

# LAW ON AUDITING

## I BASIC PROVISIONS

### Subject matter

#### Article 1

This Law shall regulate the conditions and manner of performing audits of financial statements, mandatory audits, qualifications of persons and licenses to perform audits, the quality control of the work of audit firms, independent auditors and licensed auditors, issuance and revocation of operating permits to audit firms and independent auditors, audit supervision, the Chamber of Authorized Auditors (hereinafter: the Chamber), and its operations supervision, international cooperation with competent authorities in the field of supervision, as well as other matter related to auditing.

### Definitions

#### Article 2

Under this Law, specific terms shall be understood to mean the following:

1) Audit of Financial Statements (hereinafter referred to as Audit) is the process of reviewing and assessing financial statements, as well as data and methods applied in the preparation of financial statements on the basis of which an independent expert opinion is provided on whether the financial statements in all in all material respect give a true and and fair view of the financial position and performance of a legal entity in accordance with the appropriate regulations for the preparation of financial statements;

2) Auditees are legal entities and entrepreneurs, defined in accordance with the law that regulates accounting, and whose financial statements are subject to statutory audit in accordance with this Law;

3) Statutory Audit shall refer to an audit of the regular annual and consolidated financial statements, prepared in accordance with the law governing accounting, as required under this Law, as well as of those auditees for which the audit, in accordance with this Law, is not mandatory but is performed voluntarily;

4) Audit Firm is a company based in the Republic of Serbia that is established in accordance with the law governing companies holding a valid permit to perform audits in accordance with this Law;

5) Member State Audit Firm is a legal entity, irrespective of its legal form, holding a permit issued by competent authority of a Member State of the European Union (hereinafter: Member State) to perform statutory audits;

6) Third Country Audit Firm is a legal entity, irrespective of its legal form, holding a permit issued by competent authority of the third country to perform statutory audits; except for a legal entity registered as an audit firm in any Member State on the basis of a valid statutory audit license issued in a Member State;

7) Certified Auditor is a natural person that passed the examination for acquiring the title of certified auditor in accordance with this Law, but that has not been issued a valid license to perform audits;

8) Licensed Certified Auditor is a natural person that passed the examination for acquiring the title of certified auditor in accordance with this Law that has a valid license to perform audits;

9) Sole practitioner is a licensed certified auditor issued a valid permit to perform audits as a sole proprietor (translator comment: enterprenuer) in accordance with this Law;

10) Auditor of a Member State is a natural person issued with a valid document (translator comment: registration/licence) of the competent authority of a Member State to perform statutory audits;

11) Third Country Auditor is a natural person holding a valid licence issued by competent authority of the third country to perform statutory audits, excluding citizens of the Republic of Serbia who acquired the said document in one of the former members of the SFRY that are not members of the European Union – except for a natural person certified/registered to conduct statutory audit in any member state – on the basis of a valid audit licence;

12) Group Auditor is an audit firm that performs statutory audits of consolidated financial statements;

13) Network refers to an organization that:

(1) aims to facilitate mutual cooperation and incorporates audit firms, i.e. sole practitioners and

(2) aims to distribute profits or costs, or has common ownership, control or management, common policy and and procedures for audit quality control , common business strategy, uses a common name or a significant portion of professional resources;

14) Audit Firm related to a member state audit firm is an audit firm that is related to the a member state audit firm through common ownership, control or management;

15) Audit Report is a report on conducted audit that is issued by an audit firm or an sole practitioner in accordance with this Law and International Standards on Auditing;

16) Competent Authorities are the authorities or bodies of the Member States and third countries that regulate auditing and/or conduct supervision of auditors and audit firms, and cooperate with the competent authorities of other countries in the field of audit;

17) International Standards on Auditing and the International Standard on Quality Control (hereinafter referred to as ISA), are the International Standards on Auditing (ISA) and the International Standard on Quality Control (ISQC) and other related pronouncements and standards published by the International Auditing and Assurance Standards Board – IAASB, the International Federation of Accountants - IFAC) as well as the amendments to these standards, and the standards that will be issued in the future and approved by the mentioned body, whose translation has been established and published by the ministry in charge of finance (hereinafter: the Ministry);

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

19) Code of Professional Ethics of Auditors, issued by the Chamber, on the basis of the Code of Ethics for Professional Accountants of the International Federation of Accountants (IFAC Code of Ethics for Professional Accountants); the Chamber can also make a decision on a direct application of the Code of Ethics for Professional Accountants of the International Federation of Accountants;

20) International Education Standards are the International Education Standards for Professional Accountants (International Education Standards - IES) adopted by the International Federation of Accountants;

21) Professional skepticism is an attitude that includes critical thinking, the ability to identify circumstances that may indicate a possible misrepresentation of facts due to a misstatement or fraud and to critically evaluate audit evidence;

22) Public Interest Entities are:

(1) large legal entities classified in accordance with the law governing accounting;

(2) legal entities that are considered public companies in accordance with the law governing the capital market;

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

23) Non-Practicing Auditor is a natural person that has not performed statutory audits for at least three years prior to and during his/her tenure as member of the public supervision of auditing body, that has not had the right to vote in an audit firm, that has not served as a director or a member of a management or audit firm supervisory body and that has not been employed by an audit firm (or related in any other way);

24) Key Audit Partner is:

(1) a licensed certified auditor appointed by an audit firm or sole practitioner for a particular auditing job as the principal responsible person for performing the statutory audit on behalf of the audit firm or on behalf of the independent auditor;

(2) in the event of group audit - a licensed certified auditor appointed by an audit firm as the principal responsible person for performing the statutory audit at the group level and signatory of the the group audit report;

(3) a licensed certified auditor, signatory of the the audit report;

- 25) Third Country is a country that is not a member state of the European Union;
- 26) Related Parties are parties related in terms of the law governing companies;
- 27) Branch of an Auditing Firm is an organizational unit of an audit firm without the capacity of a legal entity;
- 28) Certified Internal Auditor is a natural person with an appropriate professional title acquired in accordance with this Law;
- 29) The Securities Commission (hereinafter referred to as "the Commission") is a body that conducts public oversight over the performance of audits and quality control of audit firms, independent auditors and licensed certified auditors in accordance with this Law;
- 30) Medium-sized legal entity means a legal entity that is classified as a medium-sized legal entity in accordance with the law governing accounting;
- 31) Small-sized legal entity is a legal entity that is classified as a small-sized legal entity in accordance with the law governing accounting;
- 32) Home Member State means the Member State which has granted a specific audit firm or auditor an audit license;
- 33) Host Member State is the Member State in which the auditor holding a valid document issued by competent authority of their home Member State for performing the statutory audit requests that they be issued a statutory audit document, or the Member State in which the audit firm holding a license to operate a statutory audit of their home Member State seeks registration or is already registered for performing statutory audits.

