

This is an English translation.

The original Icelandic text, as published in the Law Gazette (Stjórnartíðindi), is the authoritative text. Should there be discrepancy between this translation and the authoritative text, the latter prevails.

Act No 94/2019

on auditors and auditing

Entered into force 1 January 2020, except for Article 46, which will enter into force in accordance with the instructions in Article 55. *EEA Agreement*: Annex XXII, Directive 2014/56/EU, Regulation 537/2014. Amended by Act No. 45/2020 (entered into force 4 June 2020; *EEA Agreement*: Annex IX, Directive 2011/61/EU, 2013/14/EU). Act No. 102/2020 (entered into force 23 July 2020 except Article 1, 6 and 7 that entered into force on 1 January 2021: implemented with instructions in Article 8). Act No. 115/2021 (entered into force 1 September 2021 except Article 39 that entered into force 1 November 2021 and paragraph 5 of Article 48 that entered into force 28 February 2023; on conflict-of-law see Article 147; Agreement on the European Economic Area: Annex IX, Directive 2014/65/EU, 2016/1034, Regulation 600/2014, 2016/1033, 2017/565, 2017/567). Act No. 6/2024 (entered into force 16 February 2024).

Where mention is made in this Act of a minister or ministry without specification of, or reference to, a policy area, the reference is to the Minister of Industries, or the Ministry of Industries, the minister/ministry responsible for this Act.

Chapter I.

General provisions

Article 1

Purpose.

The purpose of this Act is to ensure that the work of auditors and audit firms is subject to clear rules with a view to enhancing confidence in the annual financial statements and consolidated financial statements of audited entities.

Article 2

Definitions.

For the purposes of this Act, the following definitions shall apply:

1. *key audit partner*: An auditor who who signs the audit report of a financial statement or consolidated financial statement;

2. *self-interest threat*: A threat deriving from financial or other interests that have an inappropriate influence on the professional judgment or conduct of an auditor;
3. *public interest entity*:
 - (a) a legal person domiciled in Iceland with securities listed in a regulated market in a state within the European Economic Area, a state party to the Convention establishing the European Free Trade Association or the Faeroe Islands;
 - (b) a pension fund operating under a valid operating licence;
 - (c) a credit undertaking as defined in the Act on financial undertakings;
 - (d) a company possessing a licence to engage in insurance activities in Iceland pursuant to the Act on insurance activities;
 - (e) a legal person owning a fishing vessel possessing a quota share in accordance with the Fisheries Management Act and the Act on fisheries outside Iceland's jurisdiction and constituting a large company in the understanding of subsection (d) of point 11, and a legal person holding an operating licence in accordance with the Fish Farming Act and constituting a large company in the understanding of subsection (d) of point 11.
 - (f) a large-scale user, distributor or transmission system operator, as defined in the Electricity Act, constituting a large company in the understanding of subsection (d) of point 11, and a legal person operating an electric power station/plant in the understanding of the Electricity Act, or a heating utility in the understanding of the Energy Act and constituting a large company in the understanding of the Act.
 - (g) a legal person possessing an air operator's certificate in accordance with the Aviation Act and constituting a large company in the understanding of subsection (d) of point 11.
 - (h) a legal person authorised to operate a telecommunications network in accordance with the Telecommunications Act and constituting a large company in the understanding of subsection (d) of point 11.
 - (i) a legal person engaging in cargo transport operations in accordance with the Navigation Act and constituting a large company in the understanding of subsection (d) of point 11.
4. *auditor*: a person possessing the knowledge to give an objective and dependable opinion regarding financial statements and other financial information, is certified to work as an auditor, is included in the Register of Auditors pursuant to Article 5, and complies in other respects with the conditions of this Act;
5. *group auditor*: an auditor responsible for the auditing of consolidated financial statements;
6. *audit*: an independent and systematic gathering of information and evaluation thereof for the purpose of expressing the reasoned and professional opinion of an auditor regarding the reliability and presentation of the information in compliance with law, statutory accounting rules or other conditions referred to in the opinion;
7. *audit firm*: A firm that has been granted a licence to carry out auditing work in accordance with the provisions of this Act, is included in the Register of Auditors and in other respects fulfils the conditions of this Act;
8. *audit committee*: An audit committee pursuant to Chapter IX A of the Act on annual accounts no. 3/2006;
9. *professional scepticism*: an attitude that includes critical thought and being alert to conditions which may indicate possible misstatements due to error or fraud, and a critical assessment of audit evidence;
10. *host state*: A member state of the European Economic Area in which an auditor certified in his or her home Member State seeks to be also certified in accordance with Article 3(a) or a member state

in which an audit firm licensed by its home member state seeks to be licensed or is licensed in accordance with Article 5;

11. *advocacy threat*: the threat that may be created when an auditor promotes a position or opinion on behalf of a client to the point that his or her objectivity may be compromised;
12. *independence in appearance*: the avoidance of circumstances of a degree of significance where an impartial and informed third party would be likely to conclude on the basis of all the facts and circumstances that the integrity, objectivity [or] professional skepticism of a firm or member of an audit team has been jeopardised;
13. *independence in fact*: a state of mind that permits the provision of an opinion without being affected by influences that compromise professional judgment, allowing an individual to act with integrity, and exercise objectivity and professional scepticism;
14. *network*: auditors or audit firms engaging in co-operation which is aimed at profit or cost-sharing, common ownership, common control or management, common quality control policies and procedures, a common business strategy and the use of a common brand-name or pooling of a significant part of professional resources;
15. *self-review threat*: threat resulting from the risk that an auditor will not properly assess the conclusion of an earlier assessment or service provided by him or her or by another individual in his or her firm or his or her employer, where an auditor subsequently needs to assess his or her own conclusions in connection with a service rendered;
16. *familiarity threat*: threat resulting from a long-standing and close relationship with a client or employer;
17. *intimidation threat*: threat that exists when an auditor is prevented from working impartially as a result of intimidation, real or perceived, including attempts to influence him or her in an inappropriate manner.

Chapter II.

Certification of auditors and licensing of audit firms

Article 3

Certification of auditors

The Public Auditors' Oversight Board assigns certification for auditing work. To obtain certification an applicant must fulfil the following conditions:

1. be domiciled in Iceland or be a citizen of a member state of the European Economic Area, a state party to the Convention establishing the European Free Trade Association or the Faeroe Islands;
2. be legally competent and have no history of his or her estate being subjected to bankruptcy proceedings;
3. possess a good reputation and have the necessary mental capacity to carry out the work of an auditor;
4. have not been sentenced by a court of law for any criminal act punishable by four months' unsuspended imprisonment, at a minimum, or police custody if he or she was 18 years of age at the time of the committing of the offence, unless five years have passed from the time that the sentence was fully served;
5. possess a masters degree in auditing and accounting approved by the Public Auditors' Oversight Board;
6. have passed an examination in accordance with Article 7;

7. have worked for a minimum of three years under the guidance of an auditor on auditing annual accounts or other financial statements at an audit firm holding an operating licence;
8. have professional indemnity insurance coverage, as provided in Article 8.

