



**Republic of Moldova**

**PARLIAMENT**

**LAW No. 271**  
of December 15, 2017

**on Audits of Financial Statements**

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The Parliament adopts this organic law.

This law transposes in part the Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC (Text with EEA relevance, published in the Official Journal of the European Union L 157/87 of June 9, 2006.

**Chapter I**

**GENERAL PROVISIONS**

**Article 1.** Subject matter of regulation

This law sets the legal framework for the organization of audits by audit entities, and regulates the exercise of the auditor profession, audit oversight, and specific requirements for auditing of public interest entities.

**Article 2.** Definitions

(1) For the purpose of this law, the following definitions shall apply:

*Audit* – audit of individual financial statements and consolidated financial statements insofar:

- a) it is mandatory according to the legislative provisions;
- b) it is conducted at the request of the shareholders (associates) of audited entities;

*Audit entity* – entity established according to civil legislation and registered according to the provisions of this law;

*Audit risk* – the risk of expressing by an auditor of an inadequate audit opinion in case that the financial statements contain significant distortions;

*Auditing standards* – international auditing standards issued by the International Auditing and Assurance Standards Board, which apply to the conduct of audits and which are accepted for application on the territory of the Republic of Moldova;

*Auditor* – natural person who holds an auditor qualification certificate and who is registered in accordance with the provisions of this law;

*Auditor qualification certificate* – document issued in the manner set by this law, which attests the professional auditor qualification;

*Code of Ethics for Professional Accountants* – ethical requirements issued for professional accountants by the International Ethics Standards Board for Accountants, accepted to be applied on the territory of the Republic of Moldova (hereinafter – *Ethics Code*);

*Non-practitioner* – any natural person who, during her/his activity in the Council for Public Oversight of Audits (hereinafter – the Council) and for at least 3 previous years, has not conducted audits, has not held shares in the share capital of an audit entity, has not been member of the board, of the executive or the supervisory body of an audit entity and has not been employed by an audit entity;

*Quality management standards* – international quality management standards issued by the International Auditing and Assurance Standards Board, which apply to the internal quality control and which are accepted for application on the territory of the Republic of Moldova;

*Related standards* – international standards for revision and insurance engagements and for related services, issued by the International Auditing and Assurance Standards Board and accepted for publication on the territory of the Republic of Moldova.

(2) The definitions used in this law and not provided in para. (1) are defined in the auditing standards, the Ethics Code and the Law on Accounting and Financial Reporting No. 287/2017.

## **Chapter II**

### **EXAMINATION OF PROFESSIONAL COMPETENCE**

#### **Article 3.** Audit traineeship

(1) The audit traineeship is conducted to acquire practical experience and to ensure the capacity of applying theoretical knowledge.

(2) The traineeship has a duration of at least 2 years and it is conducted under the guidance of an auditor.

(3) To be registered as an audit trainee, the natural person must meet cumulatively the following conditions:

- a) she/he holds a diploma of higher education in the economic or legal area;
- b) she/he is employed by an audit entity in accordance with the provisions of the Labor Code.

(3) During the traineeship, the trainee is obliged:

- a) to comply with the requirements of the Code of Ethics;
- b) to take part in auditing engagements;
- c) to pay the annual membership fee.

(5) The manner of organizing and conducting the traineeship to be admitted to the examination for obtaining the professional auditor qualification is set in the Norms on Vocational Training of Audit Trainees, approved by the Council.

#### **Article 4.** Requirements for admission to the examination for obtaining the professional auditor qualification

(1) Natural persons who, on the date of submitting the admission application, meet the following requirements are admitted to the examination:

- a) have a higher education degree in the economic or legal area;
- b) have a working experience of at least 3 years in the economic or legal area, out of which 2 years as an audit trainee;
- c) have no criminal records;
- d) are proficient in Romanian.

(2) By derogation from the requirements set in para. (1) letter b) of this article and Art. 3, natural persons who have a working experience of at least 15 years in the economic or legal area are admitted to the examination.

(3) To be admitted to the examination, the following shall be submitted to the Auditor Certification Commission:

- a) application for admission to the qualification examination;
- b) curriculum vitae;
- c) two 3x4 cm photographs;
- d) criminal records;
- e) written recommendation letter from the audit entity where the traineeship was conducted, as appropriate;
- f) bachelor higher education degree recognized and validated by the Ministry of Education, Culture and Research of the Republic of Moldova, if the studies were conducted abroad;
- g) document attesting the activity conducted in the Republic of Moldova, authenticated in the duly manner, as appropriate, or document attesting the activity conducted outside of the Republic of Moldova, translated into Romanian and legalized according to the legislation, and which attests a working experience of at least 3 years or of at least 15 years in the economic or legal area;
- h) identification document or residence permit, as appropriate, issued by the competent bodies of the Republic of Moldova;
- i) international qualification certificate in the area of accounting or audit, accompanied by a list of passed examinations, translated into Romanian and legalized according to the legislation, as appropriate.

(4) The documents mentioned in para. (3) letters f), h) and i) are submitted in original and in copies. The original documents are returned after being compared with their copies.

**Article 5. Examination for obtaining the professional auditor qualification**

(1) To grant the professional auditor qualification, an Auditor Certification Commission is set up under the Council. The Regulation on Certification of Auditors and Nominal Composition of the Auditor Certification Commission is approved by the Council.

(2) The Council organizes the examination, and the Auditor Certification Commission carries out the examination.

(3) The examination includes written tests on the following subjects:

- a) audit:
  - legislative requirements in the auditing area;
  - auditing standards;
  - quality management standards;
  - Ethics Code;
- b) financial accounting:
  - principles and basics of accounting;
  - legislative requirements concerning accounting and financial reporting;
  - accounting standards;
- c) management accounting:
  - costs accounting;
  - basic principles of entity management;
- d) financial management:
  - financial analysis;
  - risk management and internal control;
  - business, general and financial economy;

- mathematics and statistics;
- e) law:
  - labor, social insurance and health insurance legislation;
  - tax, civil and commercial legislation;
  - legislation concerning insolvency and similar proceedings;
- f) management of information technologies and computer systems.