## Determination and Issuance of Translations of ISA

### Article 3

The translation of ISAs is determined by the Ministry.

The decision referred to in paragraph 1 of this Article, specifying the date of commencement of the application of ISAs, along with the text of the translation of ISAs, shall be published by the Ministry in the Official Gazette of the Republic of Serbia and on the Ministry's website.

## Who can perform audit

### Article 4

Auditing may be performed by the following entities:

- 1) Audit Firm referred to in Article 2 point 4) of this Law which provides full employment for at least one licensed certified auditor and meets other conditions stipulated by this Law;
- 2) A Member State Audit Firm which was issued the license to perform audit in accordance with this Law, that is, which is registered to perform audit in keeping with this Law this Law;
- 3) Third Country Audit Firm which was issued the license to perform audit in accordance with this Law;
- 4) Independent Auditor referred to in Article 2 point 9) of this Law;
- 5) Auditor of a Member State with a valid license and a license to perform audit, issued by the competent authority in the Republic of Serbia, registered as an independent auditor in accordance with this Law;
- 6) Third Country Auditor with a valid license and a license to perform audit, issued by the competent authority in the Republic of Serbia, registered as an independent auditor in accordance with this Law;

Audit Firms referred to in paragraph 1 of this Article shall perform auditing through licensed certified auditors.

## Ineligibility to conduct audits, obtain licenses and perform other audit work

### Article 5

Person who has been finally convicted and sentenced to imprisonment for criminal offenses in the Republic of Serbia, or abroad, is not allowed to perform audit, take certified auditor exams, obtain licenses and titles, and perform other activities in the field of auditing, stipulated by this Law.

## Conditions of issuing licenses to perform audit

### Article 6

A License to perform audit (hereinafter: the License) shall be a public document which shall be issued by the Ministry, in accordance with this Law.

The License shall be issued to a person who meets all of the following conditions:

- 1) the person shall have passed the exam for the title of certified auditor;
- 2) the person shall have obtained level 2 university education in accordance with the law regulating university education (undergraduate studies in the duration of at least four years);
- 3) the person shall have at least three years of practical working experience in statutory audits,

out of which at least two years under supervision of a licensed certified auditor. Practical working experience in statutory audits shall be considered working experience, obtained as part of either permanent or temporary employment with the Audit Firm, obtained during the course of employment in the Audit Firm or with an independent auditor in the statutory audit business;

- 4) in accordance with this Law, there is no ban on the issuance of a new license to such a person, in case the license has been previously revoked - until the expiry of the period in which there is a ban on the issuance of a new license;

5) the person shall not be convicted for criminal offenses in the sense of Article 5 of this Law;

The License referred to in paragraph 1 of this Article may be issued to the certified Auditor of a Member State who has a valid license provided by the competent authority of the Member State for the purpose of performing statutory auditing, which by its content matches the License (license, certificate, etc.) and meets the conditions referred to in paragraph 2 point 2) -5) of this Article.

The License referred to in paragraph 1 of this Article may, under the conditions of reciprocity, be issued to a Third Country certified Auditor with a valid license issued by the competent authority of the third country for performing statutory audit, which by its content matches the License (license, certificate, etc) and meets the conditions referred to in paragraph 2 point 2) -5) of this Article.

For the purpose of obtaining the license, the certified Auditor of a Member State, or the Third Country Auditor shall be obligated to pass the additional exam in the regulations of the Republic of Serbia related to the fields referred to in Article 9 paragraph 4 point 1) of this Law, encompassed by the program of the Chamber referred to in paragraph 5 of the Article in question.

## Issuing, renewing and revoking a license

### Article 7

The license application is submitted to the Ministry.

The license application shall be submitted with:

- 1) certificate of passing the exam for the title of Certified Auditor;
- 2) evidence of obtained education from Article 6, paragraph 2, point 2) of this Law;
- 3) evidence of work experience referred to in Article 6, paragraph 2, point 3) of this Law;
- 4) certificate of the competent authority of non-conviction referred to in Article 6, paragraph 2, point 5) of this Law.

Upon application for a license, the Ministry shall issue a decision granting a license or refusing the license issuance.

The decision referred to in paragraph 3 of this Article is final. An administrative procedure may be instigated against it.

The license shall be issued for a period of three years and shall be renewed at the request of the licensed certified auditor, who shall provide a proof that they have completed continuous professional education in accordance with this Law.

The request for the extension of the license may be submitted no earlier than three months before the license expires.

If the request for the extension of the license is submitted upon expiration of the license, the request for issuing a new license shall be deemed submitted.



If a licensed Certified auditor does not perform continuous professional development in accordance with Article 11 of the the present law, or does not submit a request for the extension of the license, the license shall cease to be valid, upon expiry of three years from the date of issuance.

When submitting the request for the extension of the license, the applicant must meet the requirements of Article 6 Paragraph 2, points 4) and 5) of this law and submit evidence that they have performed continuous professional development in accordance with this law.

Upon the request for the extension of the license, the Ministry makes a decision, by applying Articles 3 and 4.

The license may be revoked or annulled in cases, in a manner and by the procedure established by this Law.

The decision on the revocation of the license shall also determine the period in which a new license cannot be issued, which shall not exceed five years from the day of the issuance of that decision.

