles of accounting;
- 2) Legal framework in relation to the preparation of the annual and consolidated financial statements;
- 3) IFRS;
- 4) Financial analysis;
- 5) Management accounting;
- 6) Risk management and internal control;
- 7) Auditing and professional skills;
- 8) ISA;
- 9) Professional ethics and independence.

Exam for the title of certified auditor referred to in paragraph 2 of this Article shall also include the following subjects, in part that is relevant to statutory audit:

- 1) Knowledge of the regulations in force in the Republic of Serbia, especially of:
  - (1) The company law, and corporative management;

- (2) Law on obligations;
  - (3) Regulations that govern domestic and international payments and transfer of capital;
  - (4) Regulations that govern capital and securities markets;
  - (5) Bankruptcy and liquidation;
  - (6) Tax system;
  - (7) Civil and trade law, as well as regulations that govern operations of banks, insurance companies and other financial institutions;
  - (8) Labor law;
- 2) Information technologies and computer systems;
  - 3) Micro economy, general and financial economy;
  - 4) Financial math and statistics;
  - 5) Basic principles of financial management of companies.

Exam for the title of certified auditor shall be taken in accordance with the program adopted by the Chamber in accordance with this law, which covers the subjects from paragraphs 3 and 4 of this Article, with the prior approval of the Committee for Public Oversight of Audit Operations (hereinafter referred to as: the Public Oversight Committee) and Ministry.

Exemption from the Theoretical Part of the Exam

### **Article 9**

A person, who has a university degree or certificate of a professional body that is a member of an international or European federation of accountants, which proves that he passed one or more of subjects designated by the program referred to in Article 8, paragraph 5 of this law, may be exempted from the theoretical exam or part of the exam.

More details and the procedure for exemption from exam, or part of the exam referred to in paragraph 1 of this Article shall be prescribed by the Chamber, with the prior approval of the Public Oversight Committee and the Ministry.

Continuous Professional Development

### **Article 10**

Licensed Certified Auditor shall be required to perform continuous professional development in order to maintain and improve the theoretical knowledge, professional skills and professional values in accordance with the requirements of International Standards of Education.



Continuing Professional Development program referred to in paragraph 1 of this Article shall be adopted by the Chamber, in accordance with this law.

Training in order to implement continuous professional development, in addition to the Chamber, may, with the prior consent of the Public Oversight Committee, also be provided by:

- 1) Institution of college education;
- 2) Professional bodies or organizations, and other legal persons that possess the appropriate technical, organizational and administrative capacities, so as to provide quality training that is in accordance with the program of continuous professional development referred to in paragraph 2 of this Article;
- 3) Audit firms, which have the appropriate technical, organizational and administrative capacities to organize training.

Upon completion of training associated with continuous professional development a Licensed Certified Auditor shall be issued a certificate.

The certificate shall contain the name of the fields that were part of the training, as well as the number of hours of training.

## II AUDIT FIRM AND INDEPENDENT AUDITOR

Conditions with Regard to Participation in the Capital and the Management Bodies

### **Article 11**

Audit may be carried out by the Audit Firms in which:

- 1) Most of the stocks or shares in the capital are owned by the Audit firm, or by Licensed Certified Auditors, or by Audit Firms of the Member States, or the Auditors of the Member States;
- 2) Most, but not exceeding three fourth of the members of the management body must be Licensed Certified Auditors, or Auditing Firms, or Auditors, or Audit Firms of the Member States.

If the management body referred to in paragraph 1, item 2) of this Article consists of two members, one of them must be a Licensed Certified Auditor, or an Audit Firm, or Auditor, or Audit Firm of a Member State.

If the management body referred to in paragraph 1, item 2) of this Article has one member, he must be a Licensed Certified Auditor, or Audit Firm, or Auditor, or Audit Firm of a Member State.

Establishment of the Firm and the Management Body

### **Article 12**

An Audit Firm shall be established in accordance with the law regulating companies, unless this law stipulates otherwise.

An Audit firm may have one or more members of the management body.

At least one member of the management body of an Audit Firm must actively speak Serbian language.

A person sentenced for crimes that make him unfit to act as a member of an Audit Firm's management body, in terms of Article 5 of this Law, may not be appointed for this position.

Licensed Certified Auditors who are members of the management body of an Audit Firm must be full time employees of the Auditing Firm authorized to represent the Audit Firm without limitations.

Persons who are not members of the management body of an Audit Firm, but are authorized to represent the Audit Firm must be Licensed Certified Auditors.

Permit to Perform Audit

### **Article 13**

Permit to perform audit on the basis of which an Audit Firm, or the Independent Auditor, is registered to perform the audit, shall be issued by a decision of the Ministry.

The Ministry shall, on its own motion, without delay, submit to the Chamber a copy of the decision from paragraph 1 of this Article for entry into the appropriate register.

A legal person not permitted to perform audit in accordance with this law, may not associate the word "audit" with its business.

Permit to carry out audit may be revoked, in accordance with this law.

The decision on revocation of the permit shall include the period in which the auditing firm whose permit was revoked may not be issued a new permit, which may not be longer than five years from the date of rendering of the decision.

Request for Issuance of Permit to Perform Audit

### **Article 14**

A request for issuance of the permit to conduct audit, the founder of the Auditing Firm, or an Independent Auditor shall submit to the Ministry, after its founding and registration in the appropriate register maintained by the Agency for Business Registers.

In addition to the requirements referred to in paragraph 1 of this Article the following documents must be submitted:

- 1) Articles of Association or Memorandum of Association of the Audit Firm, or Independent Auditor in accordance with the law regulating companies;
- 2) Proof of fulfillment of the conditions referred to in Art. 6 and 11 of this Law;
- 3) Photocopy of identity card or passport, if the founder is a natural person, or an extract from the relevant register, if the founder is a legal person;

4) For founders who are Audit Firms of the Member States, or for Third Country Audit Firms, the opinion of the competent authority (institute, chamber, association, or similar), which includes:

(1) Content of the regulations of the Member State or Third Country that govern the requirements for conducting audit and assessment of audit quality review;

(2) Statement of the competent authority that the Audit Firm of the Member State, or Third Country Audit Firm, has the right to conduct audit, or that there are possible limitations to conducting audit;

(3) Statement of the competent authority that it shall inform the Ministry of all measures of quality review imposed on the Auditing Firm of a Member State or the Third Country Audit Firm;

5) List of persons who are affiliated to the founders with a description of the type of affiliation;

6) Information on the Licensed Authorized Auditors who shall perform audit with evidence of work experience spent as a permanent, full-time employee;

7) Proof of liability insurance and payment of insurance premiums;

8) General act regulating the auditing methodology, according to previously obtained opinion of the Chamber;

9) General act on safekeeping of audit documentation;

10) General act on confidentiality;

11) Other documentation required by the Ministry on the basis of which it is possible to determine whether the Audit Firm or the Independent Auditor is capable of performing the audit in terms of staffing, technical equipment and organization.

Permit to carry out audit may not be issued to the company whose permit was unconditionally revoked, for the duration of the prohibition of Article 13, paragraph 5 of this law.

During the period of validity of the prohibition referred to in paragraph 3 of this Article, a permit to conduct audit shall neither be issued to the Auditing firm whose founder was the founder of the Auditing Firm whose permit was revoked pursuant to Article 13, paragraph 5 of this law.

Decision on the Request

## **Article 15**

Upon request for a permit under Article 14 of this law the Ministry shall issue a decision issuing the permit or refusing the permit request.

The decision referred to in paragraph 1 of this Article may not be appealed, but is subject to judicial review, in accordance with the law.

## Independent Auditor

### **Article 16**

Independent auditor as a sole proprietor may simultaneously have only one permit for carrying out the audit.

Independent auditor referred to in paragraph 1 of this Article may not engage in other activities other than audit and operations referred to in Article 33 of this law, nor can it be the founder of the Audit Firm or another company.

An independent auditor may not be employed by another employer, may not have other registered independent activities or a status of the legal representative, director, member or president of the supervisory board and the executive board of the legal person or legal person affiliated with the audited legal person, member or president of the management or executive board of the bank, representative of the state capital, bankruptcy manager, proxy, or the person whose employment contract has an established non-compete clause.

Independent auditor may not perform the statutory audit of a company of public interest.

Independent auditor may not perform the audit of the consolidated financial statements.

Mutatis Mutandis Application of the Law to Independent Auditors

### **Article 17**

The provisions of this law relating to Audit Firms shall apply to the independent auditor too, unless the law stipulates otherwise.

Liability Insurance

### **Article 18**

An Audit Firm shall be required to insure against liability for damage caused to the audited legal person, or the third party in case of breach of contract on audit, or violation of rules of carrying out audit.

The amount of the minimum sum insured in respect of which the premium shall be payable for a single insured event for each fiscal year shall be determined as the higher amount of the following amounts:

- 1) Of the highest price for audit services under a single audit contract multiplied by 15;
- 2) Of the sum of prices for audit services under all audit contracts, multiplied by 2.5.

The single insured event referred to in paragraph 2 of this Article refers to the damage occurred in relation to a single Audit Report.

Cooperation Agreement

### **Article 19**

Audit Firm with only one employed Licensed Authorized Auditor, or an Independent Auditor shall sign a cooperation agreement with some other Audit Company or an Independent Auditor, in which they shall stipulate that in the event that a Licensed Certified Auditor employed in the Audit Firm or the Individual Auditor may not, due to incapability for work, fulfill their obligations under the audit contract, such obligations shall be fulfilled by the other Audit Firm or the other Independent Auditor, in accordance with this law.

Audit Firm or Independent Auditors shall, in the audit contract concluded with the audited legal person, include and regulate in more detail the possibility of fulfillment of obligations under the audit contract in accordance with paragraph 1 of this Article.