(4) The person who did not pass the examination in one subject may be admitted to retake the examination: the first time – after 6 months, and the second time – one year after the previous attempt, respecting the deadline of 3 years, which starts to run on the day she/he took part in the examination in the first subject.

(5) The person who did not pass the examination for obtaining the professional auditor qualification within 3 years from the date of admission to the examination in the first subject may be admitted repeatedly according to the provisions of Art. 4 para. (3).

(6) The decision of the Auditor Certification Commission concerning the examination results in each subject may be challenged in the Council within 30 days from the date of receiving the results. The manner of challenging the decision is set in the Regulation on Certification of Auditors, approved by the Council.

(7) The Auditor Certification Commission will regard as passed the examinations in the subjects provided in para. (3), if the persons holds an international qualification certificate in the area of accounting or audit in the manner set by the Council.

(8) The manner of organizing and conducting the examination for obtaining the professional auditor qualification and the manner of recognizing the international qualification certificates in the area of accounting or audit are set in the Regulation on Certification of Auditors, approved by the Council.

**Chapter III**  
**REGISTRATION OF AUDITORS AND AUDIT ENTITIES**  
**Section 1**  
**Registration requirements**

**Article 6. Registration of auditors**

(1) To be registered in the Public Register of Auditors, the auditor shall submit to the Council the following documents:

- a) application for registration, indicating the phone number and the email;
- b) identification document or residence permit, as appropriate, issued by competent bodies of the Republic of Moldova;
- c) as appropriate, confirmation issued by the entity where the auditor is employed.

(2) The document mentioned in para. (1) letter b) is submitted by the auditor in original and in copy. The original document is returned after being compared with its copy.

**Article 7. Public Register of Auditors**

(1) The Public Register of Auditors is kept by the Council, in Romanian, electronically and is being updated depending on the occurred modifications.

(2) The Public Register of Auditors includes:

- a) the current number of the entry;
- b) the date of registration;
- c) the individual number of the auditor;
- d) the first and last names of the auditor;

e) the serial number, number and date of issue of the qualification certificate of the auditor;  
f) the data on vocational training of the auditor;  
g) the data on cease of the auditor's activity;  
h) the data on suspension of the auditor qualification certificate;  
i) the data on withdrawal of the auditor qualification certificate;  
j) the data from the identification document or residence permit (serial number, number, date and issuing office) of the auditor;

k) as appropriate, the name, legal address, official website, individual number and phone number of the audit entity where the auditor conducts her/his activity;

l) the data on registration as an auditor in other countries, including the name of the registration authority and the individual number.

(3) The excerpt from the Public Register of Auditors, including the information provided in para. (2) letters c), d), e), g), h), i) and k), are posted monthly on the official website of the Council.

(4) If the data stipulated in para. (2) letters d), j)-l) has changed, the auditor is obliged to submit an affidavit in this regard within 30 days from the date of the change, attaching copies of justifying documents, to update the information in the Public Register of Auditors. The form and contents of the affidavit are set by the Council.

(5) In the event of cease of activity, the auditor is erased from the Public Register of Auditors on the grounds of Art. 14.

#### **Article 8. Audit entity**

(1) The audit entity may be established as a limited liability company or a joint-stock company. Over 50% of the equity of the audit entity belongs to resident or non-resident auditors and/or audit entities.

(2) The administrator of the audit entity is an auditor. Most members of the executive body of the audit entity must be represented by auditors.

#### **Article 9. Registration of audit entities**

To register the audit entity in the Public Register of Audit Entities, the following documents shall be submitted:

a) application for registration, indicating the official website and email, as appropriate;  
b) documents attesting the employment of auditors in the audit entity;  
c) information concerning the members of the executive body;  
d) an affidavit concerning the lack of sanctions applied to the entity because of committing a crime with intent;  
e) a statement concerning the membership in a network of audit entities. The form and contents of the statement are set by the Council.

#### **Article 10. Public Register of Audit Entities**

(1) The Public Register of Audit Entities is kept by the Council, in Romanian, electronically and is being updated depending on occurred changes.

(2) The Public Register of Audit Entities includes:

a) the current number of entry;  
b) the date of registration;  
c) the individual number of the audit entity;  
d) the name of the audit entity;  
e) the legal address, phone number, official website of the audit entity and legal addresses of branches, as appropriate;

- f) the first and last names of shareholders, the name and legal address of the resident/non-resident audit entity, as well as the share held by them in the equity;
- g) the data on registration of the audit entity, according to the excerpt from the State Register of Legal Persons;
- h) the data on the cease of activity of the audit entity;
- i) the data on suspension and resumption of the audit activity;
- j) the first and last names and individual number of auditors employed in the audit entity;
- k) the first and last names of the members of the executive body;
- l) the information concerning membership of the audit entity in a network and mentioning of its official website, as appropriate.

(3) An excerpt from the Public Register of Audit Entities, including the information provided in para. (2) letters c)-f), h)-j), is posted regularly on the official website of the Council.

(4) If the data stipulated in para. (2) letters e), f) and j)-l) has changed, the audit entity is obliged to submit an affidavit in this regard within 30 days from the date of the change, attaching copies of justifying documents, to update the information in the Public Register of Audit Entities. The form and contents of the affidavit are set by the Council.

(5) In the event of cease of activity, the audit entity is erased from the Public Register of Audit Entities on the grounds of Art. 17.

## Section 2

### **General requirements for the issue and withdrawal of the auditor qualification certificate**

#### **Suspension, cease and resumption of the activity of the auditor and of the audit entity**

#### **Redrawing up and issue of the duplicate of the auditor qualification certificate**

#### **Article 11.** Issue of the qualification certificate

(1) The person who passed the examination for obtaining the professional auditor qualification receives the auditor qualification certificate. The validity period of the certificate is unlimited.