The Ministry is obligated ex officio to provide the Chamber with a copy of the decision on issuing or extending the license for registration in the relevant registry, without delay.

The Commission is obligated ex officio to submit, without delay, a copy of the decision on the revocation of the license for conducting the audit for registration in the relevant registry.

The Chamber is obligated ex officio to enter a decision on the revocation of the license in the appropriate registry, without delay.

In case of revoking licenses to Member States' authorised auditors, the Commission is obligated ex officio to submit the information on the conducted procedure of the revocation of the license to the relevant authorities of Member States.

Exceptionally from paragraph 2 of this Article, Certified Auditor who has not made a request for the extension of the license, i.e. to whom the license was revoked or annulled, when submitting the request for issuing a license is obliged to submit and prove that they have performed continuous professional development in accordance with this Law.

In the decision-making procedure, provisions of the Law regulating general administrative procedure shall be applied, unless otherwise regulated by this Law.

The Ministry, ex officio, collects the evidence referred to in the paragraph 2, item 1 and item 4 of this Article, in accordance with the Law, unless the applicant himself states that he shall submit the evidence.

## License Revocation

### Article 8

The Ministry will make a decision on issuing the revocation of a license:

1. at the personal request of a licensed certified auditor;
2. in case of the loss of work and legal capability.

The decision on issuing the license cannot be revoked at the personal request of a licensed certified auditor if the procedure of the control over the licensed authorized auditor has been initiated, until the end of it.

The decision from the paragraph 1 of this Article is final. An administrative procedure can be initiated against it.

When a decision on revoking a license becomes executive, the Ministry delivers a copy of it to the Commission, as well as the Chamber for recording in the Registry of licensed authorized auditors.

In the decision-making procedure, provisions of the Law regulating general administrative procedure shall be applied, unless otherwise regulated by this law.

## Examination for the title of Certified Auditor

### Article 9

The examination for the title of Certified Auditor shall be taken at the Chamber, in accordance with this Law. The Certified Auditor exam covers the required level of theoretical knowledge in subjects relevant to statutory audit and the ability to put such knowledge into practice. The examination referred to in paragraph 2 of this Article covers the following fields entirely:

- 1) general accounting theory and principles;
- 2) legal framework related to preparing annual and consolidated financial statements;

- 3) IFRS;
- 4) financial analysis;
- 5) management accounting;
- 6) risks management and internal control;
- 7) audit and professional skills;
- 8) ISA;
- 9) professional ethics and independence.

The exam for acquiring the title of a certified auditor referred to in paragraph 2 of this Article shall also include the following fields concerning the segments relevant for statutory auditing:

- 1) familiarity with the regulations of the Republic of Serbia, as follows:
  - 1) Corporate Law and Corporate Governance;
  - 2) Law on Contracts and Torts;
  - 3) regulations which govern conducting domestic and foreign payment transfers and capital transfer;
  - 4) regulations which govern the capital and securities market;
  - 5) bankruptcy and liquidation;
  - 6) tax system;
  - 7) Civil and Commercial Law, as well as the regulations governing the business operations of banks, insurance companies and other financial institutions;
  - 8) Labour Law;
- 2) information technologies and computer systems;
- 3) microeconomics, general and financial economics;
- 4) financial mathematics and statistics;
- 5) basic principles of financial management of business companies.

The exam for acquiring the title of a certified auditor shall be taken according to the program passed by the Chamber in accordance with this Law, which covers the areas referred to in paragraphs 3 and 4 of this Article, with the previously obtained opinion of the Commission and the consent of the Ministry.

## Exemption from taking the theoretical part of the exam (exceptions)

### Article 10

The person, with a university degree according to Article 6, paragraph 2, point 2) of this Law, or a certificate issued by a professional body which is a member of the International Federation of Accountants, whereby they shall prove that they have passed one or more subjects defined in the program from Article 9, paragraph 5 of the Law, may be exempt from taking a theoretical part of the exam, or a part thereof.

Further conditions and the procedure for the exemption from taking the exam, or a part of the exam referred to in paragraph 1 of this Article shall be prescribed by the Chamber with the previous consent of the Ministry.

## Continuous professional development

### Article 11

A licensed certified auditor shall be obliged to conduct continuous professional development for the purpose of maintaining and improving theoretical knowledge, professional skills and values in accordance with the requirements of the International Standards of Education.

The program of continuous professional development referred to in paragraph 1 of this Article shall be passed and organized by the Chamber, in accordance with this Law.

In addition to the Chamber, training for the purpose of continuous vocational training, with the prior approval of the Commission, may also be organized by:

- 1) higher education institutions;
- 2) professional bodies, i.e. organizations, as well as other legal entities, possessing the appropriate technical, organizational and administrative capacities, so as to ensure the quality of training that is in accordance with the continuing professional development program referred to in paragraph 2 of this Article;
- 3) audit firms that have the appropriate technical, organizational and administrative capacity to organize the training.

After the completion of each individual training related to continuous professional development, the licensed certified auditor shall be issued a certificate. The certified auditor is obliged to have the license recorded/stored for at least three years.

The certification from paragraph 4 of this Article shall include the name of the fields which were the subject of training, as well as the number of hours of training.

## II AUDIT FIRMS AND INDEPENDENT AUDITORS

Conditions regarding equity participation and the composition of governing bodies

### Article 12

Audit can be performed by audit firms in which:

1) a majority of the voting rights are vested in audit firms, that is, licensed statutory auditors or audit firms of Member States, or auditors of Member States;

2) the majority, that is, up to three quarters of the members of the governing bodies must be licensed certified auditors or audit firms, or auditors or audit firms of Member States.

If the governing body referred to in paragraph 1 point 2) of this Article consists of two members, one of them must be a licensed certified auditor or audit firm, that is, an auditor or audit firm of a Member State.

If the governing body referred to in paragraph 1 point 2) of this Article is made up of one member, it must be a licensed certified auditor or audit firm, that is, an auditor or audit firm of a Member State.

The establishment and governing body of the firm

### Article 13

Audit Firm shall be established in accordance with the law regulating business companies, unless otherwise stipulated by this Law.