Transparency Report

## **Article 20**

Audit Firm that performs the Audit of Companies of Public Interest within the meaning of this law shall, within three months from the end of the calendar year, publish on its website or the website of the Chamber the annual transparency report comprising of:

- 1) Description of the legal form and ownership structure of the Audit Firm;
- 2) Description of the Network, as well as its legal and structural arrangement, if the Audit Firm belongs to a Network;
- 3) Description of the management structure of the Audit Firm;
- 4) Description of the internal quality control system of the Audit Firm, and a statement of the management on its efficiency;
- 5) Date on which the last quality control of Audit Firm's operations occurred;
- 6) List of public interest companies in which the Audit Firm conducted statutory audit during the previous financial year;
- 7) Statement concerning the procedures and independence of the Audit Firm, confirming that an internal review of compliance with the requirements of independence was carried out;
- 8) Statement of the policy of the Audit Firm in relation to the continuous professional development of Licensed Certified Auditors;
- 9) Financial information and data on total income, or income from the statutory audit, other audit and revenue from services tax consulting and other services that are not related to the audit;
- 10) Information on the parameters for determining the salaries of Key Audit Partners on the audits performed for companies of public interest.

The person authorized to represent the Audit Firm shall sign the transparency report.

## **III CONDUCTING AUDIT**

## Mandatory Nature of Audit

### **Article 21**

Audit shall be mandatory for regular annual financial statements of large and medium-sized legal entities classified in accordance with the law regulating accounting, public companies in accordance with the law regulating the capital market regardless of their size, as well as any legal person or sole proprietor whose business income earned in the preceding business year exceeds EUR 4.4 million in dinar equivalent (statutory audit).

Audit of the consolidated financial statements shall be mandatory for parent companies that prepare consolidated financial statements in accordance with the law regulating accounting (statutory audit).

For conversion of foreign currency amounts referred to in paragraph 1 of this Article in the dinar equivalent the official middle exchange rate of the dinar, established by the National Bank of Serbia, and valid until the last day of the financial year for which financial statements are drawn up, shall be applied.

Audit of financial statements of legal persons and other entities that are not listed in paragraphs 1 and 2 of this Article shall be voluntary audit.

## Manner of Conducting Audit

### **Article 22**

Statutory audit shall be performed in accordance with this law, other laws that govern the mandatory audit of the financial statements in certain legal entities, ISA and the Code of Professional Ethics of Auditors.

Voluntary audit of financial statements shall be performed by mutatis mutandis application of laws and regulations referred to in paragraph 1 of this Article.

## Persons that Directly Perform Audit

### **Article 23**

Audit shall be performed by Licensed Certified Auditors, employees of the Audit Firm, or by an Independent auditor, provided that they are members of the Chamber.

Audit Firm, or an Independent Auditor may delegate certain activities in the audit procedure to other persons employed in the Audit Firm or in the office of the Sole Proprietor - Independent Auditor, who do not have a License to work on the audit, provided that their work is planned and supervised by a Licensed Certified Auditor.

Audit of regular annual and consolidated financial statements of large legal persons in terms of the law governing accounting may be performed by an Audit Firm that has at least four Licensed Certified Auditors employed full-time, unless a special law stipulates otherwise.

## Choice of Audit Firm

## **Article 24**

Assembly, or a body determined by a company document of audited legal entity, shall choose the Audit Firm the latest on September 30 the business year to which the audit relates.

The deadline referred to in paragraph 1 of this Article may be longer in case of audit of the consolidated financial statements.

Notwithstanding paragraph 1 of this Article, the Assembly or a body determined by a company document of audited legal entity, applying to financial statements drawn up as at the last day of the business year that is different from the calendar year, the company shall choose an Audit Firm not later than three months before the expiry of such business year to which the audit relates.

Audit Contract

## **Article 25**

The mutual rights and obligations of the Audit Firm and the audited legal person shall be governed by the audit contract.

Audit contract shall be concluded in written form.

Audit Firm, in addition to the elements prescribed by the law that governs obligations, shall also contain the following:

- 1) Structure of the audit team, stating the professional qualifications of members of the audit team;
- 2) Information on the planned number of hours dedicated to audit procedure per member of the audit team;
- 3) Provision that an Audit Firm upon completion of the audit shall draft a calculation of spent hours per member of the audit team and issue a final invoice;
- 4) Total cost for the audit service.

Auditing firms may not assign contracted jobs to other Audit Firms, unless this law provides otherwise.

Audit contract may not be terminated during audit, unless there are just causes for that.

Differences of opinion pertaining to the field of accounting and auditing, between the audited legal person and the Audit Firm, may not be considered as just cause for termination of the contract in terms of paragraph 5 of this Article.

Legal person subject to Audit and the Audit Firm shall notify the Chamber of termination referred to in paragraph 5 of this Article and suspend the audit, along with a detailed explanation of the reasons which led to the termination.

Hiring Experts

## **Article 26**

For the purposes of the audit of specific areas, the Audit Firm may hire experts who are not Licensed Certified Auditors.

When expert opinion and experts' evaluation is needed for performing audit of certain specific areas, the mutual rights and obligations shall be governed by a contract.

Obligations of the Audited Legal Person

## **Article 27**

Audited legal person shall make available to the Audit Firm all necessary documentation, official documents and reports, provide access to all programs and electronic records, including printed materials and copies in electronic media, as well as to provide information about programs and all information necessary to perform the audit.

The legal person referred to in paragraph 1 of this Article shall provide access to and use of business premises to Audit Firm during working hours for conducting the audit, and to make available the appropriate equipment and employees.

Working Documentation

## **Article 28**

Licensed Certified Auditor shall prepare the entire working documentation on the basis of which he shall issue the Audit Report.

Audit Company shall safe keep the working documentation collected and prepared by the Licensed Certified Auditor, for at least six years, starting from the business year to which the audit relates.

Working documentation, or copies of documents collected during the audit shall be the property of the Audit Firm, have the confidential character, and may be used only for the purposes of the audit, in accordance with this law, unless special regulations stipulate otherwise.

Notwithstanding paragraph 3 of this Article, working documentation, or documents shall be used for the purpose of quality review of Audit Firms', Independent Auditors' and Licensed Certified Auditors operations, as well as for supervision purposes, in accordance with this law.

Working papers on the basis of which the Audit Report is composed shall be drafted in Serbian language.

If a Licensed Certified Auditor or an Audit Firm that performs Audit is replaced with other Licensed Certified Auditor or Audit Firm, the prior Licensed Authorized Auditor or Audit Firm shall provide the new Licensed Certified Auditor or the Audit Firm access to the relevant documentation that refers to the audited legal person.

If the Audit Firm closes, the safekeeping of working documentation shall be the obligation of the shareholders or members of the Audit firm, and if the Independent



Auditor ceases to operate he shall submit the working documentation for safekeeping at the Chamber.

Protection of Confidential Information

### **Article 29**

Licensed Certified Auditor and the Audit Firm shall, as confidential, preserve all data, facts and circumstances that they learned during the course of the audit.

Trade secrets and information shall be preserved as confidential by other persons too who work or have worked in the Audit Firm and to who the confidential information referred to in paragraph 1 of this Article were made available in any way.

The persons referred to in paragraph 2 of this Article shall not use the information referred to in paragraph 1 of this Article, nor shall they enable their use to third parties.

Trade secrets shall be protected in accordance with this law, unless special regulations stipulate otherwise.

Audit Company shall provide access to data in the event of enforcement of regulations governing the prevention of money laundering and financing of terrorism, or pre-trial or trial criminal proceedings, as well as when a court orders requests in written form their submitting in a criminal trial or pretrial proceedings.

Audit Report

### **Article 30**

The Audit Report shall be made in accordance with ISA.

The Audit Report shall contain at least the following:

- 1) Introduction listing the financial statements being audited, together with accounting policies used for their making;
- 2) Description of the purpose and scope of the audit, stating the auditing standards in accordance with which the Audit was performed;
- 3) Opinion of a Licensed Certified Auditor that clearly expresses whether the financial statements give a true and fair view of the financial position of the legal entity in accordance with the relevant legal framework, as well as whether the annual financial statements are in accordance with special regulations governing the operations of the legal person, if that is provided in these regulations. The Auditor's opinion may be positive, reserved, negative, or the Certified Auditor may refrain from expressing an opinion if he is not able to express it;
- 4) Special warnings and problems on which the Licensed Certified Auditor wishes to draw attention, but without expressing a reserved opinion;
- 5) Opinion on the conformity of the business report with the financial statements for the same financial year.

The Audit Report shall be signed by a Key Audit Partner.

The Audit Report shall be drawn up and published in Serbian language.

Financial statements that were audited shall be attached to the Audit Report.

Audit of the Consolidated Financial Statements

### **Article 31**

Key Audit Partner as a Group Auditor shall be responsible for audit of the Consolidated Financial Statements.

Licensed Certified Auditor as a Group Auditor shall review and safe keep the working documentation that are part of audit work of another Audit Firm that audited the financial statements of legal persons within the economic entity.

The documentation referred to in paragraph 2 of this Article shall be used for the purpose of checking the quality of work of Audit Firms, or Licensed Certified Auditors.

If the Audit of the financial statements of the subsidiary within the economic unit consisting of parent and subsidiary legal persons is conducted by the Third Country Auditor or Third Country Audit Firm, the Key Audit Partner as a Group Auditor shall be responsible for delivering the documentation on the work of the Third Country Auditor or Third Country Audit Firm for the purposes of quality control and supervision in accordance with this law.

In order to ensure delivery of the documentation referred to in paragraph 4 of this Article, the Group Auditor shall retain copies of such documentation, or to arrange with the Third Country Auditor or Third Country Audit Firm access to such documentation, or to take other appropriate measures.

If there are legal or other constraints arising from national legislation of a Third Country for the delivery of working documentation on the performed Audit and the Auditor of that country, the Key Audit Partner as the Group Auditor shall state in its working documentation on the performed Audit of the Consolidated Financial Statements evidence of all undertaken necessary measures for their delivery, as well as evidence of the existence of the above legal and other restrictions.

Fee for the Performed Audit

### **Article 32**

A fee shall be paid for the performed Audit.

The amount of fee shall be determined in the contract.