(2) The auditor qualification certificate is issued by the Council within 15 working days from the date of adopting the decision by the Auditor Certification Commission, which must be adopted within 15 working days from the date of passing the examination and will include:

- a) state emblem;
- b) serial number and number;
- c) first and last names of the holder;
- d) name of the issuing body;
- e) number and date of the decision taken by the Auditor Certification Commission;
- f) signature of the chairperson and secretary of the Auditor Certification Commission;
- g) individual number of the auditor;
- h) registration date of the certificate;
- i) photo of the holder;
- j) stamp of the Council.

#### **Article 12.** Withdrawal of the auditor qualification certificate

(1) The auditor qualification certificate is withdrawn by the Council if:

- a) the certificate was obtained based on false documents or unauthentic data was detected in the submitted documents – from the date of adopting the decision on withdrawal;
- b) the holder of the certificate was accounted guilty for committing a crime with intent – from the date when the judgement became irrevocable;

c) disciplinary actions were applied to the holder of the certificate on the grounds of Art. 42 para. (2) letter e) – from the date of adopting the decision on application of disciplinary actions.

(2) The decision to withdraw the auditor qualification certificate is communicated by the Council to the holder within 5 working days from its adoption date.

(3) The person whose auditor qualification certificate has been withdrawn on the grounds of para. (1) letter a) is entitled to take the examination for obtaining the professional auditor qualification 5 years after the date of adopting the decision to withdraw the certificate.

**Article 13.** Suspension of the activity of the auditor

(1) The activity of the auditor is suspended by the Council if the former:

a) holds a public position that is incompatible with the conduct of the audit, according to the legislation;

b) files a request to suspend her/his activity – from the date of submitting it or a later date indicated in the request;

c) has a disciplinary action provided in Art. 42 para. (2) letter d) applied to her/him – from the date of adopting the decision.

(2) In the case provided in para. (1) letter a), the auditor files a request to suspend the activity within 30 days from the date when the incompatibility situation occurred.

**Article 14.** Cease of activity of the auditor

The activity of the auditor ceases:

a) from the date of filing by her/him of the request to cease the activity or a later date indicated in the request;

b) from the date of withdrawing the auditor qualification certificate, on the grounds of the provisions of Art. 12 para. (1);

c) following the decease of the auditor.

**Article 15.** Resumption of the activity of the auditor

(1) Where the conditions that led to the suspension of the auditor's activity according to Art. 13 have disappeared, the auditor may resume her/his activity.

(2) In the event that the incompatibility situation provided in Art. 13 para. (1) letter a) disappeared or the activity suspended according to Art. 13 para. (1) letter b) resumed, the auditor informs the Council within 30 days about the resumption of the activity.

**Article 16.** Suspension of audit activity carried out by the audit entity

The Council suspends the audit activity carried out by the audit entity if:

a) the executive body of the entity files a request to suspend the activity – from the date of filing the request or a later date indicated in the request;

b) a disciplinary action provided in Art. 42 para. (2) letter d) was applied to the entity – from the date of adopting the decision;

c) the activity of all auditors of the entity is suspended on the grounds of Art. 13 para. (1).

**Article 17.** Cease of the audit activity carried out by the audit entity

The audit activity carried out by the audit entity ceases if:

a) its executive body files a request to cease the activity as an audit entity – from the date of filing the request or the date indicated therein;

b) it is erased from the State Register of Legal Persons;

c) a disciplinary action provided in Art. 42 para. (2) letter f) was applied to it – from the date of adopting the decision.

**Article 18.** Resumption of the activity of the audit entity

The activity of the audit entity is resumed upon expiration of the suspension period of its activity according to Art. 16.

**Article 19.** Redrawing up and issue of the duplicate of the auditor qualification certificate

The redrawing up and issue of the duplicate of the auditor qualification certificate is carried out according to Law No. 160/2011 on Regulation by Authorization of Entrepreneurial Activity.

**Chapter IV**  
**PROFESSIONAL REQUIREMENTS**

**Article 20.** Professional ethics

(1) The principles of professional ethics are the following:

- a) integrity;
- b) objectivity;
- c) professional competence and due care;
- d) confidentiality;
- e) professional conduct.

(2) The principles of professional ethics are applied according to the Code of Ethics.

(3) The auditor makes use of professional skepticism in the process of conducting the audit, including at the evaluation of the fair value estimation, the verification of depreciation of assets, provisions and future cash flows relevant for the going concern of the audited entity.

**Article 21.** Independence and independence safeguards

(1) To meet the independence requirement in exercising her/his profession, the auditor is guided by this law, the auditing standards and the Code of Ethics.

(2) The members of the executive body and the founders/shareholders of the audit entity or of the affiliated entity do not interfere with the conduct of the audit in any way that would limit the independence and objectivity of the auditor.

(3) The independence requirement of the auditor is infringed upon in the following cases:

- a) her/his direct or indirect involvement in the activity of the audited entity as a founder, person with a responsible position and/or in case of her/his participation in the economic-financial affairs of the audited entity;
- b) exercising by her/him of managerial functions or other functions in the audited entity during the audited period or in the recent 3 years prior to the conduct of the audit;
- c) accepting by her/him of goods or services as gifts, as well as an exaggerated cordiality and hospitality from the audited entity;
- d) the conduct of the audit by the same auditor for more than 7 consecutive years at the same auditor entity. The auditor who conducted the audit at an entity during 7 consecutive years may conduct the audit at the same entity only upon expiration of 2 year from the last audit;
- e) presence of kinship up to the 3<sup>rd</sup> degree, including an relationship of affinity between the auditor and the founders/shareholders and the members of the management body of the audited entity;
- f) other situations provided by the Code of Ethics.



(4) The interference in the exercise of the auditor profession, the influencing of the audit, report and working documents of the auditor are prohibited.

(5) The auditor may be heard with regards to the essence of her/his relationships with the audited entity in the framework of criminal, civil and administrative proceedings.