The founder or the real owner of the audit firm cannot be a legal entity convicted by a final judgment for criminal offenses in the sense of the law governing the liability of legal entities for criminal offenses, or a natural person who has a final conviction in the context of the Article 5 of this Law.

Audit Firm may be composed of a single or more members of the governing body.

At least one member of the governing body of the audit firm shall actively speak the Serbian language.

A person who has been convicted for criminal offenses shall not be appointed the member of the managing body of the audit firm, according to Article 5 of this Law.

The licensed certified auditors who are the members of the governing bodies of audit firms shall be employed full time in the audit firm and they shall represent the audit firm without any limitations.

Persons who are not members of the governing bodies of the audit firm, but are authorized to represent the audit firm, must be licensed certified auditors.

#### Audit permit

##### Article 14

An audit permit based on which the audit firm, or independent auditor, shall be registered for performing auditing, shall be issued by the Ministry's decision.

The Ministry shall be obliged to deliver ex officio a copy of the decision referred to in paragraph 1 of this Article to the Chamber, without any delay, for the purpose of recording in an appropriate registry.

A legal entity without the audit permit must not use the term 'audit' and its derivations in the procedure of performing their business operations, in accordance with this Law.

Audit permits may be revoked, in accordance with this Law.

By making the decision on the revocation of the license, the period within which the audit firm, whose license has been revoked, may not be issued with a new license, shall be determined, which shall not be longer than five years from this decision enactment date.

In the case of revocation of a license to an audit firm of a Member State, the Commission shall, ex officio and without delay, disclose this fact and the reasons for the revocation of the license to the relevant competent authorities of the home Member State in which the audit firm has been registered.

## Audit permit application

### Article 15

Audit permit application shall be submitted to the Ministry by the audit firm founder, or independent auditor, after establishing and registering in an appropriate registry maintained at the Business Registers Agency.

Along with the application referred to in paragraph 1 of this Article, the following shall also be submitted:

1) the statute or articles of incorporation of the audit firm, or independent auditor in accordance with the law regulating business companies;

2) a proof of meeting the requirements referred to in Articles 6, 12 and 13 of this Law, and paragraph 6 of this Article;

3) a photocopy of identity card, or passport, if the founder is a natural person, or excerpt from a suitable registry, in case the founder is a legal entity;

4) an opinion of the competent body (institute, chamber, association, etc.) for the founders who are the member country audit firms or third country audit firms, which shall include the following:

1) the content of the regulations of the Member State, or the third country, which regulate requirements for performing audit and monitoring the quality of audit performance;

2) the statement of the competent body declaring that the Member State audit firm or third country audit firm is entitled to perform auditing or that there are possible limitations in performing auditing;

3) the statement of the competent body declaring that it shall inform the Ministry on all monitoring measures concerning the quality of work taken in terms of the Member States audit firm or third country audit firm;

- 5) list of persons related to founders with the description of the type of relations enclosed;
- 6) data on the licensed certified auditors who shall perform auditing with the evidence on the work with full-time employment;
- 7) evidence on liability insurance and payment of insurance premiums;
- 8) a bylaw regulating the methodology of performing audit, based on the previously obtained opinion of the Chamber;
- 9) general act on preserving the audit documentation;
- 10) general act on confidentiality;

Audit permit shall not be issued to a business company whose license was unconditionally revoked, in the duration of the prohibition referred to in Article 14 paragraph 5 of this Law.

For the duration of the prohibition referred to in paragraph 3 of this Article, the audit permit shall not be issued to any audit firm whose founder was also the audit firm whose license was revoked in the sense of Article 14 paragraph 5 of this Law.

An audit permit shall not be issued to an audit firm whose founder or person affiliated with the founder is either a founder or a person associated with the founder of the audit firm whose license has been revoked, in the period during which the prohibition referred to in the paragraph 3 of this Article is active/relevant.

The Ministry may refuse the request referred to in paragraph 1 of this Article if it determines that the associates of the applicants referred to in this Article, or the beneficial owner or member of the governing body of the entity referred to in Article 4 of this Law, have been convicted of the criminal offenses in the context of the Article 5 of this Law.

The associate referred to in paragraph 6 of this Article shall be considered:

- 1) any natural person who is in a managerial position with a company in which he / she is a founder, owner or member of the management body of the entity referred to in Article 4 of this Law in a managerial position or is the beneficial owner of that entity;
- 2) any natural person who is the beneficial owner of a company in which the founder, owner or member of the governing body of the entity referred to in Article 4 of this Law is in a managerial position;



3) any natural person who, with the founder, owner and member of the governing body of the entity referred to in Article 4 of this Law, has beneficial ownership of the same legal entity.

A natural person cannot be the founder, i.e. beneficial owner or governing body member of an audit firm, in case he has made a severe violation (or repeated one) of the rules regulating the prevention of money laundering, terrorism financing – in the period during which there is an active prohibition concerning the core operations of the audit firm or the period during which an authorized person is prohibited to perform some of the audit firm core activities.

Governing body member, referred to in the article 13, paragraph 3 of this Law – denotes a director/head, CEO, i.e. managing or supervising board member in terms of the Law regulating companies.

A legal person submitting an application for license issuance – is obliged to prove the identity of its beneficial owner – in terms of the Law regulating central record of beneficial owners.

If, for justified reasons, a certificate of criminal non-conviction, referred to in the paragraph 6 of this Article, cannot be submitted, the persons referred to in the paragraphs 1 and 7 of this Article, can submit a declaration made under penalty of perjury of no conviction.

The Ministry can, at any point, ask the persons referred to in the paragraphs 1 and 7 from this Article – to submit any evidence of no conviction; the evidence can also be requested from the competent authority.

The Ministry, for the purpose of checking the fulfillment of the prescribed conditions for audit license issuance, can, at any point, collect the data concerning the status (conviction) of the persons referred to in the paragraphs 1 and 7 of this Article; the data shall be taken from the records maintained in accordance with the Law.