The amount of fee referred to in paragraph 1 of this Article may not depend on and may not be linked to the provision of additional services to the audited legal person.

Services in Addition to Performing Audit

### **Article 33**

The Audit Firm may, in addition to the audit, within its registered business perform services in the field of finance and accounting, services of financial analysis and control, services of tax and other business consulting, services of equity, property and liability valuation, services of court expertise, services of drafting and economic evaluation of investment projects and other related services, unless a special regulation stipulates otherwise.

Ban for the Auditor

#### **Article 34**

Licensed Certified Auditor may not perform Audit of the following legal person:

- 1) In which he is the owner of the shares or stocks;
- 2) In which he is a director or a member of the board of managers or the supervisory board, proxy or a legal representative;
- 3) In which a director or a member of the board of managers or the supervisory board, or a proxy is his blood relative in the direct line, blood relative in the collateral line up to the third degree of consanguinity and spouse;
- 4) In which he provided services under Article 35, paragraph 1, item 3) of this law for the year for which the Audit is performed;
- 5) If other circumstances occur that may affect the independence of the Licensed Certified Auditor.

Ban for the Audit Firm

#### **Article 35**

An Auditing Firm may not perform the Audit of the legal person:

- 1) In which it has shares or stocks;
- 2) That owns the shares or stocks of the Audit Firm;
- 3) If the Audit Firm, or any organizational unit in the Network to which it belongs, or an affiliated person with the Audit Firm, provided the legal person in the year for which the audit is performed, the following services:
  - (1) Bookkeeping and preparation of financial statements;
  - (2) Evaluation of the value of equity, assets and/or liabilities that will be reflected in the financial statements, or where there is an obvious conflict of interest;
  - (3) Representation in court proceedings regarding tax matters;
  - (4) Tax calculation and filing of tax returns for individuals – managers in the finance sector in the company;
  - (5) Advice on accounting entries of tax liabilities;

- (6) Creating the system of internal audit and internal control, as well as their implementation;
  - (7) Creation and implementation of information systems in the accounting field;
  - (8) Actuarial services;
  - (9) Other services, which, in specific circumstances, could compromise the independence of the Licensed Authorized Auditor or the Audit Firm and/or to influence the evaluation of items in the financial statements;
- 4) If it is affiliated with the legal person in any other way, so that such affiliation may affect the independence and impartiality of the Audit.

Auditor's Notice

### **Article 36**

Licensed Certified Auditor shall immediately inform the Auditing Firm in which he is employed on existence of circumstances referred to in Article 34 of this law.

Notifying the Audit Firm

### **Article 37**

A shareholder or a member of the Audit Firm shall, without delay, notify the Audit Firm on existence of circumstances referred to in Article 35 of this law.

Ban on Influence of Other Persons

### **Article 38**

Owners or shareholders of an Audit Firm, as well as the director, or members of the board of managers or the supervisory board of that company or its affiliated person shall not affect the performance of the Audit or the expressing of the audit opinion and thereby jeopardize the independence and objectivity of the Licensed Certified Auditor who performs an audit.

Decrease of the Number of Auditors

### **Article 39**

Audit Firm in which the number of Licensed Certified Auditors decreases below the number that is prescribed by this law, shall be obliged to notify the Chamber and the Ministry on such change within eight days from the day such change occurred.

Audit Firm, in which during the carrying out of Audit, the number of Licensed Certified Auditors decreases below the number prescribed in Article 4, paragraph 1, item 1) of this law, or Article 23, paragraph 3 of this law, shall discontinue operations of Audit and notify the audited legal person, the Chamber and the Public Oversight Committee about that within eight days from the day the change occurred, and the legal person shall entrust the initiated Audit to another Audit Firm.

In the cases referred to in paragraphs 1 and 2 of this Article, the Audit Firm may not conclude new audit contracts until it again meets the requirements of Article 4, paragraph 1, item 1) of this law, or Article 23, paragraph 3 of this law and inform the Chamber and the Ministry about that.

## Replacement of Auditors and Employment Ban

### Article 40

Audit Firms shall, not later than every seven years since the start of their audit operations in the field of financial statements at the same subject of audit, replace the Licensed Certified Auditor who signs the Audit Report, or the Key Audit Partner, unless a special law stipulates otherwise.

Licensed Certified Auditor, or the Key Audit Partner, may again perform the Audit for the same subject of Audit two years after the date of signing of the last Audit Report for that subject in accordance with the terms of paragraph 1 of this Article.

## Ban on Appointing Auditors

### Article 41

A Key Audit Partner may not be appointed as the member of the management body of the subject of Audit whose Audit Reports were signed by him, for at least two years after termination of employment in the Audit Firm.

## Reporting and Confirmation of Independence of the Audit Firm

### Article 42

Audit Firm shall report to the legal person where the Audit is carried out, or to the Audit Commission which the legal person is under obligation to establish in accordance with Article 43 of this law, the key issues arising from the Audit, and in particular, the considerable flaws of internal control in relation to the process of financial reporting.

Audit Firm that performs Audit for Companies of Public Interest shall annually, in writing, confirm its independence from the company whose Financial Statements it audits, and notify the Audit Commission referred to in Article 43 of this law on additional services at that company, and to discuss possible threats to its independence and safeguards against these threats.

## IV AUDIT COMMISSION IN A COMPANY AND INTERNAL AUDITOR

## Establishment and Composition of the Audit Commission

### Article 43

Company of public interest shall have an Audit Commission (commission for business supervision).

The Audit Commission shall perform duties in accordance with the law regulating companies.

Notwithstanding paragraph 1 of this Article, the Companies of Public Interest which, in accordance with special regulations, have bodies with responsibilities of the Audit Commission referred to in paragraph 2 of this Article, shall not have the obligation to establish such commission in accordance with this law.

Notwithstanding paragraph 1 of this Article, the Companies of Public Interest which are subsidiaries - members of the group of companies which, at the group level, has an Audit Commission which performs the responsibilities from paragraph 2 of this Article at the group level, shall not have the obligation to establish such commission in accordance with this law, unless a special law stipulates otherwise.

Audit commission shall consist of at least three members who shall be appointed in accordance with the law regulating companies.

Certified Internal Auditor

#### **Article 44**

A legal person may delegate the conduct of Internal Audit to a person who has a title of Certified Internal Auditor, certified by the Chamber.

The title of Certified Internal Auditor may be obtained by a person who:

- 1) Has acquired college education in studies of second grade in accordance with the law governing higher education, or the undergraduate studies of at least four years;
- 2) Has a work experience in statutory or internal audit of three years, or a work experience of five years in accounting;
- 3) Has a passed exam for this title in accordance with the program of the Chamber;
- 4) Has not been convicted for offenses that make him unworthy to perform these tasks, in terms of Article 5 of this Law.

The work experience for taking the exam for acquiring a title of a Certified Internal Auditor shall be construed as the experience gained in the course of employment for an indefinite or temporary period.

### **V THE CHAMBER OF CERTIFIED AUDITORS**

Status and Seat of the Chamber

#### **Article 45**

The Chamber is an independent professional organization of Licensed Certified Auditors employed in Audit Firms, Audit Firms and Independent Auditors that has a status of the legal person with rights, duties and responsibilities set forth in this law and the statute of the Chamber.

The chamber shall have an account.

The seat of the Chamber shall be in Belgrade.

The chamber may have branches in accordance with the statute.

The chamber shall be registered in the Business Registers Agency, in accordance with the law.

Membership in the Chamber

#### **Article 46**

Membership in the Chamber is compulsory for Audit Firms, Independent Auditors and Licensed Certified Auditors employed in the Audit Firm, or by the Independent Auditor.

Audit Firm and Independent Auditor shall gain membership in the Chamber on the day of registration in the Register of Audit Firms and Independent Auditors.

Licensed Certified Auditor shall acquire membership in the Chamber on the day of registration in the Register of Licensed Certified Auditors.

The membership in the Chamber of the Audit Firm and the Independent Auditor shall cease on the day of application for removal from the register of members of the Chamber, as well as in other cases in accordance with this law and the statute of the Chamber.

The membership in the Chamber of the Licensed Certified Auditor shall cease on the day of removal from the register referred to in paragraph 3 of this Article.

Delegated Authority of the Chamber

#### **Article 47**

The Chamber shall perform the following delegated public authorities:

- 1) Adopts and implements the examination program for the title of Certified Auditor, organizes exams for obtaining the title of Certified Auditor and issues a certificate of the title of Certified Auditor;
- 2) Regulates in detail the conditions and procedure for the examination exemption referred to in Article 9 of this Law;
- 3) Adopts a program of continuous professional development and organizes professional development of Licensed Certified Auditors;
- 4) Prescribes the minimum working documentation which represents the content of the methodology;
- 5) Keeps the Register of Licensed Certified Auditors;
- 6) Keeps the Register of Audit Firms and Independent Auditors;
- 7) Keeps the Register of imposed measures;
- 8) Keeps the Register of Chamber Members;

- 9) Determines the amount of Chamber membership fee;
- 10) Determines the amount of Chamber registration fee, fees for examinations conducted by the Chamber, fees for issuance of extracts from the Registers, testimonials and certificates of records kept by the Chamber, as well as other fees as prescribed by the bylaws of the Chamber;
- 11) Determines the amount of special contribution for performing quality control of work of Audit Firms, Independent Auditors and Licensed Certified Auditors;
- 12) Adopts the annual plan for quality control of work of Audit Firms, Independent Auditors and Licensed Certified Auditors;
- 13) Adopts a methodology for quality control of performed Audits, quality control of work of Audit Firms, Independent Auditors and Licensed Certified Auditors;
- 14) Performs quality control of the work of Auditing Firms, Independent Auditors and Licensed Certified Auditors.

The activities referred to in paragraph 1 of this Article, the Chamber shall perform as delegated authority.

The act referred to in paragraph 1, item 1) of this Article shall be subject to prior approval of the Public Oversight Committee and the Ministry.

Act referred to in paragraph 1 items 2) - 4) and items 9) - 13) of this Article shall be adopted with the prior approval of the Ministry which shall, prior to granting approval, obtain the opinion of the Public Oversight Committee.