The Public Auditors' Oversight Board may cancel rights pursuant to paragraph 1 or deny an applicant for certification to practice as an auditor if the person in question has:

1. been sentenced in accordance with the provisions of Chapter XXVI of the General Penal Code;
2. been sentenced to imprisonment in accordance with the provisions of other acts of law;
3. has repeatedly violated the provisions of the Act on auditors, the Act on annual accounts, the Act on accounting or the Tax Code;
4. exhibited conduct that gives reason to believe that the person is not qualified to act in the capacity of a public official in a responsible manner.

Prior to certification being granted an applicant shall submit a certificate from the police registry.

The condition of point 2 of paragraph 1 may be waived if an applicant has been in control of his or her estate for the ten preceding years.

If an auditor qualified as such in a member state of the European Economic Area, a state party to the Convention establishing the European Free Trade Association or the Faeroe Islands wishes to obtain certification to carry out audits in Iceland, he or she must pass a qualification examination in tax law and company law and attendant rules.

The Public Auditors' Oversight Board may grant certification to carry out audits to individuals who can prove that they have completed studies and passed an examination outside Iceland which is regarded as compliant with the requirements made in points 5, 6 and 7 of paragraph 1 above, provided that they meet the provisions of points 2, 3, 4 and 8 of the same paragraph. Such individuals shall pass a qualification examination in Icelandic tax law and company law and applicable rules.

The Minister may issue a regulation on procedure for the certification of auditors who are certified in other states.

The Public Auditors' Oversight Board may exempt individuals who have completed another university degree with auditing as an elective field from the provisions of point 5 of paragraph 1 above, provided that the Board is satisfied that the applicant has sufficient knowledge of the issues that relate to auditors and their work.

Before certification is granted, an applicant shall solemnly declare that he or she will carefully and conscientiously carry out the work that the certification permits and comply with laws and other rules relating to such work.

Article 4

Licensing of audit firms

Audits shall be carried out under the auspices of an audit firm that possesses an operating licence and is registered in the Register of Auditors.

Auditors are required to establish a company for the operation of an audit firm in the corporate form of their own choice.

The majority of voting rights in an audit firm shall be held by auditors or audit firms which have been approved in the European Economic Area, a state party to the Convention establishing the European Free Trade Association or the Faeroe Islands.

In an audit firm, the majority of the board of directors shall be auditors or agents of audit firms. If there are two board members, at least one shall be an auditor or an agent of an audit firm.

An audit firm shall have in place a formal quality assurance system to ensure the quality of the audit and the quality of the work of the auditor, as provided in Article 18.

An audit firm shall ensure that the names and addresses of the owners of the firm are accessible to the public.

An application for an operating licence for an audit firm shall be submitted to the Public Auditors' Oversight Board that can issue the operating licence subject to compliance with the provisions of this Article. Also, the firm is required to notify the Oversight Board promptly if it is no longer in compliance with any of these provisions and turn in its certification document.

If there is reason to believe that an audit firm will not be able to carry out auditing work in a satisfactory manner the audit firm may be denied an operating licence and registration in the Register of Auditors in accordance with Article 5.

An audit firm that has made request to turn in its operating licence or has been deprived of its licence can only obtain the licence again if the requirements for the granting of an operating licence are fulfilled or if the cause of the revocation of the licence is no longer present, has expired or has been withdrawn.

The Public Auditors' Oversight Board shall invalidate the operating licence of an audit firm if the firm no longer complies with the conditions of this Act or regulations grounded in this Act.

The Public Auditors' Oversight Board shall invalidate the operating licence of an audit firm if it refuses to subject itself to quality assurance in accordance with Article 31.

If the operating licence of an audit firm expires, or if the firm has been deprived of its licence, the audit firm shall be stricken from the Register of Auditors provided for in Article 5, in which case any indication that the firm is a registered audit firm is prohibited.

The Minister shall establish a regulation on the procedure for granting operating licences to audit firms that are registered in another EEA state.

The Minister may issue a regulation providing in further detail for the operating licences of audit firms.

Article 5

Register of Auditors

The Public Auditors' Oversight Board will publish a public Register of Auditors and audit firms which have been granted a licence to carry out audits, subject to compliance with the provisions of Articles 3 and 4.

An auditor engaging in auditing shall register his or her firm as an audit firm in the Register of Auditors.

The Ministry shall issue further rules on the registration and the information to be included in the Register.

Auditors and audit firms shall be identified by a unique number in the public Register.

An audit firm registered pursuant to paragraph 1 above shall not have been subjected to bankruptcy proceedings, nor shall its reputation have suffered significant damage, giving rise to doubt regarding its ability to meet any requirements made of auditing under this Act. An audit firm which has been registered shall promptly notify the Public Auditors' Oversight Board of any non-compliance with the conditions of this paragraph.

Auditors and audit firms pursuant to paragraph 1 above shall without unreasonable delay notify the Public Auditors' Oversight Board of any changes in the information contained in the Register.

If an auditor has turned in his or her licence or the licence has been revoked, his or her name shall be stricken from the Register provided for in paragraph 1 above. The same shall apply to an audit firm which is no longer in compliance with paragraph 5 of this Article and/or the conditions of Article 4.

The Public Auditors' Oversight Board shall advertise the certification of auditors and the registration of audit firms in the *Official Gazette*. The same applies if a registration is cancelled pursuant to Article 10.

The Public Auditors' Oversight Board shall issue a certification document to auditors and audit firms.

Prior to certification an auditor shall pay a fee to the State Treasury pursuant to the Act on supplementary State revenues No. 88/1991.

Article 6

Right to use the term auditor or audit

Persons other than auditors and audit firms pursuant to paragraph 1 of Article 5 are not permitted to use the terms "auditor" or "audit" in their professional titles or corporate names. It is also prohibited to give the impression that a person who has not been certified as an auditor or who does not possess a valid license is an auditor through the use of a professional title or corporate name or by other misleading means. However, this provision does not apply to the professional title of internal auditors of undertakings, provided that their work forms a part of the internal control by the management of the undertaking in question.

If the Public Auditors' Oversight Board receives information that a person who has not been certified for auditing work engages in, or indicates that he or she engages in, such work, or that an auditor no longer fulfils the lawful conditions for certification as an auditor, but continues to work as such, the Public Auditors' Oversight Board shall bring the violation to the attention of the person, and if such person does not take action in response the Board shall subject the matter to appropriate process. The same applies if it is implied that a firm that is not registered in the Register of Auditors is an audit firm.