The Ministry, ex officio, in accordance with the Law, collects the evidence referred to in the paragraph 2 of this Article, items 1-3, in case the founder is a legal person registered in compliance with the Law regulating companies – as well as the item 6 – unless the applicant himself claims that he will submit the evidence.

## Deciding on applications

### Article 16

The Ministry shall pass the decision after receiving the license application referred to in Article 15 of this Law, based on which the license shall be issued or the license application shall be denied.

The decision referred to in paragraph 1 of this Article is final, but an administrative dispute may be initiated against it.

The decision-making procedure shall be governed by the provisions of the law governing the general administrative procedure, unless otherwise regulated by this Law.

## Sole Practitioner

### Article 17

Sole practitioner shall have only a single audit license at the same time.

Sole practitioner referred to in paragraph 1 of this Article shall not perform other business operations other than audit and activities referred to in Article 43 of this Law, nor shall they be the founder of the audit firm or other business company.

Sole practitioner shall not be employed with another employer, nor shall they have other registered sole business operations or a status of a legal representative, director, member or president of the Supervisory Board, Executive Board of a legal entity, of the auditee's related entity, a member or president of the managing or executive board of the bank, representative of the state owned capital, bankruptcy administrator, procurator or the person whose employment contract contains a non-solicitation clause.

Sole practitioner shall not perform statutory auditing of the companies of public interest.

Sole practitioner shall not perform auditing of consolidated financial statements.

## Appropriate implementation of the Law to Sole practitioner

### Article 18

Provisions of this Law which are related to the audit firms shall also apply to the Sole practitioner , unless otherwise stipulated by this Law.

## Permit Revocation

### Article 19

The Ministry will make a decision on cancelling a permit if the founder decides on the termination of the conduct of the audit of financial statements, and in cases of termination of the company, i.e. entrepreneurs in accordance with the law regulating the companies.

The decision on license issuance cannot be revoked in terms of paragraph 1 of this Article, if the procedure of control over this audit firm was initiated, or an sole practitioner, until the end of the procedure.

The decision from the paragraph 1 of this Article is final. An administrative procedure may be initiated against it.

When the decision on revoking the permit becomes enforceable, the Ministry delivers a copy of the decision to the Audit firm, i.e. Sole practitioner, the Commission, the Chamber and the Business Registers Agency.

In the decision-making procedure, provisions of the Law regulating general administrative procedure shall be applied, unless otherwise regulated by this Law.

## Internal organization of audit firms

### Article 20

The audit firm shall meet the following requirements regarding its organization:

1) it shall define appropriate policies and procedures in order to make it possible for the owners or shareholders of the audit firm, as well as Director, i.e. governing and supervisory bodies of the company, not to get involved in performing statutory audits in any way that may compromise independence of the certified auditor performing statutory audits on behalf of the audit firm;

2) it shall have in place reliable administrative and accounting procedures, internal control quality mechanisms, effective risk assessment procedures, and effective control and protective mechanisms for information processing. The internal control quality mechanisms need to be designed in a way so as to provide compliance with decisions and procedures at all levels of the audit firm.

3) it shall establish appropriate policies and procedures to enable the employees and other natural persons who put their services at the disposal or under their control and who are directly involved in statutory audit activities, to acquire adequate knowledge and experience for performing the entrusted duties.

4) it shall establish appropriate policies and procedures to ensure that engagement of competent professionals, in specific areas, as defined in Article 35 of this Law is not performed in a way to harm the internal control quality of the audit firm or supervisory bodies to perform the supervision over the audit firm in respect of the fulfilment of obligations under this Law;

5) it shall establish appropriate and effective organizational and operational procedures so as to prevent, determine, eliminate or manage and disclose potential threats to their independence as is stated in Articles 44 - 48 and 50 - 52 of this Law;

6) it shall establish appropriate policies and procedures so as to perform statutory audits, employee trainings, supervision and control of their activities and structurally organize working documentation as stated in Article 37 of this Law;

7) it shall establish an internal quality control system so as to ensure the quality of the statutory audit. The quality control system shall encompass, as minimum requirements, policies and procedures as specified in the paragraph 6) of this Article. For audit firms, the person in charge of internal quality control system is the one qualified as a licensed certified auditor;

8) it shall set up adequate systems, resources, and procedures to provide continuity and regularity in performing their statutory audit activities;

9) it shall define adequate and effective organizational procedures for resolving and recording incidents that have or may have or may have serious consequences for the integrity of the company in performing statutory audits;

10) it shall enact appropriate policies in the field of workers' compensation, policies for profit division under which sufficient incentives for the workers is determined in order to provide the quality of the audit. In particular, the income amount the audit firm obtains from non-audit services to the auditing entity is not an integral part of the work experience and remuneration for the work of the persons involved or does not influence the audit;

11) it shall control the adequacy and effectiveness of its own internal quality control systems and procedures defined in accordance with this Law and take the appropriate measures so as to eliminate potential deficiencies. Apart from that, it shall perform the annual check of the internal quality control systems as defined in the paragraph 7) of this Article and to record results of the check and proposed measures to be taken for changes in internal quality control system;

12) it shall establish appropriate and effective organizational and business procedures for reporting potential violations of the provisions of this Law and ISAs by employees of the audit firm;

13) it shall establish policies, controls and procedures to prevent money laundering and terrorist financing.

Hiring external associates for an audit as stated in paragraph 1), item 4 of this Article does not affect the audit firm's responsibility towards the auditee .

The audit firm shall consider the scope and complexity of its own activities when fulfilling requirements defined in paragraph 1 of this Article.

The audit firm must be able to prove to a supervisory body that policies and procedures established to meet the requirements are appropriate to the scope and complexity of the company's activities .

Statutory audit work organization

Article 21

A statutory audit is performed by the audit firm.

The audit firm appoints at least one key audit partner.

The audit firm shall provide the key audit partner with sufficient resources and employees with the necessary competences and abilities to perform their duties adequately.

When the audit firm chooses the key audit partner or partners to be appointed, the main criteria for the selection shall be the need to provide quality, independence and competence during the audit.