(6) The audit fees shall be independent of conditioning-based events or unforeseen eventualities or based on the fact that the audit entity provides also other services to the audited entity.

(7) The audit entity that conducts the audit at the audited entity is not entitled to provide simultaneously in the same management period the following services:

a) tax services, including:

- drawing up of tax statements;

- calculation of taxes and fees;

- tax consultancy;

- assistance in the framework of verifications conducted by tax authorities;

b) consultancy services that envisage participation in the management of the audited entity or in its decision-making process, including:

- assistance in the area of management;

- assistance in administration, reorganization and liquidation;

c) services related to organization, recovery, keeping of accounting and drawing up of financial statements;

d) services related to development and implementation of internal control and risk management procedures concerning drawing up and/or verification of financial information and related information systems;

e) services of performing the internal audit function or the function of the censors/committee of censors.

#### **Article 22.** Confidentiality and professional secrecy

(1) The auditor and the audit entity complies with the confidentiality and professional secrecy concerning information related to the activity of the audited entity obtained during the conduct of the audit. The duty to comply with confidentiality and professional secrecy remains in force even after the termination of the audit contract.

(2) The auditor and the audit entity ensures the compliance with confidentiality and professional secrecy also on the part of the staff that conducts the activity under their control, as well as on the part of the staff that provides consultancy and assistance.

(3) It is not considered violation of the confidentiality and professional secrecy principles the presentation of information:

a) upon request of the court of justice or of the criminal prosecution body;

b) in case of performance of an external quality control by the Council;

c) if the presentation of information is authorized by the audited entity;

d) in other cases provided by legislation.

#### **Article 23.** Organization of activity of the audit entity

(1) The audit entity develops policies and procedures that provide that the shareholders, as well as the members of the board, the executive body or the supervisory body of the audit entity do not influence the conduct of the audit and do not threaten the independence and objectivity of the auditor that conducts the audit on behalf of the audit entity.

(2) The audit entity is obliged to conduct the audit according to auditing standards and the provisions of this law.

(3) The audit entity applies:

- a) reliable administrative and accounting procedures;
- b) internal quality management procedures;
- c) efficient risk assessment procedures;
- d) measures to protect and control the information processing systems;
- e) policies concerning the remuneration and incentivizing of auditors;
- f) other procedures concerning the organization of the activity, as provided in auditing standards and quality management standards.

(4) The audit entity appoints an auditor/partner in charge of the auditing engagement, the issue of the auditor report, the drawing up of the audit file and provides her/him with the required resources and competent staff to fulfil the obligation. The auditor/partner in charge of the engagement is obliged to take part in the conduct of the audit.

(5) The audit entity organizes the recordkeeping of audited entities, including information concerning:

- a) name and address of the entity;
- b) name of the auditor in charge of the auditing engagement;
- c) fees charged for the audit and fees charged for other services, as appropriate, for each management period.

#### **Article 24.** Quality management

(1) To ensure the quality of the audit, the audit entity develops, approves and complies with audit quality management policies and procedures in accordance with this law, the auditing standards, the quality control standards and the Code of Ethics.

(2) The audit quality management policies and procedures are approved by an act (order, resolution) issued by the executive body of the audit entity and are communicated to the staff of the entity.

(3) The audit entity appoints an auditor in charge of quality management.

(4) The audit entity draws up and submit to the Council within 4 months from the end of each management period a report on compliance with audit quality management procedures. The form and contents of the report are set by the Council.

(5) The quality control of the auditing engagement is performed at the audit entities that conduct the audit at public interest and large entities, established according to the Law on Accounting and Financial Reporting No. 287/2017, before the issue of the auditor report or of the additional report addressed to the auditing committee, as appropriate.

(6) The quality management of the auditing engagement is performed by an auditor/partner who did not take part in the conduct of the concerned audit or another audit entity on contractual basis, maintaining confidentiality and professional secrecy.

(7) The audit entity evaluates yearly the efficiency of audit quality management policies and procedures, keeps records of evaluations and measures proposed to streamline the internal audit quality control.

#### **Article 25.** Audit file

(1) The audit entity draws up an audit file for each auditing engagement, which includes:

- a) documents and information that underlie the auditor report;
- b) documents mentioned in Art. 27 para. (4);
- c) other documents deemed relevant by the audit entity.

(2) The audit file is drawn up within 60 days from the date of signing the auditor report and is kept at the audit entity for at least 5 years.

**Article 26. Insurance of the audit risk**

(1) The audit entity is obliged to insure the audit risk for the damage caused to the audited entity/the requester of the audit in the result of expressing an inadequate audit opinion, in the event that the financial statements contain significant distortions.

(2) To insure the audit risk, the audit entity takes the following measures, as appropriate:

a) concludes with the insurer a civil liability insurance contract for potential professional activity risks, the subject of the insurance being the audit contract or the audit;

b) sets up provisions in amount of at least 15% of the sales revenues in the management period related to the entity.

(3) Where the audit is conducted at public interest entities, the audit entity insures the audit risk according to the provision of para. (2) letter a).

(4) Where the audit is conducted at entities other than public interest entities, the audit entity insures the audit risk according to para. (2) letter a) and/or b).

(5) The manner of insuring the audit risk is set by the Ministry of Finance.

**Chapter V**  
**AUDIT AND REPORTING**

**Article 27. Conduct of the audit**

(1) The general assembly of shareholders and the founder of the audited entity have the task to confirm the audit entity that will conduct the audit and to set the fees for these services. Any interference in the selection and confirmation process of the audit entity is prohibited.

(2) The relations between the audit entity and the audited entity or the requester of the audit are governed by the audit contract, concluded according to civil legislation.

(3) The audit contract is concluded in writing and, besides the requirements provided in the civil legislation, will include the objective and scope of the audit.

(4) To accept or continue the audit, the audit entity verifies and documents whether:

a) it has sufficient competent staff, time and resources to conduct the audit;

b) it complies with the independence and objectivity principles;

c) there are threats to the independence or the protection measures applied to exclude or diminish such threats are endangered.