Article 7

Examinations and Examination Committee

The Public Auditors' Oversight Board shall appoint an Auditors' Examination Committee of three members to organise examinations for applicants for certification as auditors. The committee shall be appointed for a term of four years.

The examination for certification shall cover the principal fields of theoretical and applied knowledge that relates to auditors and their work.

A regulation issued by the Minister on the recommendation of the Public Auditors' Oversight Board shall include further conditions for permission to take the examinations, fields of examination, the conduct of the examinations and the minimum requirements for passing the examinations.

Examinations shall normally be held annually.

The cost of examinations, including the remuneration to the members of the Examination Committee, shall be covered by an examination fee to be decided by the Public Auditors' Oversight Board.

Article 8

Professional indemnity insurance

An auditor is required to maintain professional indemnity insurance with an insurance company licensed to provide services in Iceland covering any financial damage that may result from negligence on the part of the auditor or his/her employees in the course of work pursuant to this Act. The insurance coverage requirement shall lapse if an auditor turns in his or her certification pursuant to paragraph 1 of Article 11.

The Public Auditors' Oversight Board shall establish rules on minimum insurance coverage pursuant to paragraph 1 and the maximum own risk of the policyholder.

Prior to 15 January of each year, auditors shall send to the Public Auditors' Oversight Board confirmation of valid professional indemnity insurance.

The Minister may issue a regulation establishing more detailed provisions on auditors' professional liability insurance.

Article 9

Continuous education

An auditor is required to engage in continuous education to ensure the regular maintenance of theoretical knowledge, professional skills and professional values.

The continuing education shall, at a minimum, correspond to 20 hours per year and a total of 120 hours in any period of three years. The Public Auditors' Oversight Board may grant an exemption from this provisions if special circumstances so warrant. The continuing education period of an auditor who is granted certification for the first time shall begin on 1 January of the year following certification.

Continuing education pursuant to paragraph 1 above shall, in any three year period, cover at least the following fields, and the minimum of continuing education in each field shall be as follows:

- (1) auditing, 30 hours;
- (2) accounting and finance, 20 hours;
- (3) tax law and company law 15 hours; and
- (4) ethics and professional values 10 hours.

An auditor shall maintain a record of his or her continuing education and shall be able to confirm continuous education for a minimum of 60 hours in each three-year period; at a minimum, 10 hours of education for each year shall be verifiable. The Public Auditors' Oversight Board shall supervise the compliance of auditors with the conditions regarding continuous education.

If the provisions of paragraphs 1-3 are not fulfilled an auditor shall be regarded as not having complied with the condition of maintaining his or her certification as an auditor, in which case the provisions of Chapter III shall apply.

The Minister may issue a regulation establishing more detailed provisions on auditors' continuous education.

Chapter III

Termination of certification for audit engagements

Article 10

Cancellation of certification and operating licence

If an auditor or audit firm does not fulfil the conditions for certification or an operating licence the Public Auditors' Oversight Board shall be notified without delay. If no corrective action has been taken within the deadline decided by the Public Auditors' Oversight Board, the auditor's certification or the audit firm's operating licence shall lapse, in which case the auditor or audit firm is barred from further functioning on the basis of the certification or operating licence and the certification document or operating licence shall be turned in to the Public Auditors' Oversight Board.

If the certification of an auditor or the operating licence of an audit firm lapses in accordance with paragraph 1, the Public Auditors' Oversight Board shall post a notice to this effect in the *Official Gazette* and on its website.

Article 11

Turning in of certification for audit engagements

An auditor may turn in his or her certification, in which case his or her rights and obligations as an auditor shall lapse, except as otherwise provided by law. If the Public Auditors' Oversight Board has the case of the auditor under review, turning in the certification is not permitted unless the case is dismissed in accordance with this Act.

If an auditor has turned in his or her certification, his or her rights shall be reinstated on application without charge if the auditor fulfils all the conditions for the exercise of those rights and proves that he or she has complied with the three-year period continuing education requirements.

Article 12

Reinstatement of certification for auditing work after permanent revocation

If the certification of an auditor has been revoked in accordance with Article 10, an individual may request its renewal, provided that the individual can demonstrate compliance with the conditions of law and pass an examination in accordance with Article 7. The individual shall then be registered again in the Register of Auditors. The Public Auditors' Oversight Board may grant an exemption from the obligation to retake the examination.

Article 13

Notification of revocation of rights

If the certification of an auditor or the operating licence of an audit firm has been revoked or turned in the auditor or audit firm shall be stricken from the Register of Auditors and the certification document issued in accordance with paragraph 9 of Article 5 shall be turned in to the Public Auditors' Oversight Board without delay. The individual or firm is then prohibited from using the professional title of auditor or audit firm.

If the certification or operating licence of an auditor or audit firm that is registered in other states are revoked or turned in the Public Auditors' Oversight Board shall notify the competent authority of the state where the auditor or audit firm is also registered and disclose the reason for the revocation of the certification or operating licence.

Chapter IV

Professional activities of auditors and audit firms

Article 14

Functions of auditors

Auditors shall perform their work in accordance with generally accepted auditing standards and shall with due care and conscientiousness in all respects observe the provisions of the laws and rules that apply to their work. Generally accepted auditing standards shall be interpreted in accordance with the requirements of law, rules and international standards in effect at any time and the subjects taught in Icelandic universities and used as a basis for certification examinations for auditors in Iceland.

Generally accepted auditing standards entail, among other things, that the auditor should exhibit professional scepticism, honesty, impartiality, confidentiality, professional competence and due care in carrying out engagements. An auditor shall maintain his or her professional knowledge and skills to ensure professional service in line with advances in the field. An audit shall be risk-based, and an auditor shall be aware of the possibility of the existence of material misstatements, including fraud or error, even where the auditor or audit firm has previous experience of honesty and integrity on the part of the management of the entity being audited and the persons responsible for its governance practices.

An auditor shall maintain professional scepticism in reviewing management estimates, e.g. with regard to fair value, impairment of assets, provisions, and future cash flow relevant to the entity's ability to continue as a going concern.

An auditor has the status of a public official when carrying out auditing work.

The Minister may issue a regulation providing in further detail for the work of auditors and audit firms and the conduct of audits, *inter alia* in the light of international obligations.

Article 15

Key audit partners

When an audit firm undertakes an audit, the firm shall designate at least one key audit partner.

The key audit partner shall be actively involved in the carrying-out of the audit and devote sufficient time to the engagement. It shall be assured that he or she has sufficient staff to enable him or her to discharge his or her auditing duties.