The key audit partner shall be actively involved in performing a statutory audit.

When performing a statutory audit, the key audit partner is required to devote sufficient time to the statutory audit and is required to devote sufficient resources to carry out their work in accordance with this law.

The audit firm is obliged to maintain records on any violation of the provisions of this Law, on the possible consequences of such behavior and the measures taken to eliminate those consequences and remedy the internal quality control system.

The audit firm is obliged to prepare an annual report containing an overview of the measures taken and to forward this report to the employees.

When an audit firm seeks advice from external experts, it is required to document the requests submitted and the advice received.

The audit firm shall keep records on each of its clients. The records shall include the following information:

1. name, address, and place of business;
2. name(s) of the key audit partner(s);
3. fees charged for a statutory audit; and
4. fees charges for other services in each financial year.

The audit firm shall open an audit file for each of statutory audits, which includes working documentation in the sense of Article 37 of this Law and, as a minimum, provides information in accordance with Article 52 of this Law.

The audit file shall be closed within 60 days from the date the audit report is signed as stated in Article 39 of this Law.

The audit firm shall keep records on any written complaints regarding statutory audits.

#### Liability insurance

##### Article 22

The audit firm is obliged to conclude a liability insurance contract for the damage caused to the users of the audit reports due to errors or omissions in the performance of the auditor's professional activity.

The obligation to conclude a liability insurance contract referred to in paragraph 1 of this Article must be fulfilled at the latest one day before the beginning of the audit of the financial statements.

The lowest amount of the insured amount based on which the insurance premium shall be paid for individual insured cases for each business year, shall be determined as as the higher of the following two amounts following amounts:

- 1) the highest price for audit services based on individual contracts on auditing multiplied by 15;
- 2) the sum of the prices for audit services based on all contracts on auditing, multiplied by 2.5.

Individual insured cases referred to in paragraph 3 of this Article shall be deemed a damage incurred in connection with the auditor's report issued.

## Cooperation agreement

### Article 23

An audit firm Firm with only one licensed certified auditor employed, or sole practitioner shall be obliged to conclude a cooperation agreement where it shall be agreed with another audit firm or sole practitioner that in the event that the licensed certified auditor auditor employed at the audit firm or sole practitioner are not able to perform their liabilities from the audit contract due to work and legal incapabilitywork, the other audit firm or sole practitioner shall perform this in accordance with this Law. One copy of the contract should be submitted to the Commission.

Audit Firm, or sole practitioner shall be obliged to anticipate and regulate the possibility of fulfilling the obligation from the contract on auditing in more details in accordance with paragraph 1 of this Article, in the contract on auditing concluded with the auditee. .

## Transparency report

### Article 24

An Audit Firm that performs auditing of public interest entities within the meaning of this Law, shall be obliged to post on its website, as well as on the website of the Chamber, the annual transparency report within four months from the end of the calendar year. The report shall be visible on the webpage at least 5 years following the date of its posting.

Audit firm may amend the annual transparency report and publish it, along with the original report (that has been amended) – providing a notification that some amendments have been implemented; the firm is obliged to inform both the Commission and the Chamber thereof.

The annual transparency report contains at least the following:

- 1) Description of the legal form and ownership structure of the audit firm;
- 2) When the audit firm is a member of a network:



- (1) Description of the network and its legal and structural arrangement;
- (2) The name of each independent audit firm that is a member of the network;
- (3) The names of states in which the audit firm, which is a member of the network, has an operating license or is registered for auditing or has its registered headquarters, main administration or main business location;
- (4) The total revenues earned by audit firms that are members of the network, which are the result of the statutory audits of annual and consolidated financial statements;
- 3) Description of the governing structure of the audit firm;
- 4) Description of the internal quality control system of the audit firm, as well as the statement of its management on the effectiveness of its functioning;
- 5) The date when the last practice quality review of the audit firm was performed;
- 6) A list of public interest entities where the audit firm has conducted statutory audits during the previous financial year;
- 7) A statement relating to the procedures and independence of the audit firm, confirming that an internal review of independence compliance has been conducted;
- 8) A statement on the policy of the audit firm in relation to the continuous professional development and education of licensed certified auditors;
- 9) Information on parameters for determining the salaries of key audit partners;
- 10) Description of the audit firm policy on the rotation of key audit partners;
- 11) Financial information and data on the total revenue from performing:
  - (1) Statutory audits of public-interest entities and entities belonging to a group of entities whose parent is a public-interest entity;
  - (2) Statutory audits to auditees other than public-interest entities;
  - (3) Additional services referred to in Article 43 provided to auditees which were the subjects of the audits performed in accordance with this Law;
  - (4) Additional services referred to in Article 43 to other auditees;

The person authorized to represent the audit firm shall sign the transparency report.

The data from paragraph 3, item 2 of this Article, refer to the network members from the member states.

## Content of the report delivered to the Chamber and the Commission

### Article 25

An Audit firm or the Sole Audit Practitioner shall deliver to the Chamber and the Commission, at least once a year, by the end of November of the current year, the report for the previous reporting period with information on:

- 1) Shareholders and equity interest holders in the Audit Firm, as well as data on information on acquisition of shares and equity interests and changes to their holders;
- 2) Investments based on which the Audit Firm, or the Sole Audit Practitioner, acquired direct or indirect interest in another legal entity;
- 3) Any amendments to the Statute or Articles of Incorporation;
- 4) Calculation of insurance referred to in Article 22 of this Law and insurance policy;
- 5) Employees;
- 6) A list of all contracts on audit of financial statements, according to the types of audits, executed by the Audit Firms or Sole Practitioners and auditees during the reporting period, as well as the list of all contracts on audits of financial statements terminated with adequate rationale, irrespective of which party required termination;
- 7) Number auditors' reports signed by each Licensed Certified Auditor.
- 8) Other information required for planning and performing practice quality reviews and other activities of the Chamber and Commission.

The annual report referred to in para. 1 of this Article shall include all the information for the period from November 1 of the previous year through October 31 of the current year Article.