(5) To conduct the audit at public interest and large entities, established according to the Law on Accounting and Financial Reporting No. 287/2017 or other state enterprises and joint stock companies where the share of the state is larger than 50% of equity, the audit entity must employ at least two auditors.

(6) In case of auditing of consolidated financial statements of a group of entities, the auditor of the group is in charge of:

a) drawing up the auditor report or the additional report addressed to the audit committee, as appropriate;

b) the working documents of the group of entities.

(7) The audit contract may be terminated if the obligations provided in the legislation and the audit contract are violated. The divergence of opinion concerning accounting regulations or audit procedures is not grounds to terminate the contract.

**Article 28. Auditor report**

(1) The auditor report contains her/his opinion concerning the extent to which the audited financial statements are drawn up from all significant points of view according to the general financial

reporting framework. The auditor's opinion may be unchanged or changed, respectively, may be an opinion with reservations, a contrary opinion or he may be unable to express an opinion.

(2) The auditor report is drawn up according to auditing standards.

(3) In case of audits at public interest, large and medium-sized entities, established according to the Law on Accounting and Financial Reporting No. 287/2017, the auditor report includes additionally:

a) the auditor's notice on coherence between the management report and the financial statements for the same management period and its compliance with legislative provisions;

b) a statement concerning the fact that during the auditing significant wrongful information presented in the management report were identified, indicating their nature.

c) the auditor's conclusion regarding the entity's obligation to include in the management report, to present and publish income tax information for the management period prior to the period for which the financial statements are audited."

**Article 29.** Transparency report

(1) The audit entities that conduct audits at public interest entities submit to the Council and publish on their own official websites, within 4 months from the end of each management period, a transparency report, which remains available for at least 5 years from the publication date.

(2) The contents of the transparency report are set by the Council.

## Chapter VI

### RIGHTS AND DUTIES OF THE AUDITOR, THE AUDIT ENTITY AND THE AUDITED ENTITY

**Article 30.** Rights of the auditor and of the audit entity

(1) The auditor has the right:

a) to choose the method of conducting the audit according to auditing standards;

b) to plan independently the conduct of the audit;

c) to request from the management of the audited entity oral and written information and explanations;

d) to benefit of services provided by experts, specialists and other persons whose knowledge is required to conduct the audit.

(2) The audit entity has the right:

a) to reject the conduct of the audit by terminating the audit contract if the audited entity:

- did not submit the necessary documents in due time or submitted documents that contain incomplete or wrongful data;

- did not remove the impediments occurred in the process of the audit;

- interferes with the actions of auditors;

b) to apply the updates of the Ethics Code, auditing standards, quality management standards and related standards before these are accepted in the way established in Art. 35 para.

(1), subsequently informing the Council about the date of application.

**Article 31.** Duties of the auditor and of the audit entity

(1) The auditor has the duty:

a) to conduct the audit according to the provisions of auditing standards and legislation;

b) to comply with the terms of the audit contract;

c) to notify the owner of the audited entity, the requester of the audit and/or the head of the audited entity about detected significant distortions and recommended actions following the conduct of the audit;

d) to resign from conducting the audit, if the principle of auditor's independence is violated;

e) to improve her/his level of qualification, starting with the year following the year of

registration in the Public Register of Auditors, following a training course with a duration of 40 academic hours during a period of 12 consecutive months, except the period of suspension of activity on the grounds of Art. 13 para. (1) letter a) and b), in the manner set by the Council;

f) not to be a member of the board, the executive body, the supervisory body or the audit committee of the audited entity before the expiration of a 2 year period after the conduct of the audit;

g) to pay:

- the single fee for registration in the Public Register of Auditors;

- the annual membership fee, except the period of suspended activity according to Art. 13 para. (1) letter a) and b).

(2) The audit entity has the duty:

a) to conduct the audit according to the provisions of auditing standards and legislation;

b) to comply with the terms of the audit contract;

c) to comply with the audit quality management requirements;

d) to present to the general assembly of shareholders and the founder of the entity the auditor report, as well as the information on detected distortions, disclosed in a letter addressed to the management, according to the auditing standards;

e) to present yearly to the audited entity or the audit committee the statement on compliance with the independence requirement;

f) to discuss with the audited entity and, as appropriate, the audit committee the threats concerning the non-compliance with the independence requirement and measures taken to reduce them, as documented according to Art. 25 para. (1);

g) to inform the audited entity about irregularities, including frauds that occurred or may occur, so that the audited entity takes the measures required to address and prevent them;

h) to inform the competent bodies, according to legislative provisions, about suspect activities or transactions, including frauds and violations detected at the audited entity;

i) to pay:

- the single fee for registration in the Public Register of Audit Entities;

- the annual fee for the issue of the auditor report;

j) if it is replaced by another audit entity, to submit at the request of the new audit entity the relevant documents for the conduct of the audit;

k) to inform the Council about the termination of the audit contract according to Art. 27 para. (7).

### **Article 32. Rights of the audited entity**

The audited entity has the right:

a) to receive from the audit entity/auditor full information about the requirements of the auditing standards, the legislation concerning the conduct of the audit and other acts on which the auditor relies to express her/his opinion on financial statements;

b) to receive from the audit entity/auditor recommendations on removing the cases of violation of requirements set in normative acts;

c) to notify the Council and other competent bodies if it detects violations of audit legislation committed by the auditors.

### **Article 33. Duties of the audited entity**

The audited entity has the duty:

a) to create conditions for the conduct of the audit, to present the requested information and the required oral and written explanations;

b) not to interfere in the actions of the audit entity/auditor to limit the information required to conduct the audit;

- c) to request in writing from third parties, on its behalf, upon request of the audit entity/auditor, the required information.
- d) to comply with the terms of the audit contract.

## **Chapter VII REGULATION OF AUDIT**

### **Article 34. Regulatory body**

The regulatory body in the area of audit in the corporate sector is the Ministry of Finance.