Other Chamber Affairs

#### **Article 48**

Apart from affairs from Article 47 of this law, the Chamber shall perform the following:

- 1) Adopts the Code of Professional Ethics of Auditors;
- 2) Follows the implementation of ISA;
- 3) Adopts a program of examination for obtaining the title of the Certified Internal Auditor, organizes the examinations for obtaining the title of Certified Internal Auditor and issues the certificate for the title of Certified Internal Auditor;
- 4) Takes care of the reputation of the members of the Chamber, or of the performance of Audit in accordance with the Code of Ethics;
- 5) Provides expert assistance to the members of the Chamber;
- 6) Adopts a financial plan of the Chamber;
- 7) Delivers to the Ministry and to the Public Oversight Committee the annual financial report with the Auditor's opinion and the annual work report;



8) Cooperates and provides expert assistance to the Ministry and to the Public Oversight Committee in their activities in accordance with this law;

9) Conducts other affairs in accordance with this law and the statute.

The Ministry shall approve the financial plan of the Chamber after obtaining the opinion of the Public Oversight Committee.

Data Protection

#### **Article 49**

The Chamber shall be obliged to keep confidential all information, facts and circumstances it obtained in the performance of duties in accordance with the provisions of this law.

The provision of paragraph 1 of this Article shall also apply to members of the Chamber bodies, employees and former employees of the Chamber or to other persons to whom the confidential information was made available during work in the Chamber.

Trade secrets shall be safe kept in accordance with this law, unless special regulations stipulate otherwise.

Financing the Chamber

#### **Article 50**

The Chamber shall collect the operating funds from:

- 1) The membership paid by the members of the Chamber;
- 2) Fee for entry to the Chamber's registers;
- 3) Special contribution for performance of quality control of work of Audit Firms, Independent Auditors and Licensed Certified Auditors;
- 4) Other sources, in accordance with the law and bylaws of the Chamber.

Chamber's Funds

#### **Article 51**

The funds of the Chamber shall be kept in the account of the Chamber.

The Chamber shall keep the funds intended for the quality control of the work of Audit Firms, Independent Auditors and Licensed Certified Auditors on a special subaccount.

The Secretary-General, and exceptionally a person authorized by him, shall be responsible for dispensing the funds of the Chamber.

The chamber shall guarantee its obligations with all its assets.

Chamber's Statute

## **Article 52**

The statute of the Chamber shall regulate in more detail: affairs that the Chamber performs within the statutory powers; manner of performing the affairs of the Chamber; internal organization and work of the Chamber; composition, method and procedure of election and competence of the Chamber bodies; rights and duties of Audit Firms, Independent Auditors and Licensed Certified Auditors as the Chamber members; as well as other issues of importance for work and organization of the Chamber, in accordance with this law.

The Ministry shall approve the statute of the Chamber in the part that relates to the conduct of public authority under Article 47 of this law, after having obtained the opinion of the Public Oversight Committee.

Publishing of Documents

## **Article 53**

The Chamber shall publish the following documents in the "Official Herald of the Republic of Serbia":

- 1) The statute;
- 2) Documents from Articles 47, paragraph 1, item 1) and items 9) -11) of this law.

Bylaws and other documents the Chamber adopts in accordance with this law and the statute shall be published on the internet page of the Chamber.

Chamber Bodies

## **Article 54**

The bodies of the Chamber shall be:

- 1) Assembly;
- 2) Council;
- 3) Supervisory Board;
- 4) Secretary-General;
- 5) Ethical Committee;
- 6) Commission for Quality Control;
- 7) Other Chamber bodies.

The mandate of the members of the Chamber bodies from paragraph 1, items 2) - 6) of this Article shall be four years, with a possibility of reelection.

Competence and operation method of the Chamber bodies shall be determined by this law and the statute.

## Limitations for Election into Chamber Bodies

### **Article 55**

Secretary-General, members of the Council and Supervisory Board may not be the persons elected, appointed or named to a position in a state body, territorial autonomy body or a body of local government.

Assembly

### **Article 56**

The Assembly shall be the highest body of the Chamber.

The Assembly shall:

- 1) Adopt a statute and other bylaws of the Chamber;
- 2) Adopts a Code of Professional Ethics of Auditors;
- 3) Determines the annual work program and financial plan;
- 4) Adopts its Operational Rules and Operational Rules of working bodies it establishes;
- 5) Elects and dismisses the members of the authorities and bodies of the Chamber in accordance with this law and the statute, except from the member of the Council appointed by the Minister responsible for finance;
- 6) Determines the amount of the Chamber's membership fee;
- 7) Determines the amount of the fee for the entry into registers of the Chamber, fees for examinations conducted by the Chamber, fees for issuance of extracts from the registers, testimonials and certificates of records kept by the Chamber, as well as other fees as prescribed by the bylaws of the Chamber;
- 8) Determines the amount of special contribution for performance of quality control of the work of Audit Firms, Independent Auditors and Licensed Certified Auditors;
- 9) Analyses the work reports of the Chamber bodies;
- 10) Adopts financial reports and annual work report, as well as other reports delivered by the Council and the Supervisory Board of the Chamber;
- 11) Conducts other operations in accordance with the law and the statute.

The Assembly has a President and Vice President who shall be elected from among the members of the Assembly for a term of four years, and the same person may be reelected only once.

The President of the Assembly shall represent the Assembly, convene the Assembly meetings and perform other duties in accordance with this law and the statute.

Licensed Certified Auditors have one vote each in deciding on the Assembly.

The Ministry shall approve the election or dismissal of members of authorities and bodies of the Chamber referred to in paragraph 2, item 5) of this law after having obtained the opinion of the Public Oversight Committee.

Council

### **Article 57**

The Council shall:

- 1) Implement the decisions of the Assembly;
- 2) Proposes the statute and other bylaws of the Chamber;
- 3) Proposes the program of work and development of the Chamber and follows their implementation;
- 4) Proposes the financial plan of the Chamber and takes care that it shall be implemented;
- 5) Determines the minimal form and content of the work documentation that is an integral piece of methodology for conducting the Audit in accordance with the ISA;
- 6) Determines the methodology of carrying out the quality control of performed Audits, quality control of the work of the Audit Firms, Independent Auditors and Licensed Certified Auditors;
- 7) Gives a prior opinion on a bylaw which regulates the method of carrying out Audit as referred in Article 14 of this law;
- 8) Informs the Public Oversight Committee on occurrence of conditions for revoking the licenses and permits for carrying out Audit;
- 9) Informs the Public Oversight Committee on implemented procedures of quality control and proposes measures in accordance with this law;
- 10) Adopts acts in accordance with the statute;
- 11) Also performs other expert operations dedicated to development of audit profession in accordance with the statute.

The Council has seven members:

- 1) The president, vice president, and four members elected by the Assembly among the Licensed Certified Auditors;
- 2) One member appointed by the Minister in charge of finance affairs.

Only one member of the Council may be elected from the same Audit Firm.

Supervisory Board

### **Article 58**

The Supervisory Board performs operation control and internal supervision of the work of the Chamber.

Members of the Supervisory Board and the president of the Supervisory Board shall be elected and dismissed by the Assembly from among its members.

Secretary-General

### **Article 59**

Secretary-General shall:

- 1) Manage and represent the Chamber;
- 2) Be responsible for the legality of work and operation of the Chamber;
- 3) Prepare annual work program and financial plan of the Chamber;
- 4) Submit reports on execution of the annual work program and financial plan of the Chamber to the Council;
- 5) Implements the decisions of the Chamber bodies;
- 6) Decides on rights, obligations and responsibilities of the employees employed in the expert service of the Chamber;
- 7) Adopts rules on systematization of employees in the Chamber;
- 8) Performs other duties determined by this law and the statute.

A person who fulfills the following criteria may be appointed as the Secretary-General:

- 1) Acquired college education of second degree in accordance with law that regulates the college education or undergraduate studies that lasted at least four years;
- 2) Obtained the minimum of five years of work experience on managerial jobs;
- 3) Being a citizen of a Republic of Serbia;
- 4) Lack of conviction for felonies that make him unworthy for conducting these activities, in terms of Article 5 of this law.

The Secretary-General shall be elected by the Assembly.

Ethical Committee

### **Article 60**

Ethical Committee shall:

- 1) Give opinion on the work of the members of the Chamber in accordance with the Code of Professional Ethics of Auditors;

2) promote the principles of professional ethics in order to establish the ethical conduct of members of the Chamber during audit;

3) Perform other tasks related to the implementation and observance of the Code of Ethics of Auditors.

The composition of the Ethics Committee, election of the president and its members, as well as the mode of operation shall be regulated by the statute.

Quality Control Commission

### **Article 61**

Quality Control Commission shall establish an annual plan for assessing the quality of performed audits and monitor its implementation, review reports on the performed quality controls, propose measures to eliminate the irregularities found in the process of quality control and perform other duties in accordance with this law and statute.

Expert Service of the Chamber

### **Article 62**

In order to perform professional, administrative and other duties the Chamber shall form an expert service.

The regulations governing labor shall apply to rights, obligations and responsibilities of the employees of the Chamber's expert service.

Organization, operation and competence of the expert service of the Chamber shall be regulated by the statute.

Chamber's Registers

### **Article 63**

The Chamber shall keep:

- 1) The Register of members of the Chamber;
- 2) The Register of Audit Firms and Independent Auditors;
- 3) The Register of Licensed Certified Auditors;
- 4) The Register of imposed measures.

The Chamber shall, upon receipt of the decision referred to in Article 13 of this law, without delay enter the Audit Firm or the Independent Auditor in the Register referred to in paragraph 1, item 2) of this Article.

The chamber shall, upon receipt of the decision referred to in Article 7 of this law, without delay enter the Licensed Certified Auditor in the Register referred to in paragraph 1, item 3) of this Article.

The Audit Firm or the Independent Auditor and Licensed Certified Auditor, shall get the right to perform Audit on the day of entry in the registers referred to in paragraph 1, items 1) -3) of this Article.