An audit firm shall, in accordance with paragraph 2, assign to the key audit partner sufficient resources and personnel with the necessary competence carry out its duties in a satisfactory manner.

The main criteria relied on by an audit firm in the designation and selection of a key audit partner shall be assurance of audit quality, independence and competence.

Article 16

Auditor's report

On the conclusion of auditing, the auditor shall inscribe the audited financial statement with a signed report containing information on the audit and the opinion of the auditor. The audited financial statement shall be inscribed with the name of the key audit partner and the name of the audit firm. The report shall comply with acts of law, rules and generally accepted accounting standards.

The report shall be in writing and shall, among other things:

1. identify the audited entity and specifically what annual financial statement or consolidated financial statements are covered by the audit and the date and period they cover, and also the financial reporting framework that was applied in the preparation of the annual financial statement or consolidated financial statement;
2. include a description of the scope of the audit and the criteria applied in the course of the audit,
3. contain an audit opinion, which shall be either unqualified, qualified or adverse and shall state clearly the opinion of the auditor as to whether the annual financial statement:
 - (a) gives a fair view in accordance with statutory accounting principles; and
 - (b) fulfils other statutory requirements, where applicable;
4. include a disclaimer of opinion if the auditor is unable to express an opinion;
5. refer to any other matters of which the auditor took specific note, as appropriate, without qualifying the audit opinion;
6. identify any material uncertainty relating to the entity's ability to continue as a going concern;
7. identify the place of establishment of the auditor or audit firm;
8. contain information on management responsibility;
9. contain a confirmation of the auditors' independence;
10. contain confirmation that the auditor obtained sufficient and appropriate evidence to support his or her opinion.

Where more than one auditor has undertaken the audit they shall reach an agreement on the conclusions of the audit and submit a joint report. In the event of any disagreement, each auditor shall submit his or her own report in a separate paragraph and explain the reason for the disagreement.

The auditor shall sign and date his or her report. Where more than one auditor or audit firm have been engaged simultaneously the report shall be signed by all the auditors or, at a minimum, by the key audit partners who carried out the audit on behalf of each of the audit firms.

The audit report on consolidated financial statements shall fulfil the same requirements that are laid down in this Article.

An auditor and audit firm shall, as appropriate, confirm that the report of the board of directors and annual financial statement contain all the information required by the Annual Accounts Act.

Article 17

Documentation

An auditor shall prepare working documents for each audit and preserve them in a secure manner for a minimum of seven years from the date of the audit report.

An auditor shall be able to demonstrate how the audit was conducted and its conclusions in a reasoned and verifiable manner. Where there is a possibility of fraud or misstatement in the opinion of the auditor this shall be recorded specifically with information on the action taken by the auditor in that regard.

An auditor or audit firm shall retain all data and documents that are relevant in support of the audit report provided for in Article 16 and as evidence of compliance with laws and rules that apply to the audit.

Where a key audit partner asks external experts for advice the request made and the advice received shall be documented.

The key audit partner shall, *inter alia*, record the evidence that an auditor is required to record according to Chapter V on auditor independence.

When auditing a consolidation the appropriate working documents of other auditors who were involved in the auditing of entities within the consolidation shall be documented.

The audit file shall be closed no later than 60 days after the date of signature of the audit report.

Article 18

Quality assurance system

Audit firms and auditors shall work in accordance with a formal quality assurance system. The formal quality assurance system shall, among other things, include rules on management responsibility for the quality of audits, an appropriate code of ethics, rules on the acceptance and continued acceptance of clients and audit engagements, rules on the appointment of staff to audit teams, rules on the conduct of audits and rules on follow-up and documentation of the quality assurance system. The board of directors of an audit firm shall be responsible for the quality assurance system, which shall be evaluated annually. The results of the evaluation and proposed changes to the system shall be documented.

An audit firm shall maintain a client account record. The record shall include the following information for each client:

1. name, address and place of business;
2. name of key audit partner; and
3. the fees charged for auditing and other services in any financial year.

An audit firm shall maintain a record of breaches of the provisions of laws and rules on auditors, as applicable. An audit firm shall also maintain a record of any consequence of any breach, including the measures taken to address such breaches and subsequent measures taken by the audit firm to adapt its quality assurance system. An audit firm shall prepare an annual report containing an overview of any such measures taken and shall communicate that report to the board of directors of the firm.

An audit firm shall keep records of any complaints made in writing about the performance of the audit.

The Minister may issue a regulation providing in further detail for quality assurance systems and the organisation of the work of auditors and audit firms.

Article 19

Fees

An audit fee shall be determined so as to enable an auditor to arrive at a reasoned conclusion in accordance with the professional requirements which are provided for in this Act and which generally apply to the work of auditors.

A payment or the amount of an audit fee shall not in any way be subject to any contingency or linked to any service other than the audit.

Article 20

Money laundering

An auditor shall observe the instructions of law on measures against money laundering and terrorist financing and conduct due diligence of clients in accordance with the relevant provisions of law.

Article 21

Term of appointment of auditors

Except as otherwise provided by law or in articles of association, or as otherwise agreed, the work of an auditor pursuant to this Act shall continue until another auditor takes over. The initial engagement of an auditor or audit firm shall be for a period of at least one year. A contract on auditing cannot be terminated on the grounds of a dispute on accounting principles or audit procedures.

When there is a change of auditors, the auditor taking the post shall contact the departing auditor, who is required to reveal the reasons for the termination of his or her work. Also, a departing auditor shall grant to the new auditor access to all information which is relevant to the entity being audited.

If an auditor has resigned from an audit engagement and advises another auditor not to accept the engagement, this shall be documented and reasoned.

If a new auditor accepts an audit engagement against the advice of an earlier auditor the reasons and reasoning for doing so shall be documented.

Neither the key audit partner nor any other auditors involved in the auditing of an audited entity are permitted to accept a key management position with the entity, serve on its board of directors or as a member of the entity's audit committee or as a representative entrusted with functions comparable to those entrusted to the audit committee until at least one year has passed from the time that he or she participated in the audit of the entity.

A key audit partner auditing a public interest entity is not permitted to take up a key management position in the entity in question until at least two years have passed since he or she participated in the audit of the entity.

Article 22

Group auditor

A group auditor is responsible for the auditing of consolidated financial statements. The group auditor shall gather information and evaluate the work of other auditors who have been involved in the auditing of other entities within the group, as applicable. A group auditor shall document the nature, timing and extent of the

work performed by other auditors. The group auditor shall also review the relevant working documents of other auditors, as appropriate. The documentation of a group auditor shall be such as to enable the relevant competent authority to review the work of other auditors of the group.