### **Article 35. Functions and tasks of the regulatory body**

(1) The Ministry of Finance is in charge of accepting and publishing the auditing standards, the quality management standards, the related standards and the Code of Ethics in the Official Gazette of the Republic of Moldova, as well as of posting them on the official website of the Ministry of Finance. The auditing standards, the quality control standards, the related standards and the Code of Ethics are published periodically in the Official Gazette of the Republic of Moldova depending on the amount of carried out updates. The auditing standards, the quality control standards, the related standards, the Code of Ethics and the related updates are posted on the official webpage of the Ministry of Finance within one month from the date of receiving them.

(2) The Ministry of Finance has the following tasks:

- a) it develops, approves and publishes normative acts regulating the audit in the corporate sector;
- b) it represents the interests of the Republic of Moldova in international organizations in the area of audit;
- c) provides methodological assistance in the area of audit in the corporate sector;
- d) it collaborates with the Council in the audit regulatory activity, including through mutual information exchange;
- e) it clears draft normative acts developed by the Council.

## **Chapter VIII AUDIT OVERSIGHT**

### **Section 1**

#### **Council for Public Oversight of Audits**

### **Article 36. Oversight body**

(1) The public audit oversight body is the Council, which performs its activity according to the provisions of this law and the Regulation on Activity of the Council, approved by the Government.

(2) All auditors and audit entities are subject to public oversight.

### **Article 37. Legal status, functions and tasks**

(1) The Council is an autonomous public institution, with legal person status, in charge of public oversight of audits.

(2) The Council has an autonomous budget and bank accounts in the single treasury account of the Ministry of Finance and performs its activity based on the self-management principle.

(3) The Council exercises the following functions:

- a) registration of trainees and monitoring of the traineeship;
- b) certification and registration of auditors;
- c) registration of audit entities;

- d) monitoring of life-long vocational training;
- e) assurance of audit quality;
- f) investigation and application of disciplinary actions to auditors and audit entities according to Art. 42 para. (2) and (3);
- g) development and approval of normative acts in view of exercising the public oversight function.

(4) The Council has the following tasks:

- a) it develops recommendations to improve the system of life-long vocational training of auditors;
- b) it organizes the auditor certification process;
- c) it sets minimum requirements for the execution of the training program for audit trainees;
- d) it examines the request related to public audit oversight, including concerning the quality of the conduct of audit;
- e) it adopts decisions concerning the application of disciplinary actions to auditors and audit entities;
- f) it supervises and controls the activity of audit trainees, auditors and audit entities;
- g) it develops normative acts in view of exercising the public oversight function;
- h) it employs specialists in the composition of the Council;
- i) it keeps the Public Register of Auditors and the Public Register of Audit Entities;
- j) it keeps in duly manner and posts on the official webpage of the Council the list of organizations and institutions offering life-long vocational training to auditors;
- k) it performs the external audit quality control;
- l) it collaborates with the Ministry of Finance, other public authorities and professional associations;
- m) it collaborates with international authorities for public oversight of audits.

(5) The Council is entitled to delegate to professional organizations in the area of audit the function of external audit quality control of its members, i.e. audit entities, which conduct the audit at entities other than public interest entities, in the manner set in the Regulation on the Activity of the Council.

### **Article 38. Organizational structure**

(1) The management bodies of the Council are the audit oversight committee (hereinafter – *the Committee*) and the executive director (hereinafter – *the Director*).

(2) The nominal composition of the Committee is approved for a 3 year period according to the procedures set in the Regulation on the Activity of the Council. It is formed of 7 non-practitioner members that have knowledge in the economic or legal area and has the following composition: 2 representatives of the Ministry of Finance, one representative of the National Bank of Moldova, one representative of the Court of Accounts, one representative of the National Commission for Financial Markets, one representative of the business community and one representative of the academia specialized in audit. The manner of appointing the Committee members and their activity is set in the Regulation on the Activity of the Council, approved by the Government.

(3) The Committee members are entitled to a remuneration in amount of 10% of the average monthly salary in the economy forecasted and approved yearly by the Government, for taking part in the meeting of the Committee.

(4) The Committee is led by a chairperson elected by the Committee members by secret voting, from among committee members.

(5) The Committee has the following tasks:

- a) it adopts decisions in view of exercising the functions of the Council;

b) it examines and approves the draft budget, the budget execution, the annual activity plan, the quarterly external quality control plan and the annual activity report of the Council;

c) it organizes the competition to fill in the Director post;

d) it appoints and dismisses the Director;

e) it appoints on competitive basis and dismisses the staff of the Council;

f) it approves the organization chart of the Council;

g) it examines the experience gained by the persons provided in Art. 4 para. (2) in order to be exempted from the audit traineeship;

h) it sets the amount of fees provided in Art. 39 para. (3) letter k);

i) has other tasks provided by the Regulation on the Activity of the Council.

(6) The Director is appointed on competitive basis, is a non-practitioner and has a working experience of at least 10 years in the economic or legal area.

(7) The Director is appointed to her/his post for a period of 4 years, having the possibility to exercise two consecutive mandates.

(8) The Director ceases her/his activity upon expiration of the mandate, upon request, in case of decease or in other cases provided by the legislation.

(9) The Director has the following tasks:

a) she/he represents the Council in relations with public authorities and natural and legal persons, both domestic and foreign;

b) she/he organizes the activity of the Council;

c) she/he ensures the execution of the Committee decisions;

d) she/he manages the assets of the Council;

e) she/he has other tasks as provided in the Regulation on the Activity of the Council.

#### **Article 39. Funding of the Council**

(1) The Council is funded from the payments and membership fees made by auditors and audit entities, the state budget subsidies received through the Ministry of Finance and other sources provided in para. (3).

(2) The funding sources and the manner of using them are set in the revenue and expenditure budget, approved for the following year by the Government until the date of November 1.