The registers referred to in paragraph 1 of this Article shall be kept in the Serbian language.

The registers referred to in paragraph 1 shall be regularly updated and published on the website of the Chamber.

The registers referred to in paragraph 1 of this Article shall be public instruments.

The method of keeping the registers referred to in paragraph 1 of this Article shall be regulated in more detail by the Chamber.

Register of Audit Firms and Independent Auditors

#### **Article 64**

Register of Audit Firms and Independent Auditors shall contain:

- 1) Business name, address, identification number, tax identification number and legal form;
- 2) Contact information and internet address;
- 3) Address of each branch office and affiliated person in the country or abroad;
- 4) Name and Surname and the registration number of all Licensed Certified Auditors employed by the Audit Firm, or by the Independent Auditor;
- 5) Information on founders, in accordance with the regulations governing registration of business entities;
- 6) Information about the director, or members of the management bodies, in accordance with the regulations governing registration of business entities;
- 7) Information about Network membership;
- 8) All other registrations of the Audit Firm, or the Independent Auditor, at the competent authorities of Member States and competent authorities of Third Countries, including the name of the registration authority and the registration number, if such exists.

Audit Firm or Independent Auditor shall inform the Chamber about the changes of all the facts and circumstances on the basis of which they were entered in the register from paragraph 1 of this Article, within eight days from the date of the change.

Data provided to the Chamber must be signed by the authorized representative of the Audit Firm, or by the Independent Auditor.

Data provided to the Chamber, which are delivered by the Audit Firms of Member States and the Third Country Audit Firms shall be translated into Serbian language by an authorized person in accordance with the law.

## Content of the Report Delivered to the Chamber

### **Article 65**

Audit Firms, or Independent Auditors shall deliver to the Chamber, at least once a year, before the end of March of the current year, the report with information about:

- 1) Stockholders and shareholders in the Audit Firm, as well as about acquisition and change of stockholders and shareholders;
- 2) Investments on the basis of which the Audit Firms or Independent Auditors directly or indirectly acquired participation in other legal person;
- 3) Amendments of the statute or incorporation act;
- 4) Manner of calculation of insurance from Article 18 of this law, and about insurance policy;
- 5) Employees;
- 6) List of all contracts for the Audit of financial statements by type of Audit, concluded by Audit Firms or Independent Auditors with subjects of the Audit during the reporting period, as well as the list of all contracts for the audit of financial statements that were terminated attached with a corresponding rationale, regardless of who is the terminating party;
- 7) Number of the Audit Reports signed by each Licensed Certified Auditor;
- 8) Other information needed for planning and implementation of quality control and other activities of the Chamber.

The annual report referred to in paragraph 1 of this Article shall include all data from the period from 1 st January to 31 st December of the previous year.

## Register of Licensed Certified Auditors

### **Article 66**

The Register of Licensed Certified Auditors shall contain:

- 1) Name, surname and registration number of the License;
- 2) Name, surname, address, internet address and registration number of the Audit Firm in which the Licensed Certified Auditors is employed or with which he is affiliated as a partner or in some other manner;
- 3) All other registrations of the Licensed Certified Auditor with the competent authorities of the Member States and the competent authorities of the Third Countries, including the name of the authority for the registration and the registration number, if such number exists;
- 4) Date of issuance or extension of the License.



Licensed Certified Auditor shall be obliged to inform the Chamber about the changes of all the facts and circumstances on the basis of which he is inscribed in the register referred to in paragraph 1 of this Article, within eight days from the date of change.

Data provided to the Chamber shall be signed by a Licensed Certified Auditors.

Data provided to the Chamber and submitted by the Auditors of the Member States and Third Country Auditors shall be translated into Serbian language by an authorized person in accordance with the law.

Erasing the Audit Firms and Independent Auditors from the Register

### **Article 67**

Erasing the Audit Firms and Individual Auditors from the register kept in accordance with Article 63, paragraph 1, item 2) of this law shall be made on the basis of the decision of the Ministry on revoking of the License for conducting Audit in accordance with this law.

When the decision referred to in paragraph 1 of this Article becomes enforceable, the Ministry shall deliver a copy of the decision to the Chamber and the Agency for Business Registers.

Erasing the Licensed Certified Auditors from the Register

### **Article 68**

Erasing a Licensed Certified Auditors from the register which is kept in accordance with Article 63, paragraph 1, item 3) of this law shall be made on the basis of the decision of the Ministry on revocation of the License to perform the Audit, as well as in the case when the decision on issuance of the License is repealed, in accordance with this law.

When the decision referred to in paragraph 1 of this Article becomes enforceable, the Ministry shall deliver a copy of the decision to the Chamber.

Transparency of the Chamber's Operations

### **Article 69**

The Chamber shall inform the public on all matters within the jurisdiction of the Chamber.

The Chamber shall notify the Ministry and the Public Oversight Committee on disciplinary proceedings initiated against the members of the Chamber before the competent authorities of the Chamber.

If the disciplinary proceedings determine that there is a suspicion that a criminal offense was committed, the Chamber shall inform the competent judicial authorities.

The Chamber shall, at the request of authorities from paragraphs 2 and 3 of this Article, submit the required information on the facts of which it has knowledge.

Chamber Operation Supervision

## **Article 70**

Supervision over the legality operations and acts of the Chamber shall be conducted by the Ministry.

Supervision over performance of duties under Article 47, paragraph 1 of this law, within the scope specified by this law, shall be carried out by the Ministry and the Public Oversight Committee.

In the supervision referred to in paragraphs 1 and 2 of this Article the Ministry and the Public Oversight Committee may ask the Chamber for appropriate reports and data, or may take a direct insight into the work of the Chamber.

The Chamber shall submit the reports and information referred to in paragraph 3 of this Article to the Ministry and the Public Oversight Committee within 15 days of the day such information was requested.

The provisions of the law governing public administration shall apply to the supervision over the delegated public authorities of the Chamber.

### **VI QUALITY CONTROL OF WORK OF AUDIT FIRMS, INDEPENDENT AUDITORS AND LICENSED CERTIFIED AUDITORS**

Scope of Control

## **Article 71**

The Chamber shall perform the quality control of the work of Audit Firms, Independent Auditors and Licensed Certified Auditors to check whether the ISA and the provisions of this law are respected during the Audit.

Control of the quality of work shall be done in an objective manner and in a procedure that excludes any conflict of interest between the persons engaged in checking the quality of work and the Audit Firms, Independent Auditors and Licensed Certified Auditors.

Control of the quality of work shall be subject to supervision of the Public Oversight Committee.

Provisions of the law governing general administrative procedure shall apply in the process of quality control, unless this law stipulates otherwise.

The funds of the Chamber shall be used for the financing of quality control of work, especially set aside for this purpose, except in the case of Article 72, Para 6 and 7 of this law when quality control is financed from the budget of the Republic of Serbia.

The Manner of Conducting Control

## **Article 72**

Quality control of the work of the Audit Firm shall be provided by:

- 1) Following, gathering and checking the reports and notifications submitted to the Chamber by the Audit Firms, Independent Auditors and Licensed Certified Auditors, in accordance with this law;
- 2) Conducting a review of the Audit Firms' operation;
- 3) Imposing measures in the procedure of quality control, in accordance with this law.

Conducting a review of the operation of Audit Firms and Independent Auditors referred to in paragraph 1, item 2) of this Article shall include:

- 1) Review of the internal system of quality control;
- 2) Verification of the independence of the Licensed Certified Auditor, Independent Auditor, and Audit Firm in relation to the subject of the Audit;
- 3) Verification of the compliance of audit procedures with the ISA;
- 4) Assessment of the quality in terms of the used resources (composition of the Audit team and working hours);
- 5) Review of charged prices for Audit services;
- 6) Directly verification of the quality of work of the Licensed Certified Auditor.

A review of the internal system of quality control referred to in paragraph 2, item 1) of this Article should determine whether an Audit Firm and an Independent Auditor have established the appropriate guidelines and procedures for:

- 1) Taking responsibility linked to the quality of work performed;
- 2) Respecting the demands of ethics;
- 3) Establishing and maintaining relationships with subjects of the audit of financial statements, as well as for other services;
- 4) Composition of Audit teams;
- 5) Conducting Audit in line with ISA;
- 6) Ensuring that guidelines and procedures related to internal quality control procedures are functioning successfully and that are complied with in practice.

Direct verification of quality of work of the Licensed Certified Auditor referred to in paragraph 2, item 6) of this Article shall be performed by examination of the entire working documentation of a performed Audit at least one subject of the Audit.

Persons performing the work quality control shall provide the required number of selected Audit documents, or samples for testing, in order to provide for a quality and comprehensive verification, by applying the ISA and the requirements related to the independence of their work.

Public Oversight Committee may propose to the Ministry to issue an order to the persons referred to in paragraph 5 of this Article to perform an extraordinary control of the quality of work of Audit Firms, Independent Auditors and Licensed Certified Auditors.

Public Oversight Committee may propose the extraordinary quality control in terms of paragraph 6 of this Article, upon receiving a notice from the National Bank of Serbia, or the Securities Commission that there is a reasonable suspicion that an Audit Firm does not perform Audit in accordance with this law and ISA.

Frequency of Control

### **Article 73**

The Chamber shall perform the quality control work at Audit Firms and Independent Auditors at least once in every six years, or at least once in every three years at Audit Firms that perform Audit of public interest companies.

Quality control, referred to in paragraph 1 of this Article may also be performed more frequently, particularly in relation to Audit Firms, or Independent Auditors who were imposed with measures in the process of control.

The Chamber shall be obliged to notify the Audit Firm on the control of quality of work with a written notice no later than 15 days before the start of control.

Persons that Conduct Control

Article 74

Control of the quality of work of Audit Firms, Independent Auditors and Licensed Certified Auditors shall be performed by persons permanently employed in the Chamber with full-time working hours, Licensed Certified Auditors with at least five years of work experience in Audit operations.