Where a group auditor is unable to evaluate the audit work performed by an auditor or audit firm of an individual entity within the group in a state outside the European Economic Area, the group auditor shall take appropriate measures and inform the relevant competent authority. Such measures shall, as appropriate, include carrying out further audit tasks on the entity in question, either directly or by outsourcing such tasks.

A group auditor is responsible for the auditor's report, as provided in Article 16, and the preservation of documents and, as applicable, reports to the audit committee, see Article 12 of Regulation (EU) 537/2014 of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC. The documentation of the group auditor or audit firm shall be such as to enable the relevant competent authority to review the work of the auditor.

If a group auditor is subjected to a quality assurance review or investigation in respect of the audit of a consolidated financial statement, the group auditor shall, on request, grant to the controlling authority access to all working documents relating to the audit of the group, including the working documents of auditors and audit firms in states outside the European Economic Area.

The Public Auditors' Oversight Board may request additional documents that concern the audit work of each auditor or audit firm relating to the audit of a group from the relevant competent authorities.

Where an auditor or audit firm from a state outside the European Economic Area audits the parent companies or subsidiaries of a group, the Public Auditors' Oversight Board may request additional documentation from the relevant competent authorities of the state in question relating to the auditing work of the auditor or audit firm of that country.

In cases where working papers on auditing from states outside the European Economic Area cannot be sent to the group auditor, evidence shall be retained by the group editor showing that the group auditor undertook appropriate procedures in order to gain access to the audit documentation. In the case of impediments resulting from the legislation in the states in question evidence of such impediments shall also be available.

Chapter V

Independence of an auditor

Article 23

Independence in fact and in appearance

An auditor and audit firm shall be independent from clients in carrying out audit engagements, both in fact and in appearance. An auditor shall not carry out an audit if there are any relations between the auditor and the client which are likely to raise doubts with an informed third party regarding the independence of the auditor, such as professional relations, family relations, direct or indirect financial relations or business relations other than those resulting from the audit. An auditor shall be independent of his or her clients over the period covered by the audited financial statements and until the audit is concluded.

An auditor or audit firm shall not participate in any decision-making process within the audited entity.

Article 24

Threats to independence

An auditor or audit firm shall take appropriate measures to ensure independence in fact and in appearance. Independence shall be assessed in the light of potential conflict of interest or business or other direct or indirect relationship of the auditor or audit firm or its network with the audited entity. The independence of managers of audit firms, auditors, employees and other persons providing services for the benefit of, or under the control of, the key audit partner or the audit firm, or any other person directly or indirectly linked to the key audit partner or the audit firm by control shall also be assessed.

An auditor, audit firm or their networks shall not carry out the audit of an entity if there is any threat that cannot be mitigated by means of appropriate precautionary measures so as to render the threat acceptable. Threat refers, *inter alia*, to self-interest threat, self-review threat, advocacy threat, familiarity threat and intimidation threat.

Article 25

Trading in financial instruments

Auditors, audit firms, their networks, employees and persons providing services for the benefit of key audit partners or audit firms and participating directly in the audit, and persons closely related to them, shall not trade in financial instruments that are issued, guaranteed or otherwise supported by the entity being audited, other than indirect holdings through diversified collective investment schemes, including managed funds, such as pension funds or funds operated by life assurance companies.

An auditor or audit firm shall not participate in or otherwise influence the outcome of an audit of the entity being audited if the auditor or audit firm:

1. is the holder of financial instruments of the entity which is being audited, other than interests owned indirectly through diversified collective investment schemes;
2. is the holder of financial instruments of any entity related to an audited entity, the ownership of which may cause, or may be generally perceived as causing, a conflict of interest, other than interests owned indirectly through diversified collective investment schemes; or
3. is related to the audited entity through a business relationship or by having been an employee of the entity, or had any other relationship with the entity within the period referred to in paragraph 1 of Article 23 that may cause, or may be generally perceived as causing, a conflict of interest.

Article 26

Gifts

An auditor or audit firm shall not accept gifts, whether pecuniary or non-pecuniary, from the entity being audited, or any entity related to the audited entity, unless an objective third party would consider the value thereof as trivial or inconsequential.

Article 27

Merger of entities

If, during the period covered by the financial statements, an audited entity is acquired by, merges with, or acquires another entity, the auditor or the audit firm shall evaluate any current or recent interests or relationships, including any non-audit services provided to that entity, which, taking into account available

safeguards, could compromise the auditor's independence and ability to continue with the audit after the effective date of the merger or acquisition.

As soon as possible, and in any event within three months from the date of entry into effect of the merger or take-over, the auditor or the audit firm shall take all such steps as may be necessary to terminate any existing interests or relationships that would compromise the auditor's independence and shall, where possible, adopt safeguards to minimise any threat to its independence arising from prior and current interests and relationships.

Article 28

Owners and managers

An audit firm shall establish appropriate procedures to ensure that the owners of the audit firm, as well as the members of its board of directors or executive board, or of its affiliate firms, other than the key audit partner, do not intervene in the conduct of an audit in any way which compromises the independence and objectivity of the auditor who carries out the audit on behalf of the audit firm.

Article 29

Confirmation to the audit committee

An auditor of a public interest entity shall each year, in writing:

1. confirm to the audit committee of the entity in question that the auditor is independent of the audited entity;
2. report to the audit committee of any services provided to the entity in addition to auditing services; and
3. discuss with the audit committee any potential threats to his or her independence and the precautionary measures taken to mitigate such risk.

Chapter VI

Confidentiality and disclosure

Article 30

Confidentiality and disclosure

Auditors, their employees, regulators and any persons undertaking any work in the interest of auditors or regulators are bound by confidentiality regarding all matters which may come to their knowledge in the course of their work and which are confidential by law or by nature, except in the event of a court decision to the effect that information should be disclosed to the courts or to the police, or in the event of an obligation to provide such information by law. The confidentiality shall be maintained after termination of employment.

Notwithstanding the provisions of paragraph 1, the Public Auditors' Oversight Board is permitted to provide competent authorities responsible for the regulation of auditors and audit firms with information, provided that such authorities fulfil the requirements for equivalent confidentiality in their home country.

Information received by a regulator from the said foreign parties which is identified as confidential or which is confidential by the nature of the circumstances shall be subject to the provisions of paragraph 1.

Chapter VII.

Quality assurance

Article 31

Substance of quality assurance

Auditors or audit firms are required to undergo a quality assurance review on the basis of risk analysis at a minimum every six years in accordance with the provisions of this Article.

However, auditors and audit firms responsible for auditing public interest entities shall undergo a quality assurance review conducted on the basis of risk analysis every three years, at a minimum.