(3) The funding of the Council is provided from:

a) annual payment in the amount of one average monthly salary in the economy forecasted and approved yearly by the Government, for each auditor report issued for the auditing of individual financial statements at public interest and large entities;

b) annual payment in the amount of 0.2 average monthly salary in the economy forecasted and approved yearly by the Government, for each auditor report issued for the auditing of individual financial statements at entities other than public interest and large entities subject to mandatory and requested auditing;

c) annual payment in the amount of 0.5 average monthly salary in the economy forecasted and approved yearly by the Government, for each auditor report issued for the auditing of consolidated financial statements;

d) payment in the amount of 0.2 average monthly salary in the economy forecasted and approved yearly by the Government, for admission to written tests of the examination for obtaining the professional auditor qualification;

e) annual membership fees of auditors in amount of 0.1 average monthly salary in the economy forecasted and approved yearly by the Government;

f) annual membership fees of trainees in amount of 0.05 average monthly salary in the economy forecasted and approved yearly by the Government;



g) payment for recognition of the international certificate in the area of accounting and auditing in amount of 0.1 average monthly salary in the economy forecasted and approved yearly by the Government;

h) single payment in amount of 0.1 average monthly salary in the economy forecasted and approved yearly by the Government, for registration of auditors in the Public Register of Auditors;

i) single payment in amount of 0.2 average monthly salary in the economy forecasted and approved yearly by the Government, for registration of audit entities in the Public Register of Audit Entities;

j) state budget subsidies;

k) fees set for provided services in accordance with the legislation;

l) collections made from the sale of own publications;

m) other sources not prohibited by the legislation.

(4) The payments and membership fees provided in para. (3) are transferred in the terms provided in the normative acts of the Council to the current account of the Council. The Council has the unique right to use the proceeds on its account. The balance of accumulated and unused proceeds during the management period remains available on the account of the Council for the following management periods.

(5) The control of the economic-financial activity of the Council is performed by competent bodies, according to the legislation.

**Article 40.** Transparency of activity

(1) The Council develops the annual activity report, which is approved by the Committee.

(2) The Council assures the transparency of activity and posts on the official webpage:

a) the annual activity plan;

b) the quarterly external quality control plan;

c) the Committee decisions;

d) the annual activity report and other information reflecting the activity performed by the Council;

e) the annual budget and its execution;

f) the normative acts in view of exercising the public oversight function.

**Section 2**

**Quality assurance. Investigation and disciplinary actions**

**Article 41.** External quality control

(1) The external quality control is performed by the Council in order to manage the audit quality assurance systems, as well as to establish the existence and the manner of application of:

a) audit quality management policies and procedures on the level of the audit entity;

b) audit quality management policies and procedures on the level of the auditing engagement.

(2) The annual activity report of the Council includes general information on the findings and disciplinary actions applied to auditors and audit entities.

(3) Each audit entity is subject to external quality control at least once in 6 years, while the entities that conduct audits at public interest entities at least once in 3 years.

(4) The manner of performing the external quality control and of applying disciplinary actions is set in the Regulation on External Audit Quality Control, approved by the Council.

**Article 42.** Types of disciplinary actions and manner of application

(1) The Council makes use of efficient investigation and disciplinary actions systems to detect, correct and prevent the inadequate conduct of the audit and, according to para. (2) and (3), applies disciplinary actions to auditors and audit entities.

(2) The following disciplinary actions are applied to auditors and audit entities:

- a) written warning;
- b) written reprimand;
- c) declaring the auditor report as not corresponding to the requirements of this law and auditing standards;
- d) suspension of activity of the audit entity or the auditor to conduct audit for a period ranging from 1 to 3 years;
- e) withdrawal of the auditor qualification certificate;
- f) erasure of the audit entity from the Public Register of the Audit Entity.

(3) Disciplinary actions are applied to audit entities and auditors following:

- a) the conduct of the audit simultaneously with the services mentioned in Art. 21 para. (7);
- b) the committing of violations in the process of conducting the audit, including the lack of audit evidence for the conclusions underlying the auditor's opinion;
- c) the non-compliance with the provisions of Art. 8;
- d) the failure to pay the payments and membership fees stipulated in Art. 39;
- e) the finding of unconformities following the performance of the external quality control;
- f) the violation of requirements related to life-long vocational training stipulated in Art. 31 para. (1) letter e);
- g) the failure to submit the transparency report and the report on compliance with audit quality control procedures;
- h) the failure to post on its official webpage the transparency report;
- i) the failure to submit the information provided in Art. 7 para. (4) and Art. 10 para. (4).

(4) When applying disciplinary actions, it should be taken into account the severity and the duration of the violation, the circumstances in which it was committed, the degree of responsibility of the person, the activity and the previous behavior of the auditor or of the audit entity, including the existence of previous violations. The auditor and the audit entity are entitled to submit explanations, documents or evidence concerning the violations detected during the examination.

**Article 43.** Challenging and publication of the Council decision on application of disciplinary actions

(1) The Council decision on application of disciplinary actions to the auditor or the audit entity may be challenged, in accordance with the provisions of the Administrative Code, without respecting the prior procedure.

(2) The Council decisions on the application of disciplinary actions are communicated to the concerned auditors/audit entities and are enforceable on the date of issue; however, they will be posted on the official webpage of the Council only upon expiration of the challenge period.

**Chapter IX**  
**AUDIT COMMITTEE**

**Article 44.** Set up of the audit committee

(1) The public interest entity is obliged to set up an audit committee.

(2) The audit committee is set up of at least 3 members appointed by the general assembly of shareholders or by the founder for a period of 3 years. The same person may be elected as an audit committee member for 2 consecutive periods at most.

(3) The audit committee is subordinated to the general assembly of shareholders or to the founder.

(4) The audit committee members have competences in the areas where the public interest entity performs its activity, and at least one member has competences in the area of accounting and/or audit.

(5) The audit committee members are not members of the executive or supervisory body of the public interest entity have not conducted audits at the public interest entity at least 3 years prior to being appointed as audit committee member and do not conduct audits during the period of exercising the function of the audit committee member.

(5') The amount of remuneration for the work of the members of the audit committee is established by the founder/general assembly of the public interest entity.