Persons that perform quality control referred to in paragraph 1 of this Article shall complete additional training under the program established by the Chamber.

Obligations of the Audit Firm and Independent Auditor in the Control Procedure

Article 75

An Audit Firm or an Independent Auditor, which is subject to control of work quality, shall enable the authorized person of the Chamber review of Audit Reports, working documentation, as well as other documentation upon which the Audit Reports were drawn up.

An Audit Firm or an Independent Auditor, which is subject to control of work quality, shall, at the request of the authorized person of the Chamber, enable control of work quality at its headquarters.

Control Report

### **Article 76**

A report shall be drafted on the performed control of work quality which shall contain significant findings and conclusions and shall be submitted to the Quality Control Commission of the Chamber and to the Audit Firm, or the Independent Auditor, subject to the control of quality of work, except in the case of Article 72, Para 6 and 7, when the report shall be submitted to the Ministry and the Public Oversight Committee.

After obtaining the opinion of the Public Oversight Committee Once the Chamber shall once a year publish on its website the total results of quality control of work of Audit Firms and Individual Auditors.

Measures in the Procedure of Control of Work Quality of Audit Firms and Independent Auditors

### **Article 77**

If the Chamber in the process work quality control determines that an Audit Firm or Independent Auditor did not act in line with the provisions of this law and other rules of the auditing profession, it shall submit a report on the performed control with proposed measures to the Public Oversight Committee.

On the proposal of the Public Oversight Committee the Ministry may take the following measures:

- 1) Order the removal of the found irregularities;
- 2) Identify additional measures;
- 3) Conditionally revoke the permit for conducting Audit;
- 4) Revoke the permit for conducting Audit.

The Ministry shall issue a decision imposing the measures referred to in paragraph 2 of this Article.

The decision referred to in paragraph 3 of this Article may not be appealed, but is subject to judicial review, in accordance with the law.

The decision on imposing the measures referred to in paragraph 3 of this Article shall be submitted to the Chamber by the Ministry on the day that follows the day this decision becomes executable.

The decision on imposing the measures referred to in paragraph 3 of this Article shall be promptly entered by the Chamber in the Register of the imposed measures.

Removal of Determined Irregularities

### **Article 78**

Ministry shall issue a decision ordering the removal of determined irregularities:

- 1) If the ownership structure and management of the Audit Firm is not in accordance with the provisions of this law, or if an Independent Auditor acts contrary to Article 16 of this law;

2) If an audit company fails to publish the report on transparency in accordance with Article 20 of this law;

3) If an Audit Firm or an Independent Auditor perform additional services contrary to Article 35 of this law;

4) If an Audit Firm or an Independent Auditor fails to submit notifications and reports pursuant to Article 64, paragraph 2 and Article 65 of this law;

5) If an Audit Firm or an Independent Auditor fails to meet the requirements for the issuance of a permit to conduct Audit;

6) If an Audit Firm or an Independent Auditor fails to conduct Audit in accordance with the provisions of this law.

Content of the Decision

### **Article 79**

The decision ordering the removal of irregularities shall in particular contain:

1) Description of irregularities whose removal was imposed by the decision;

2) Term in which the Audit Firm or the Independent Auditor shall remove irregularities and submit a report on the removal of irregularities;

3) Manner of removal of irregularities;

4) Proofs on removal of irregularities that the Audit Firm or the Independent Auditor shall submit to the Chamber.

Report on Removal of Irregularities

### **Article 80**

The Audit Firm or the Independent Auditor shall within a term not shorter than 15 days, nor longer than 60 days, remove the determined irregularities and submit to the Public Oversight Committee a report that contains the description of taken measures, and attach the evidence of removal of irregularities.

Additional Measures

### **Article 81**

The Ministry shall decide to order an additional measure if it determines that:

1) Audit Firm or an Independent Auditor has not complied with the decision which ordered the removal of irregularities;

2) The Licensed Certified Auditor who performs Audit in the Audit Firm or at the Independent Auditor, had his License revoked;

3) The Audit Firm or the Independent Auditor violated the duty of timely and proper reporting or notification, or otherwise impeded the performance of quality control over its operations more than four times in the last two years.

Additional measure shall require the Audit Firm or the Independent Auditor to conduct the following measures:

- 1) Improve the system of internal quality control in performance of Audit;
- 2) Improve the process of internal supervision of confidential information;
- 3) Other measures in accordance with this law, ISA and the rules of Audit.

Revocation of a Permit to Conduct Audit

### **Article 82**

Ministry shall decide to revoke the permit for conducting Audit:

- 1) If it was issued on the basis of false information;
- 2) If an Audit Firm no longer meets the requirements of Article 11 of this law, or if the Independent Auditor loses the permit to conduct Audit;
- 3) If the number of Licensed Certified Auditors decreases below a prescribed number, and the Audit Firm, within three months following such decrease, fails to increase the number of Licensed Certified Auditors to the number prescribed by this law and fails to inform on that the Chamber and the Ministry;
- 4) If it fails to eliminate irregularities or execute additional measures within the term specified by the Ministry;
- 5) If it draws up an Audit Report which is not based on actual facts;
- 6) If the competent court decided to prohibit it from performing Audit activities;
- 7) If the founder decides to cease with performance of activities of Audit of Financial Statements, as well as in cases of company closing or ending the sole proprietorship in accordance with the law governing companies;
- 8) In other cases prescribed by this law.

When a decision on revoking the permit becomes enforceable, the Ministry shall submit a copy of the decision of the Chamber and the Business Registers Agency.

Decision to Revoke the Permit for conducting Audit

### **Article 83**

The decision to revoke the permit for conducting Audit shall in particular contain:

- 1) Name and seat of the Audit Firm, or name and surname, date of birth (personal identification number) and address of the Independent Auditor whose permit is revoked;

2) Description of actions, procedures, or circumstances based on which the permit is revoked;

3) Explanation of the permit revoking, with the specification of the number and date of issuance of the permit.

The decision to revoke the permit for performing Audit shall be submitted to the Audit Firm or the Independent Auditor, to the Chamber, as well as to the competent authority of a Member State or a Third Country in which the Audit Firm got the permit to conduct Audit.

Conditional Revoking of the Permit to Conduct Audit

#### **Article 84**

The Ministry may decide to conditionally revoke the permit to conduct Audit by specifying that the permit shall not be revoked if the Audit Firm, or the Independent Auditor, to whom such measure was imposed, do not commit a new violation of this law while performing Audit in the period proposed by the Public Oversight Committee, which may not be less than six months and longer than two years.

The Ministry shall cancel the decision on conditional revoking of the permit to conduct Audit and revoke the permit if the Audit Firm, or the Independent Auditor, to whom a measure of conditional revocation of the license for the period specified in the decision referred to in paragraph 1 of this Article was imposed, commits another violation of this law in performing the Audit.

Measures in the Process of Quality Control of Licensed Certified Auditors

#### **Article 85**

If the Chamber in the process of quality control determines that a Licensed Certified Auditor fails to comply with the provisions of this law and other rules of Audit, it shall deliver to the Public Oversight Committee a report on the performed control with the proposed measures.

At the proposal of the Public Oversight Committee the Ministry may take the following measures:

- 1) Issue an order to remove irregularities;
- 2) Issue a public warning;
- 3) Conditionally revoke the License;
- 4) Revoke the License.

The Ministry shall issue a decision to impose the measures referred to in paragraph 2 of this Article.

The decision referred to in paragraph 3 of this Article may not be appealed, but shall be subject to juridical review, in accordance with the law



The decision on imposing the measures referred to in paragraph 3 of this Article shall be delivered to the Chamber by the Ministry on the day that follows the day this decision becomes executable.

The decision imposing the measures referred to in paragraph 3 of this Article shall be promptly entered in the register of the imposed measures by the Chamber.

The provisions of Art 75, 76, 78-80, 82 and 83 of this law shall apply *mutatis mutandis* in the process of quality control of the work of the Licensed Certified Auditors.

Warning

### **Article 86**

The Ministry shall issue a decision to warn the Licensed Certified Auditor in case the Licensed Certified Auditor does not act in accordance with the rules of Audit and there are no conditions for License revocation, or for conditional License revocation.

Conditional Revocation of License

### **Article 87**

The Ministry may determine in the decision on revocation of the License that the license shall not be revoked if the person who is subject to such a measure, within the period fixed by the Ministry, and which may not be shorter than six months and not longer than two years, does not commit a new violation of this law while performing Audit.

The Ministry shall revoke the decision on conditional license revocation and revoke the License if the person subject to the measure of conditional revocation in a certain period commits another violation of this law while performing Audit which is punishable by revocation of the License, or by issuance of warning.

Revocation of the License

### **Article 88**

The Ministry shall render a decision revoking the License of the certified Auditor:

- 1) If the License was obtained by stating false data;
- 2) If a person was convicted of crimes that make him unworthy to perform these tasks, in terms of Article 5 of this law.

The Ministry shall render the decision of revoking the License if a Licensed Certified Auditor while conducting the Audit:

- 1) Acts contrary to Art 34 and 41 of this law;
- 2) Acts contrary to the rules of Audit and if, because of that, the Audit Report he signed contains deficiencies, or misleads users of the Audit Report;
- 3) Does not respect the obligation to protect confidential information;

4) Does not act in accordance with the provisions of this law and other regulations governing the Audit of Financial Statements.

The Ministry shall repeal the decision to issue the License:

- 1) At the personal request of a Licensed Certified Auditor;
- 2) In the event of loss of work capacity;
- 3) In the event of death.

## VII COMMITTEE FOR PUBLIC OVERSIGHT OF AUDIT OPERATIONS

Status

### **Article 89**

The Public Oversight Committee shall be established by the Government in order to protect the public interest in the work of the Chamber, Independent Auditors and Licensed Certified Auditors.

Scope of Operation

### **Article 90**

The Public Oversight Committee exercises supervision over the implementation of quality control of Audit Firms, Independent Auditors and Licensed Certified Auditors.