The Public Auditors' Oversight Board shall establish rules on the conduct of quality assurance reviews and the selection of reviewers to ensure that they are qualified and independent of the parties who are the subject of review.

An auditor or audit firm which is subject to a quality assurance review shall provide the reviewer with necessary assistance and access to information which may be requested in the course of the review. Provisions of law concerning confidentiality do not restrict the obligation to provide information and access to data.

A quality assurance review shall take account of the scope and complexity of the work and engagements of the auditor or audit firm being reviewed.

A quality assurance review shall include a review of the quality assurance system of an audit firm.

Auditors and audit firms shall comply with recommendations laid down in the results of the quality assurance review. The Public Auditors' Oversight Board may request confirmation that action has been taken in response to the recommendations or may commission a review to obtain confirmation that recommendations have been followed up. If recommendations resulting from the quality assurance review are not followed up an auditor or audit firm shall be subjected to sanctions pursuant to point 24 of paragraph 1 of Article 49 and point 9 of Article 51.

The Public Auditors' Oversight Board shall annually publish information on the general results of quality assurance.

Article 32

Qualifications of persons who carry out quality assurance reviews

Persons who carry out quality assurance reviews shall have appropriate professional education and relevant experience in auditing and financial reporting in addition to specific training on quality assurance reviews.

Persons who carry out quality assurance reviews shall confirm their independence and that no conflict of interests is anticipated between him or her and the auditor or audit firm being reviewed.

Chapter VIII.

Oversight of auditors and audit firms

Article 33

Oversight of auditors and audit firms

The Public Auditors' Oversight Board which is an independent administrative committee is responsible for supervision of the work of auditors and audit firms in accordance with the instructions of this Act and rules grounded in this Act.

Article 34

Supervisory body

Oversight of auditors and audit firms shall be directed by persons who do not work as auditors but possess knowledge of fields pertaining to auditing.

The Minister shall appoint three members to a Public Auditors' Oversight Board for a term of four years and an equal number of alternates; the members shall possess knowledge of fields relating to auditing. The chairman shall meet the conditions required for appointment to the office of district court judge. The same shall apply to the appointment of alternates.

The Public Auditors' Oversight Board may consult with auditors and other experts and delegate individual supervisory functions; however, all decisions shall be taken by the Board.

The Public Auditors' Oversight Board is authorized to hire an employee to enable the Board to perform its duties.

Article 35

Role of the Public Auditors' Oversight Board

The role of the Public Auditors' Oversight Board is to monitor compliance in their work by auditors and audit firms with the provisions of this Act, generally accepted accounting standards and other rules that apply to the work of auditors.

The monitoring functions entail responsibility for:

1. certification of auditors and licensing of audit firms;
2. application of sanctions;
3. monitoring of the quality assurance systems of audit firms;
4. quality assurance reviews pursuant to Chapter VII;

The monitoring functions also entail responsibility for monitoring:

1. compliance with the requirements for independence pursuant to Chapter V;
2. the implementation of generally accepted accounting standards;
3. requirements of continuing education pursuant to Article 9;
4. requirements of professional liability insurance pursuant to Article 8.
5. the performance of audit committees in accordance with Chapter IX and Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Decisions of the Public Auditors' Oversight Board on the granting, cancellation and withdrawal of licensing of auditors and the operating licences of audit firms may be appealed to the Ministry. Other decisions of the Public Auditors' Oversight Board are not subject to administrative appeal.

Article 36

Collaboration with foreign supervisory bodies

The Public Auditors' Oversight Board shall co-operate with the competent authorities of a state within the European Economic Area, a state party to the Convention establishing the European Free Trade Association or the Faeroe Islands in monitoring and investigating the work of auditors.

The Public Auditors' Oversight Board is permitted to collaborate with supervisory bodies in states outside the European Economic Area regarding exchanges of information and supervision of the auditors and audit firms of companies with registered offices outside the European Economic Area which issue its securities registered in a regulated market in Iceland.

Article 37

Procedure in the Public Auditors' Oversight Board

The Public Auditors' Oversight Board may take up issues on its own initiative if there is reason to believe that an auditor or audit firm has violated this Act, generally accepted auditing standards or other rules that apply to the work of auditors.

Any person who believes his or her rights have been violated as a result of the actions or inaction of an auditor or audit firm can refer the complaint to the Public Auditors' Oversight Board for resolution, provided that such person has legitimate interests in the resolution of the matter. Cases shall be submitted to the Public Auditors' Oversight Board in writing as promptly as possible and no later than four years after the violation occurred.

The Public Auditors' Oversight Board shall decide in matters of dispute relating to the work of auditors and audit firms in accordance with this Act, regulations grounded in this Act and generally accepted auditing standards.

The Public Auditors' Oversight Board may, in special circumstances, order a party to a case to pay to a counterparty the cost of proceedings before the Board.

The Public Auditors' Oversight Board may refer a matter for criminal investigation.

Article 38

Report of the Public Auditors' Oversight Board

The Public Auditors' Oversight Board shall annually issue and publish a report on its activities concerning oversight of auditors and audit firms.

The Public Auditors' Oversight Board shall annually disclose the comprehensive results of quality assurance reviews of auditors and audit firms.

The disclosure shall be public, and steps shall be taken to ensure the traceability of all the decisions of the Public Auditors' Oversight Board. The names of auditors and audit firms shall be disclosed. However, the names of auditors shall not be disclosed if the disclosure:

1. results in making public private personal information which is subject to confidentiality;
2. has a negative impact on the stability of the financial markets or a criminal case under investigation;
or
3. results in undue damage.

Article 39

Supervision fee of auditors and audit firms

All auditors shall pay to the State Treasury an annual fee of 100 thousand ISK to cover the cost of the work of the Public Auditors' Oversight Board relating to the supervision of auditors. The due date is 1 April of each year. If a payment is not made within 30 days of the due date, default interest shall be paid in accordance with the Act on interest and indexation.

Article 40

Fee for quality assurance review

A service fee may be collected for quality assurance reviews of auditors and audit firms.

This includes fees for:

1. sending documents and data;
2. processing of data;
3. on-site inspections in the place of business of auditors or audit firms;
4. preparation of reports;
5. repeated quality assurance reviews;
6. meetings.

For each review pursuant to this Article a fee shall be paid, not to exceed coverage of the actual cost of the review. Thus, the determination of fees shall be based on the expenditures resulting from wages and related expenses, travel expenses, training and continuing education expenses, contracted specialist services, housing, working facilities, management and support services.

On the recommendation of the Public Auditors' Oversight Board the Minister shall confirm a tariff for quality assurance reviews of auditors and audit firms in accordance with this Act. The Tariff shall be published in the B-series of the *Official Journal*.