(6) The chairperson of the audit committee is elected by the general assembly of shareholders or by the founder from among its members.

(7) The audit committee performs its activity on the grounds of the provisions of this law and of the regulation approved by the general assembly of shareholders or by the founder.

**Article 45. Tasks of the audit committee**

The audit committee has the following tasks:

a) it informs the board of the audited public interest entity about the audit results and about its contributions to the integrity of financial reporting;

b) it monitors the financial reporting process;

c) it monitors the efficiency of the internal control, internal audit, as appropriate, and the risk management systems of the audited public interest entity;

d) it monitors the auditing of individual financial statements and consolidated financial statements;

e) it verifies and monitors the independence of auditors/audit entities that conduct the auditing of financial statements and/or provide services other than audit to the public interest entity;

f) it recommends the audit entity to be confirmed for the conduct of the audit according to Art. 27 and monitors the process of its selection;

g) it submits to the general assembly of shareholders/founder the annual activity report, which includes the statement on compliance with the independence requirement, as well as the fulfilment of tasks provided in letters a)-f).

(2) The provisions of Art. 44 and 45 do not apply to banks. The particularities of establishment, tasks, functions and responsibilities of the audit committee in banks and the requirements for its members are set in the Law No. 202/2017 on the Activity of Banks and other normative acts of the National Bank of Moldova issued for its enforcement.

**Article 46. Additional report addressed to the audit committee**

(1) The audit entity submits the additional report to the audit committee and the board of the audited public interest entity together with the auditor report.

(2) The additional report includes:

a) the statement concerning the compliance with the independence requirement;

b) information about the auditors who took part in the auditing engagement;

c) description of applied substantive procedures;

d) level of the significance threshold established for the audited financial statements and, as appropriate, for certain categories of transactions, account balances or submissions of information, as well as qualitative factors used to establish the significance threshold;

e) description and explanation of reasoning with regards to events or conditions identified during the audit which may raise serious doubts concerning the capacity of the entity to continue its

activity;

- f) information about:
- significant errors detected in the financial statements of the audited public interest entity, indicating whether each error has been or not addressed by the management;
  - non-compliance by the audited public interest entity with the legislative provisions;
  - impediments occurred during the audit;
  - aspects related to the audit, which were discussed or were the subject of correspondence with the management;
  - other aspects related to the audit, which, in the auditor's professional opinion, are significant for the supervision of the financial reporting process;
- g) analysis of evaluation methods applied to items in the financial statements and to any impact of method change;
- h) finding that the audited public interest entity submitted all requested documents and explanations.

### **Chapter IX**

#### **LIABILITY OF THE AUDITOR, THE AUDIT ENTITY AND THE AUDITED ENTITY**

**Article 47.** Liability of the auditor and of the audit entity

- (1) The auditor is liable for the building and expressing the opinion in her/his report.
- (2) The audit entity and the auditor are liable to the audited entity and to the requester of the audit according to civil, administrative and criminal legislation.
- (3) The repair of material damage caused to the audited entity and the requester of the audit is carried out by the insurer and/or the audit entity.

**Article 48.** Liability of the audited entity

- (1) The management of the audited entity is liable for the preparation and presentation of financial statements.
- (2) The conduct of the audit does not relieve the audited entity of the liability for the authenticity and completeness of financial statements and other information submitted in view of complying with the terms provided in the audit contract.
- (3) The head of the entity that evades the conduct of the mandatory audit is liable according to legal provisions.

### **Chapter XI**

#### **FINAL AND TRANSITORY PROVISIONS**

**Article 49**

- (1) This law enters into force on January 1, 2019.
- (2) The provisions of this law concerning the activity of the Council for Public Oversight of Audits (Art. 36-38) enters into force on September 1, 2018.
- (3) On the date of entry into force of this law, the Law on Auditing Activity No. 61/2017 (republished in the Official Gazette of the Republic of Moldova, 2012, No. 72-75, Art. 230), with subsequent amendments and completions, shall be repealed, except the provisions of Art. 31-34 concerning the activity of the Council for Oversight of Auditing Activity, which is repealed on September 1, 2018.

**Article 50**

- (1) Within 6 months from the date of the entry into force of this law, the Government:

a) shall submit to the Parliament the respective draft laws to align the legislation with this law;  
b) shall align its normative acts with this law;  
c) by derogation from the provisions of Art. 39 para. (2) of this law, shall approve the first budget of the Council.

(2) The Ministry of Finance shall transmit to the Council for Public Oversight of Audits, from the date of entry into force of this law:

a) the State Register of Auditors and the State Register of Audit Societies – Auditors Individual Entrepreneurs;  
b) information about the recordkeeping of audit trainees;  
c) information of recordkeeping of candidates for admission to the qualification examination.

(3) The Council for Oversight of the Auditing Activity shall be reorganized by transformation into the Council for Public Oversight of Audits, which is its successor in rights and duties.

(4) By derogation from the provisions of Art. 38 of this law and to ensure the process of setting up the Council for Public Oversight of Audits, the first director of the Council for Public Oversight of Audits shall be appointed by the Ministry of Finance, on competitive basis, for a period of three years, without the obligation to be a non-practitioner.

(5) Until the Council for Public Oversight of Audits develops normative acts, the normative acts in the area of audit shall apply insofar they do not contravene this law.

(6) To conduct the audit according to this law, the audit entities holding valid licenses to perform auditing activity, issued by the Licensing Chamber, are obliged to register based on Art. 9, without paying the single registration fee, this payment being made upon expiration of the validity period of the license.

(7) During 2 years from the date of entry into force of this law, to obtain the qualification certificate of auditor of financial institutions and of auditor of professional participants on the non-banking financial market, the auditors take examinations and receive the respective qualification certificates from the National Bank of Moldova and the National Commission for Financial Markets.

**SPEAKER OF THE PARLIAMENT**

**Andrian CANDU**

**No. 271. Chisinau, December 15, 2017.**