The Public Oversight Committee, within the competence under this law, shall exercise supervision over:

- 1) Implementation of the program for taking, recognition and organization of the exam for the title of Certified Auditor;
- 2) Establishment and implementation of a program of continuous professional training of Licensed Certified Auditors;
- 3) Issuance, renewal and revocation of the License of Certified Auditors;
- 4) Issuance and revoking of Licenses for conducting Audit from Audit Firms and Independent Auditors;
- 5) Application of ISA;
- 6) Implementation of Code of Professional Ethics of Auditors;
- 7) Implementation of disciplinary procedures and other measures in order to eliminate and sanction irregularities.

Public Oversight Committee shall give an opinion on the translation of ISA.

Public Oversight Committee shall perform other duties in accordance with this law.

Public Oversight Committee shall cooperate with the Chamber, the supervisory authorities of the Member States and the supervisory authorities of the Third Countries.

Manner of Operating

### **Article 91**

The Public Oversight Committee performs the operations under Article 90 of this law by:

- 1) Granting approvals and giving opinions on general acts of the Chamber in accordance with this law, monitoring the implementation of these acts and proposing their amendment;
- 2) Giving opinion on the annual plan of the Chamber for assessing the quality of work of Audit Firms, Independent Auditors and Licensed Certified Auditors;
- 3) Proposing extraordinary assessment of the quality of work of Audit Firms, Independent Auditors and Licensed Certified Auditors;
- 4) Reviewing the annual report on the work of the Chamber, that the Chamber is obliged to submit, within 30 days of adoption by the Assembly;
- 5) Proposing measures as authorized by this law.

Measures in the Supervision Process

### **Article 92**

If the Public Oversight Committee determines that there is reasonable suspicion that certain illegalities and irregularities were committed in the work of the Chamber, it may:

- 1) Request reports and other information about the detected irregularities;
- 2) Propose measures to correct them;
- 3) Propose to institute proceedings to determine responsibility of authorities or employees of the Chamber;
- 4) Propose the convening of the Chamber's Assembly;
- 5) Undertake other measures within its jurisdiction.

At the proposal of the Public Oversight Committee, the Ministry shall launch the initiative with the Chamber for the dismissal of members of the Chamber bodies referred to in Article 54, paragraph 1, item 2) - 6), if in the work of those bodies it determines significant operational irregularities referred to in Art 47 and 48 of this law.

Reports and other documents to be submitted to the Public Oversight Committee shall be submitted through the Ministry.

Rules, Work Program and Work Report

### **Article 93**

The Public Oversight Committee shall adopt rules governing its operation.

The Public Oversight Committee shall publish the annual work program and annual work report on the website of the Ministry.

The Public Oversight Committee shall submit the annual work report to the Government.

Members of the Public Oversight Committee

### **Article 94**

The Public Oversight Committee shall have a president and six members.

Members of the Public Oversight Board shall be appointed and dismissed by the Government, as follows:

- 1) The president and four members – at the proposal of the minister in charge of finance;
- 2) One member - at the proposal of the National Bank of Serbia;
- 3) One member – at the proposal of the Securities Commission.

A person may be nominated for the member of the Public Oversight Committee if:

- 1) He has acquired college education in the scientific field of economic or legal science in the studies of the second level in accordance with the law governing college education, or in undergraduate studies lasting at least four years;
- 2) He is not an employee of the Chamber and is not a member of the Chamber bodies;
- 3) He has at least five years of work experience in a leadership position in the field of accounting, auditing, finance or law or eight years of work experience in these areas;
- 4) He has not been convicted of crimes that make him unworthy to perform these tasks, in terms of Article 5 of this Law.

Most members of the Public Oversight Committee shall be non-practitioners.

One member of the Public Oversight Committee referred to in paragraph 2, item 1) of this Article shall be a Licensed Certified Auditor with at least ten years of work experience in statutory audits.

The president and members of the Public Oversight Committee referred to in paragraph 2, item 1) of this Article may be named from the ranks of civil servants in office, or appointed persons.

Members of the Public Oversight Committee shall be elected for a term of four years, and the same persons may be re-elected only once.

Members of the Public Oversight Committee shall make decisions independently and autonomously.

The amount of remuneration of the president and members of the Public Oversight Committee shall be determined by the Government at the proposal of the Ministry.

Expert and administrative tasks for the needs of the Public Oversight Committee shall be executed by the Ministry.

Protection of Data

### **Article 95**

The provisions of this law relating to the protection of data shall be applied to current and former members of the Public Oversight Committee.

The provisions of this law shall not apply to members of the Public Oversight Committee and to the members of the Chamber bodies when it comes to the exchange of data and cooperation with the competent authorities of the Member States relating to operations in accordance with this law.

The method and conditions for the exchange of data, audit documentation and other documents shall be determined by the rules of the Public Oversight Committee.

The provision of paragraph 2 of this Article shall apply to the exchange of data with the competent authorities of Third Countries, if an agreement on mutual cooperation was concluded.

## VIII INTERNATIONAL COOPERATION

Cooperation with Member States

### **Article 96**

The Public Oversight Committee, through the Ministry, shall provide assistance, submit information and cooperate with the competent authorities of the Member States responsible for approval, registration, checking the quality of work and supervision of Auditors or Audit Firms of Member States.

Members of the Public Oversight Committee shall, even after the termination of membership, keep as confidential all data obtained from cooperation with the competent authorities referred to in paragraph 1 of this Article.

Upon receiving the request of the competent authorities of the Member States for submission of information, the Public Oversight Committee shall promptly provide all information requested.

The Public Oversight Committee shall take the measures necessary to gather the required information.

If the Public Oversight Committee is unable to obtain the required information, it shall inform the competent authority which sent the request about the reasons for such failure.

The Public Oversight Committee may deny a request for submission of information:

- 1) If their disclosure could adversely affect the sovereignty, security or public order of the Republic of Serbia;
- 2) If in respect of the same actions the court proceedings were already initiated before the authorities of the Republic of Serbia against Audit Firms, Independent Auditors and Licensed Certified Auditors;
- 3) If the competent authorities of the Republic of Serbia have already made a final judgment for the same actions against a person referred to in item 2) of this paragraph.

If the Public Oversight Committee receives data from other competent authorities, it may use this data only to perform its tasks under this law and in the framework of administrative or judicial proceedings that are associated with that.

Conduct of the Public Oversight Committee

### **Article 97**

If it is determined in the process of supervision that Audit Firms, Independent Auditors and Licensed Certified Auditors are implementing or were implementing activities contrary to the provisions of this law on the territory of another Member State, the Public Oversight Committee shall, through the Ministry, inform the competent authority of a Member State.

If the Public Oversight Committee receives a notice from the competent authority of a Member State that the Audit Firms, Independent Auditors and Licensed Certified Auditors in the territory of the Republic of Serbia are implementing or were implementing activities contrary to the provisions of this law, it shall take measures in accordance with this law and shall notify thereof the authority that submitted the notice.

If the competent authority of a Member State requires the implementation of quality control of work of Audit Firms, Independent Auditors and Licensed Certified Auditors in the Republic of Serbia, the Public Oversight Committee may refuse a request for implementation of control or a request for the participation of representatives of the competent authority of the other Member States in control implementation:

- 1) If such controls could adversely affect the sovereignty, security or public order of the Republic of Serbia;
- 2) If in respect of the same actions the court proceedings were already initiated before the authorities of the Republic of Serbia against Audit Firms, Independent Auditors and Licensed Certified Auditors;
- 3) If the competent authorities of the Republic of Serbia have already made a final judgment for the same actions against a person referred to in item 2) of this paragraph.

In the case referred to in paragraph 3 items 2) and 3) of this Article, the Public Oversight Committee shall notify the competent authorities of the Member States of the initiated proceedings and the final judgments.

Cooperation with Third Countries

## Article 98

The Public Oversight Committee may allow submission of the working documentation or other documents in the possession of Licensed Certified Auditors, Independent Auditors and Audit Firms to the competent authority of the Third Country provided that:

- 1) The working documentation or other documents relate to the Audit of the Financial Statements and Consolidated Financial Statements of companies which have issued securities in a third country or which form part of the group that prepares the Consolidated Financial Statements;
- 2) The transfer of the working documents goes via the Public Oversight Committee towards the competent authorities of Third Countries only at the request of the competent authority of the Third Country;
- 3) The conditions from paragraph 2 of this Article were fulfilled;
- 4) There exists a concluded agreement on cooperation between the Public Oversight Committee and the competent authority of the Third Country;
- 5) The transfer of personal data to a Third Country is done in accordance with the provisions of Article 96 of this law and regulations on the protection of personal data;
- 6) The competent authorities of a Third Country meet the requirements laid down by the European Commission for improving cooperation between the competent authorities.

The agreement referred to in paragraph 1, item 4) of this Article shall contain:

- 1) An explanation for the request for submission of working documentation and other documents;
- 2) The provisions on the obligation to protect confidential information by persons who are employed or have been employed by the competent authorities of a Third Country;
- 3) The provisions on obligatory use of the working documentation and other documents by the competent authorities of a Third Country only for the implementation of supervision and assessment of the quality of work in accordance with Art 13-15, Art 63-68 and Art 71-88 of this law.

The Public Oversight Committee may refuse the request of the competent authority of the Third Country:

- 1) If the submission of working documentation or documents would adversely affect the sovereignty, security or public order of the Republic of Serbia;
- 2) If the court proceedings were already initiated before the authorities of the Republic of Serbia related to implementation of public oversight and control of the quality of work of the Licensed Authorized Auditors, Independent Auditors and Audit Firms;
- 3) If the competent authorities of the Republic of Serbia have already made a final judgment in the court proceedings related to the implementation of public oversight and control of quality of work.