The Public Auditors' Oversight Board is responsible for collection of fees under this Article, which shall accrue in full to the Board. The fees shall be paid in accordance with an invoice issued after the conduct of the quality assurance review. The due date is the date of issue of the invoice and the final due date fifteen days later. If the fee is paid after the final due date default interest shall accrue as of the due date in accordance with the Act on interest and indexation. Fees pursuant to this Article can be collected by means of a levy of execution without prior judgment or settlement.

Article 41

Disclosures to supervisory authorities

Auditors, audit firms, employees of audit firms and others involved in audit engagements shall provide to the Public Auditors' Oversight Board all necessary information requested by the Board in connection with the functions assigned to the Public Auditors' Oversight Board by this Act of law.

Legal provisions on confidentiality shall not limit the obligation to provide information under this Article.

The Public Auditors' Oversight Board is authorised to request information and documents from other parties in connection functions assigned to the Public Auditors' Oversight Board by this Act of law.

Chapter IX

Auditing of public interest entities

Article 42

Transposition

The provisions of the Regulation of the European Parliament and of the Council No. 537/2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC, published in the EEA Supplement to the Official Journal of the European Communities no. 31 of 9 May 2018, pp. 29–64, shall have the force of law in Iceland with the adaptations resulting from the Decision of the EEA Joint Committee No. 102, of 27 April 2018, see also Protocol 1 on horizontal adaptation to the Agreement on the European Economic Area, see Act on the European Economic Area No. 2/1993.

Article 43

Oversight

The Public Auditors' Oversight Board is responsible for oversight according to this Chapter and is the designated competent authority provided for in Article 20 of Regulation (EU) No. 537/2014.

Article 44

Permission to provide non-audit services

Notwithstanding the provisions of Article 5(1) of Regulation (EU) No. 537/2014 an auditor or audit firm may provide tax services in accordance with Article 5(1)(a)(i) and 5(2)(a)(iv–vii) and valuation services pursuant to Article 5(1)(f) subject to fulfilment of the conditions of Article 5(3) of the Regulation.

Article 45

Documentation

An auditor and audit firm shall preserve audit documents for a minimum of seven years, as provided in Article 15 of Regulation (EU) No. 537/2014.

Article 46

Maximum duration of an audit engagement

The maximum period of the engagement contract of an auditor or audit firm shall be ten years, as provided in Article 17 of Regulation (EU) No. 537/2014. However, an engagement contract may be extended to:

1. twenty years where a public tendering process for the audit is conducted in accordance with Article 17(4)(a) of Regulation (EU) No. 537/2014;
2. twenty-four years, where more than one statutory auditor or audit firm is simultaneously engaged, as provided in Regulation (EU) No. 537/2014.

Article 47

Outsourcing of tasks.

The Public Auditors' Oversight Board is permitted to delegate part of the tasks assigned to the Board, in accordance with Article 24 of Regulation (EU) No. 537/2014. The definition of tasks and terms shall be clear.

However, the following functions cannot be delegated:

1. quality assurance reviews of auditors and audit firms of public interest entities;
2. investigations deriving from quality assurance reviews or reference by another competent authority; and
3. decisions on the application of sanctions relating to quality assurance reviews or investigations of the audits of public interest entities.

Chapter X

Sanctions

Article 48

Loss of rights and reprimands

If an auditor or audit firm is in violation of this Act, or in serious breach of duty in other respects in the opinion of the Public Auditors' Oversight Board, the Board may terminate the rights of the auditor or audit firm in question.

If a violation by an auditor or audit firm is not major, the Public Auditors' Oversight Board is authorized to reprimand the auditor or audit firm in question. Also, the Public Auditors' Oversight Board may in such cases temporarily suspend the rights of the auditor or audit firm in question for a period of up to three years.

Concurrently with sanctions pursuant to paragraphs 1 and 2 the Public Auditors' Oversight Board may impose administrative fines on auditors and audit firms on the basis of Article 49.

Article 49

Administrative fines

The Public Auditors' Oversight Board may impose administrative fines on any person that violates the following provisions of this Act and rules grounded in this Act:

1. paragraph 1 of Article 8 on the duty of an auditor to maintain professional liability insurance;
2. Article 9 on the obligation of an auditor to engage in continuous education;
3. paragraph 1 of Article 10 on the obligation of an auditor and audit firm to notify the Public Auditors' Oversight Board that the auditor or audit firm is not in compliance with the conditions of law for certification or licensing;
4. Article 14 on the obligation of auditors to perform their work in accordance with legislation and generally accepted auditing standards;
5. Article 15 on the designation and work of key audit partners;
6. Article 16 on the report on audited financial statements;
7. Article 17 on documentation;
8. Article 18 on the duty of audit firms and auditors to maintain a formal quality assurance system and work in accordance with the system;
9. Article 19 on fees;

10. paragraph 2 of Article 21 on the duty of a departing auditor to grant to the new auditor of an entity access to all information which is relevant to the entity;
11. paragraph 5 of Article 21, prohibiting an auditor who has been involved in auditing the financial statements of an entity from accepting a key management position with the audited entity, serving on its board of directors or as a member of the audited entity's audit committee, or as a representative entrusted with functions comparable to those entrusted to the audit committee, until at least one year has passed from the time that he or she participated in the audit of the entity.
12. paragraph 6 of Article 21, prohibiting a key audit partner auditing a public interest entity from taking up a key management position in the entity in question until at least two years have passed since he or she participated in the audit of the entity;
13. Article 22 on the responsibility of a group auditor for the auditing of consolidated financial statements;
14. Article 23 on the duty of auditors and audit firms to be independent from clients;
15. paragraph 1 of Article 24 on the duty of auditors and audit firms to take appropriate measures to ensure independence in fact and in appearance
16. paragraph 2 of Article 24, prohibiting auditors, audit firms and their networks from carrying out the audit of an entity if there is any threat that cannot be mitigated by means of appropriate safeguards;
17. paragraph 1 of Article 25, prohibiting auditors and audit firms from trading in financial instruments that are issued, guaranteed or otherwise supported by the entity being audited;
18. paragraph 2 of Article 25, prohibiting an auditor or audit firm from participating in or otherwise influencing the outcome of the audit of certain entities;
19. Article 26, prohibiting an auditor or audit firm from accepting gifts;
20. paragraph 2 of Article 27 on the obligation of auditors and audit firms to terminate interests or relationships that would compromise the auditor's independence on the take-over or merger of an audited entity;
21. Article 28 on the obligation of audit firms to establish procedures to ensure that the owners, board members and executive board of the audit firm and its affiliate firms, other than the key audit partner, do not intervene in the conduct of an audit;
22. Article 29 on the duty of the auditors of a public interest entity to audit committees;
23. Article 30 on confidentiality;
24. Article 31 on the obligation of auditors and audit firms to undergo a quality assurance review, provide necessary assistance and access to information in the course of the conduct of the review and comply with recommendations laid down in the results of the quality assurance review;
25. Article 39 on the obligation of an Auditors to pay a supervision fee;
26. Article 40 on the obligation of an Auditors to pay a fee for quality assurance reviews;
27. Article 41 on the obligation of auditors, audit firms, employees of audit firms and others involved in audit engagements to provide to the Public Auditors' Oversight Board all necessary information requested by the Board in connection with the functions assigned to the Public Auditors' Oversight Board by this Act of law;
28. Article 44 of the Act, cf. Article 5 of Regulation (EU) 537/2014, prohibiting auditors and audit firms from providing additional services;
29. Article 45 on the duty of auditors and audit firms to preserve audit documents;
30. Article 46 on the maximum duration of the audit engagements of auditors or audit firms;