III AUDITING  
Mandatory audit  
Article 26

Statutory audit shall be mandatory for regular annual financial statements of large and medium-sized legal entities classified in accordance with the law governing accounting of public companies in accordance with the law regulating the capital markets irrespective of their size, as well as all legal entities and entrepreneurs whose total income realised over the previous financial year exceeds EUR 4,400,000 in RSD equivalent .

Statutory audit of consolidated financial statements shall be obligatory for parent entities preparing financial statements in accordance with the law governing accounting.

For the purpose translating foreign exchange amount referred to in para. 1 of this Article into RSD equivalent, the official middle RSD/EUR exchange shall be used, which is determined by the National Bank of Serbia, and which shall be effective at the last day of the financial year for which the financial statement are prepared.

Audit of financial statements of legal entities and other auditees not specified in paragraphs 1 and 2 of this Article shall be considered a voluntary audit.

Manner of performing auditing and scope of statutory audit  
Article 27

Statutory auditing shall be performed in accordance with this Law, other laws governing mandatory audit of financial statements of certain legal entities, ISA and the Professional Code of Ethics for Auditors.

Statutory audit according to this Law does not include detailed assurances as to the future viability of the audited entity or the efficiency or effectiveness with which the governing bodies conduct or will conduct the business of the audited entity.

## Professional ethics and professional skepticism

### Article 28

Audit firms and licensed certified auditors are obliged to comply with the principles of professional ethics, which, as a minimum, include their role of public interest, their integrity and objectivity, professional expertise and due care.

Audit firms and licensed certified auditors should ensure that, when conducting a statutory audit, they maintain professional skepticism during the audit, considering the possibilities of material misstatement of items due to the facts or behavior that indicate irregularities, including fraud or error, regardless of the previous experience of a licensed certified auditor or audit firm concerning honesty and integrity of the auditee's management and persons in charge of its governance.

Audit firms and licensed certified auditors should maintain professional skepticism especially when examining the management's assessments of fair value, impairment of assets, provisions and future cash flows that are relevant to the assessment of the auditee's ability to continue as a going concern.

## Independence and Objectivity

### Article 29

While carrying out statutory audits, the audit firm, licensed certified auditors, and all individuals who are in a position to influence directly or indirectly the results of the statutory audit must be independent from the auditee, and must not participate in the decision-making within the auditee.

It is imperative to ensure the independence of individuals from paragraph 1 of this Article throughout the period covered by the financial statements, which are the subject of the audit, and in the period during which the statutory audit takes place until the issuance of the auditor's report.

The audit firms and licensed certified auditors shall take all reasonable steps in order to ensure that, while carrying out statutory audits, their independence is not affected by any existing or potential conflict of interest, business relationship or any other direct or indirect relationship. This shall apply to their network, managers, auditors, employees, other individuals whose services are placed at disposal or under control of the audit firm or licensed certified auditors or any another individual who, based on control, is directly or indirectly related to the licensed certified auditors or the audit firm.

The audit firm and licensed certified auditors cannot perform a statutory audit if there is a threat of self-review, self-interest, advocacy, familiarity, or intimidation that is caused by financial, personal, business relationships, relationships based on employment or other relationships between: the audit firm, the licensed certified auditor, their network and any other individual who is in the position to affect the outcome of the statutory audit and the auditee.

The audit firm, the licensed certified auditor, their key audit partners, their employees, and all other individuals whose services are made available to or are under control of that audit firm and licensed certified auditor, and who are directly included in the activities of the statutory audit, as well as individuals who are closely connected to them, may not have an equity interest or a material interest or direct benefit in any auditee within their activities in statutory auditing, nor can they participate in any transactions within any sort of a financial instrument that the auditee has issued, guaranteed, or in any other way supported, except for shares or equity interests that are in indirect possession through institutions of collective, diversified investment, including managed funds, such as pension funds and life insurance.

The audit firms and licensed certified auditors are required to document all significant threats to independence, as well as the protection measures taken to mitigate such threats in their audit working papers.

If, during the period covered by the financial reports, the auditee is acquired or merged or acquires another entity, the audit firm must establish the identity and check for any existing interests and relationships from the recent past, including potential non-auditing services provided to that entity which could, bearing in mind the available protective mechanisms, challenge the independence of the audit firm and the licensed certified auditor, as well as their ability to continue with the statutory auditing after the effective date of the auditee merger or acquisition.

The audit firms and licensed certified auditors need to, no later than within three months from the day of occurrence of the circumstances from paragraph 7 of this Article, take all the necessary steps in order to terminate potential existing interests or relationships that might challenge their independence and, as appropriate, set up protection mechanisms to mitigate all threats to their independence resulting from the previous or current interests or relationships.

#### Preparation for statutory audit and assessment of threats to independence

##### Article 30

The audit firms and licensed certified auditors, prior to accepting or continuing with statutory audit engagements, need to assess and document the following:

1. whether this entity meets the requirements from Article 29 of this Law;
2. whether there are any threats to the independence of that entity according to Article 29 of this Law and protective mechanisms taken to mitigate the said threats;
3. whether this entity has competent employees, as well as the time and the resources required to carry out a statutory audit in an adequate manner;
4. whether, in the case of the audit firm, the key audit partner has a license to perform statutory audits.

#### Persons who directly perform auditing

##### Article 31

Auditing shall be performed by licensed certified auditors, employed at the audit firms, i.e., sole practitioners, provided that they are members of the Chamber.

An audit firm or a sole practitioner may assign certain jobs in the auditing process to other persons employed with the audit firm, or by the entrepreneur – sole audit practitioner, who do not hold a license for performing audit activities, provided that their work shall be planned and monitored by a licensed certified auditor.

Audits of regular annual financial statements of public-interest entities and consolidated financial statements of large groups of legal entities within the meaning of the law governing accounting may be performed by an audit firm which employs on the full-time employment basis at least four licensed certified auditors, unless otherwise specified by a special law.

#### Selection of audit firms

##### Article 32

The auditee is obliged to sign a contract for a statutory audit with an audit firm not later than September 30 of the financial year to which the audit relates, based on the relevant decision of the Assembly or another competent body determined by the auditee's bylaw or enactment on the audit firm selection.