Notwithstanding paragraph 1 of this Article, the Public Oversight Committee may allow the Licensed Authorized Auditors, Independent Auditors and Audit Firms to directly submit the work documentation and other documents to the competent authorities of the Third Country, provided that:

- 1) The documentation shall be used for the purpose of initiating proceedings by the competent authorities of the Third Country;
- 2) The submission of documentation is not in conflict with the obligations to which the Licensed Certified Auditors, Independent Auditors and Audit Firms need to adhere;
- 3) There exist a cooperation agreement with the competent authorities of the Third Country that allows direct access to working documentation and other documents to the competent authorities of the Republic of Serbia;
- 4) The competent authority of the Third Country that sends the request shall notify in advance the Public Oversight Committee on any direct request for the submission of working documentation or documents, with stating the reasons;
- 5) The conditions set out in paragraph 2 of this Article are respected.

The Public Oversight Committee shall notify the European Commission on cooperation from Para 1 and 4 of this Article.

## IX PENALTY PROVISIONS

### 1. Economic Offences

#### **Article 99**

An Audit Firm shall be punished by a fine of 300,000 to 3,000,000 dinars for an economic offense:

- 1) If it performs the Audit contrary to Arts 4 and 23 of this Act;
- 2) If the Audit operations of the Audit Firm are performed by the persons who do not meet the requirements of Article 6 of this law;
- 3) If it is established contrary to the provisions of Arts 11 and 12 of this law;
- 4) If it is not insured in accordance with Article 18 of this law;
- 5) If it acts contrary to Article 19 of this law;
- 6) If it fails to publish a transparency report in accordance with Article 20 of this law;
- 7) If it assigns the contracted audit operations contrary to Article 25, paragraph 4 of this law;
- 8) If it fails to safe keep the working documentation in accordance with Article 28 of this law;
- 9) If it acts contrary to Article 29 of this law;



- 10) If it fails to make the Audit Report in accordance with Article 30 of this law;
- 11) If it performs the Audit of the legal person referred to in Article 35 of this law;
- 12) If it fails to perform the replacement of a Licensed Certified Auditor who signs the Audit Report, or a Key Audit Partner in accordance with Article 40 of this law;
- 13) If it fails to act in accordance with Article 42 of this law;
- 14) If it fails to notify the Chamber in accordance with Article 64, paragraph 2 of this law;
- 15) If fails to deliver to the Chamber the report referred to in Article 65 of this law within the period referred to in paragraph 1 of that Article;
- 16) If it fails to act in accordance with Article 75 of this law;
- 17) If, in the determined period, it fails to act in accordance with Article 80 of this law.

For the acts referred to in paragraph 1 of this Article the responsible person of the Audit Firm shall also be punished for the economic offense with a fine of 20,000 to 200,000 dinars.

#### **Article 100**

An Audit Firm in which the Licensed Certified Auditors perform the Audit operations in the legal person referred to in Article 34 of this law shall be punished by a fine of 200,000 to 1,500,000 dinars for an economic offense.

For the acts referred to in paragraph 1 of this Article the responsible person of the Audit Firm shall also be punished for the economic offense with a fine of 10,000 to 100,000 dinars.

#### **Article 101**

The following persons shall be punished with fine of 300,000 to 3,000,000 dinars for an economic offense:

- 1) A legal person subject to Audit, if it fails to choose the Audit Firm in the manner and within the time period referred to in Article 24 of this law;
- 2) A legal person subject to Audit if it fails to act in accordance with the provisions of the Article 27 of this law;
- 3) A company of public interest if it fails to establish the Audit Commission in accordance with Article 43 of this law.

For the acts referred to in paragraph 1 of this Article the responsible person of the Audit Firm shall also be punished for the economic offense with a fine of 20,000 to 200,000 dinars.

#### **Article 102**

The Chamber shall be punished with a fine of 300,000 to 3,000,000 dinars:

- 1) If it fails to obtain the approval in accordance with the provisions of Article 9, paragraph 2 and Article 47 Para 3 and 4 of this Act;
- 2) If it does not perform the operations prescribed by the provisions of Article 47 of this law;
- 3) If it fails to submit the annual financial report and annual work report in accordance with Article 48, paragraph 1, item 7) of this law;
- 4) If it fails to keep a business secret in accordance with the provisions of Article 49 of this law;
- 5) If it fails to publish documents in the manner prescribed by the provisions of Article 53 of this law;
- 6) If it acts contrary to Article 63 Para 2 and 3 of this Act;
- 7) If it fails to perform the work quality control in an Audit Firm or an Independent Auditor at least once in six, or three years in accordance with the provisions of Article 73 of this law;
- 8) If in case of detected irregularities in the process of work quality control it fails to comply with the provisions of Article 77 or Article 85 of this law;
- 9) If it fails to submit an annual work report within the period referred to in Article 91, paragraph 1, item 4) of this law.

For the acts referred to in paragraph 1 of this Article the Secretary-General of the Chamber (responsible person) shall also be punished for the economic offense with a fine of 20,000 to 200,000 dinars.

## 2. Misdemeanors

### **Article 103**

For the acts referred to in Article 99 paragraph 1 of this law, the Independent Auditor shall be punished for a misdemeanor with a fine of 50,000 to 500,000 dinars.

### **Article 104**

For the acts referred to in Article 100 paragraph 1 of this law, the Independent Auditor shall be punished for a misdemeanor with a fine of 25,000 to 250,000 dinars.

### **Article 105**

A Licensed Certified Auditor shall be punished for a misdemeanor with a fine of 10,000 to 150,000 dinars:

- 1) If he breaches the obligation of protection of data in terms of Article 29, paragraph 1 of this law;

2) if he prepares and signs the Audit Report that is not prepared in the manner prescribed by the provisions of Article 30 of this law, or if he fails to assess or wrongly assesses certain important positions in the Financial Statements that were the subject of Audit, or if he does not apply the rules of Audit, which results in an erroneous opinion on the financial statements or wrong explanation of the opinion;

3) If he fails to notify the Audit Firm pursuant to the provisions of Article 36 of this law on occurrence of circumstances referred to in Article 34 of this Law.

### **Article 106**

Persons referred to in Article 38 of this law shall be punished for a misdemeanor with a fine of 10,000 to 150,000 dinars if they act contrary to the provisions of that Article.

## **X TRANSITIONAL AND FINAL PROVISIONS**

Deadline for the Appointment of Members of the Public Oversight Committee

### **Article 107**

The Government shall, within 90 days from the date of entry into force of this law establish the Public Oversight Committee and appoint its members.

Until the establishment of the Public Oversight Committee, the activities under its jurisdiction, pursuant to this law, shall be executed by the Ministry.

Harmonizing the Bylaws of the Chamber

### **Article 108**

The Chamber, established in accordance with the Law on Accounting and Auditing ("Official Herald of RS", No. 46/06, 111/09 and 99/11 – other law), continues to operate in accordance with the provisions of this law.

The Chamber shall harmonize the existing bylaws and adopt new bylaws in accordance with the provisions of this law within six months from the date of entry into force of this law.

Term of Validity of the Permit and Harmonization of Operation

### **Article 109**

The operation permit issued by the Ministry to Audit Firms to before the entry into force of this law shall be valid until a permit to conduct Audit is obtained in accordance with this law, and the farthest one year from the date of entry into force of this law.

Audit Firms shall harmonize their operation with the provisions of this law no later than one year from the date of entry into force of this law.

Professional Titles and Licenses

### **Article 110**

The professional titles of persons who had up to the day of entry into force of this law acquired professional title of Certified Auditor, or Certified Internal Auditor, in accordance with the Law on Accounting and Auditing ("Official Herald of RS", No. 46/06, 111/09 and 99/11 - other law), shall be recognized as Certified Auditor or Certified Internal Auditor, in accordance with this law.

Licenses issued to Certified Auditors in accordance with the Law on Accounting and Auditing ("Official Herald of RS", No. 46/06, 111/09 and 99/11 - other law) shall be valid until the day of their expiration.

Initiated Proceedings

### **Article 111**

Persons who have up to the day of entry into force of this law begun the examination by the Chamber's program for acquiring the title of Certified Auditor and Certified Internal Auditor may take the remaining examinations according to the program in which they started taking this exam, at the latest within three years from the day of the entry into force of this law.

The requests for the issuance of a License or a Permit to conduct the Audit that have been submitted up to the day of entry into force of this law shall be decided in accordance with the regulations in force before the day this law entered into force.

Deferred Application of Certain Provisions of this Law

### **Article 112**

The provisions of Art 18 and 21, Article 24, paragraph 1, Article 25 and Articles 34-37 of this law shall apply starting with the Audit of the Financial Statements for 2014.

Time Period for Replacement of Licensed Certified Auditor

### **Article 113**

The time period for replacement of a Licensed Certified Auditor, signer of the Audit Report in terms of Article 40, paragraph 1 of this law, shall begin to run from the first performed Audit of Financial Statements of the same subject of Audit beginning from the day of entry into force of the Law on Accounting and Auditing ("Official Herald of RS", No. 46/06, 111/09 and 99/11 - other law).

Admission of the Republic of Serbia into the European Union

### **Article 114**

Until the day of admission of the Republic of Serbia into the European Union, the provisions governing cooperation with Third Countries shall apply to cooperation with the Member States, Auditors and Audit Firms of the Member States.

The provisions of Arts 96 and 97, and Article 98, paragraph 5 of this Law shall be effective from the date of admission of the Republic of Serbia into the European Union.

Application of Previously Enacted Secondary Legislation

## Article 115

The secondary legislation adopted on the basis of the Law on Accounting and Auditing ("Official Herald of RS", No. 46/06, 111/09 and 99/11 - other law) shall apply until the beginning of the application of secondary legislation adopted under this law.

Final Provision

## Article 116

This law shall enter into force on the eighth day of its publication in the "Official Herald of the Republic of Serbia".

("Official Herald of RS", No. 62/2013)

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AKTIVA sistem doo, Novi Sad



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Misija, vizija, cilj

Profesionalnim pružanjem usluga najvišeg nivoa iz oblasti administrativno - ekonomsko - finansijsko - pravnog segmenta poslovanja, od osnivanja firme pa tokom celog njenog postojanja, na ekonomičan način omogućiti mikro i malim preduzećima i preduzetnicima da se u celosti posvete svojoj osnovnoj delatnosti, a administraciju da sa poverenjem prepuste Agenciji.

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