Fines imposed on a natural person may range in amount from ISK 100 thousand to ISK 15 million. Fines imposed on a legal person may range in amount from ISK 500 thousand to ISK 40 million.

In imposing fines account shall be taken, *inter alia*, of all relevant circumstances, including:

1. the seriousness of the offence;
2. the duration of the offence;
3. the responsibility of the offender;
4. the financial position of the offender;
5. the gain from the offence or the loss prevented by the offence;
6. the willingness of the offender to co-operate;
7. previous offences; and
8. whether the offence is a repeat offence.

Decisions on administrative fines shall be made by the Public Auditors' Oversight Board and are enforceable by law. Fines shall accrue to the State Treasury, net of collection costs. If an administrative fine is not paid within one month from its imposition, default interest shall be paid on the amount of the fine. The determination and calculation of the default interest shall be governed by the Act on interest and price indexation. Administrative fines shall be imposed regardless of whether an offence is committed wilfully or negligently.

Article 50

Limitation period

The authorisation of the Public Auditors' Oversight Board to impose administrative fines pursuant to Article 49 shall lapse when five years have passed from the time that the conduct ceased.

The limitation period pursuant to paragraph 1 is interrupted when the Public Auditors' Oversight Board notifies a party of the initiation of an investigation of an alleged offence and has legal effects for all the persons involved in the offence.

Article 51

Fines and imprisonment of up to two years

Violation of the following provisions of this Act and rules grounded in this Act is subject to fines or imprisonment for up to two years, unless more severe penalties apply under other legislation

1. paragraph 1 of Article 6 on the use of the terms auditor or auditing in a professional title or corporate name and the ban on giving the impression that a person is an auditor if he or she is not;
2. Article 14 on the obligation of auditors to perform their work in accordance with legislation and generally accepted auditing standards;
3. Article 16 on the report on audited financial statements;
4. Article 18 on the duty of audit firms and auditors to maintain a formal quality assurance system and work in accordance with the system;
5. Article 22 on the responsibility of a group auditor for the auditing of consolidated financial statements;
6. Article 23 on the duty of auditors and audit firms to be independent from clients;
7. Article 25, prohibiting auditors and audit firms from trading in financial instruments that are issued, guaranteed or otherwise supported by the entity being audited;
8. Article 30 on confidentiality;
9. Article 31 on the obligation of auditors and audit firms to undergo a quality assurance review, provide necessary assistance and access to information in the course of the conduct of the review and comply with recommendations laid down in the results of the quality assurance review.

Article 52

Criminal liability

Violations of this Act are subject to fines or imprisonment whether committed wilfully or negligently.

Attempted violations or participation in violations pursuant to this Act are punishable under the provisions of the General Penal Code.

A fine may be imposed on a legal person for violation of this Act and regulations grounded in this Act irrespective of whether the guilt of a specific agent of the legal person, its employee or other person in its employ can be established. If the agent of a legal person, its employee or another person in its employ has violated this Act or rules grounded in this Act in a criminal manner in the course of the business activities of the person, such person may be subjected to penalties in addition to the imposition of a fine on the legal person.

Direct or indirect profit gained by a violation of the provisions of this Act which is subject to fines or imprisonment may be confiscated by a court order.

Article 53

Reporting to the police, etc.

If an alleged violation of this Act is subject to both administrative fines and penal sanctions, the Public Auditors' Oversight Board shall decide whether the case should be reported to the police or concluded by the imposition of an administrative fine. However, if a violation is major, the Public Auditors' Oversight Board is required to refer the violation to the police. A violation is regarded as major if it involves substantial amounts, if an act is committed in a particularly reprehensible manner or under any conditions that significantly aggravate the criminality of the violation. The Public Auditors' Oversight Board may, at any stage of an investigation, refer a case involving violation of this Act for police investigation.

Referrals by the Public Auditors' Oversight Board shall be accompanied by copies of the documents on which the suspicion of violation is based.

The provisions of Chapters IV-VII of the Administrative Procedure Act shall not apply to any decision of the Public Auditors' Oversight Board to report a case to the police.

The Public Auditors' Oversight Board is permitted to supply to the police and prosecuting authority any information and documents obtained by the Authority and relating to the violations falling within the scope of Article 51. The Public Auditors' Oversight Board is permitted to participate in police actions relating to the investigation of violations falling within the scope of Article 51.

The police and prosecuting authorities are permitted to supply to the Public Auditors' Oversight Board information and documents obtained by them and relating to the violations falling within the scope of Article 51. The police are permitted to participate in actions taken by the Public Auditors' Oversight Board relating to the investigation of violations falling within the scope of Article 51.

If the prosecutor is of the opinion that there are no grounds for legal action in relation to alleged criminal conduct which is also subject to administrative sanctions, the prosecutor may refer the case, or refer the case back, to the Public Auditors' Oversight Board for process and decision.

Chapter XI

Further provisions

Article 54

Transposition

This Act constitutes the transposition of Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014 amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, as incorporated into the Agreement on the European Economic Area by a Decision of the EEA Joint Committee No. 102/2018 of 27 April 2018, and Regulation (EU) No. 537/2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC as incorporated into the Agreement on the European Economic Area by a Decision of the EEA Joint Committee No. 102/2018, of 27 April 2018.

Article 55

Entry into force

This Act shall enter into force on 1 January 2020. ...

Notwithstanding the provisions of paragraph 1, the provisions of Article 46 shall take effect on 27 April 2024 for auditors and audit firms that have been providing audit services to public interest entities continuously for 20 years or more on the entry into force of this Act, and on 27 April 2027 for auditors and audit firms that have been providing audit services to public interest entities continuously for 11 years or more, but less than 20 years, on the entry into force of this Act.

Article 56

Amendments to other Acts ...