The deadline set forth in paragraph 1 of this Article may be extended until November 30 of the financial year for audits of consolidated financial statements.

Notwithstanding paragraph 1 of this Article, the Assembly or the body specified by the auditee's bylaw or enactment of the auditee which prepares financial statements as of the last day of the financial year different from the calendar year, shall select an audit firm and enter into a contract on statutory audit, no later than three months prior to the expiry of the defined financial year to which the audit relates.

Any contractual provision restricting the selection of the members of the shareholder assembly or company members of the auditee from paragraph 1 of this Article to certain categories or lists of licensed certified auditors or audit firms concerning the appointment of a particular licensed certified auditor or an audit firm for conducting the statutory audit of that auditee shall be prohibited.

## Audit contract

### Article 33

Mutual rights and obligations of the audit firm and the auditee shall be regulated by a contract for audit.

An audit contract shall be executed in writing.

There must be separate contracts for each and every engagement of the audit firm.

In addition to the elements prescribed by the law governing contracts and torts, and audit contract shall also include the following:

- 1) composition of the audit team;
- 2) information on the planned number of hours intended for auditing, per member of the audit team;
- 3) provision that the audit firm shall prepare the calculation of the hours spent per member of the audit team following the end of auditing and that it shall issue the final invoice accordingly;
- 4) total price for the auditing service.

Audit firms shall not assign or cede the agreed activities to other audit firms, unless otherwise stipulated by this Law.

An audit contract may not be terminated during the audit, unless there are justified reasons for termination.

Differences of opinions related to the area of accounting and audit between the auditee and the audit firm shall not be considered as a justified reason for terminating the contract in terms of paragraph 6 of this Article.

The auditee and the audit firm shall inform the Chamber on termination of the audit contract referred to in paragraph 6 of this Article and on discontinuation of the audit providing a detailed explanation of the reasons for contract termination.

The audit firm shall comply with the requirements of Article 29 of this Law prior to signing the contract for statutory audit as well as upon resuming the statutory audit.



In the case of statutory audit of public-interest entities, termination of the audit contract, for duly justified reasons, may be instigated before a competent court by:

- at least 5% of the shareholders of the entity;
- authorities responsible for overseeing the operations of the entity;
- the Commission.

Statutory audit agreed with several audit firms and a public interest entity

#### Article 34

The supervisory body, authorised for oversight of the practices of public-interest entities, the practices of which are regulated by a special law, may prescribe to a public-interest entity within the meaning of Article 2, item 22) hereof an option to contract statutory audit services with several independent audit firms and define all the conditions that such audit firms must fulfill, as well as conditions governing the relationship between the audit firms selected for the joint audit.

#### Engagement of experts

#### Article 35

For performing audit in specific areas the audit firm may engage experts who are not licensed certified auditors.

When, for performing audit in specific areas, an expert opinion and expert evaluation or assessment are required, mutual rights and obligations shall be contractually defined.

Engagement of experts does not diminish the responsibility of the audit firm towards the auditee.

## Obligations of the auditee

### Article 36

The auditee shall provide all the required documentation to the audit firm, including documents and reports, provide access to all software applications and e-records, as well as the printed materials and copies on e-media, and provide all the information on the the software and all the information required for auditing.

The auditee, referred to in paragraph 1 hereof, shall provide access to and usage of business premises to the audit firm for auditing within working hours, as well as of the required equipment and staff.

## Working documents

### Article 37

The licensed certified auditor shall be responsible for preparation and completion of the the entire working documents based on which the audit report shall be issued.

The working documents collected and prepared by the licensed certified auditor shall be preserved by the audit firm for the period of at least six years, starting from the financial year to which the audit relates.

The working documents, or copies of the documents collected during the audit shall be the ownership of the audit firm, and they shall be treated as confidential and used only for the audit purposes, in accordance with this Law, unless otherwise stipulated by special regulations.

Notwithstanding paragraph 3 of this Article, working documents, i.e., working papers, shall be used for the purposes of practice quality reviews of audit firms, sole audit practitioners and licensed certified auditors, as well as for the supervision purposes , in accordance with this Law.

Working documents underlying the auditor's report shall be prepared in the Serbian language.

If the audit software is not in Serbian, documenting of the audit activity must be in Serbian.

If the licensed certified auditor, or audit firm, performing audit has been replaced with another licensed certified auditor, or audit firm, the previous licensed certified auditor, or audit firm shall provide the new licensed certified auditor, or audit firm, with access to the relevant documentation related to the auditee, including the relevant documents concerning the last audit performed.

If the audit firm discontinues its business operation, its shareholders, or audit firm members shall be obliged to preserve the working documents, and if a sole audit practitioner discontinues operation, he/she shall submit the documentation to the Commission for preservation.

### Protection of confidential information

#### Article 38

Audit firms and licensed certified auditors are required to keep and treat as confidential all the information, documents, data, facts and documents that they have access to during the course of the statutory audit.

Trade secrets and information shall be kept by other persons who work or have worked in the audit firm and who in any way have access to the confidential information referred to in paragraph 1 of this Article.

Persons from paragraphs 1 and 2 of this Article shall not use the data referred to in paragraph 1 of this Article, nor allow it to be used by any third parties.

Trade secrets shall be kept secret in accordance with this Law, unless otherwise provided by special regulations.

By way of exception from paragraph 1 of this Article:

1) when the audit firm is replaced or succeeded by another audit firm, the previous audit firm is required to provide the new audit firm with access to all the information necessary for the audit of the auditee;

2) where the audit firm carries out the audit of the subsidiary whose parent company is established in a third country, the audit firm may submit the relevant audit documentation to the third country group auditor at its request, if such a documentation is necessary for the audit of the consolidated financial statements of the parent company; submission of documentation must be in accordance with Article 37 of this Law;

3) in case of practice quality review, within the meaning of Article 79 of this Law, the audit firm or the licensed certified auditor shall provide access to the data necessary for quality review performance and to the data of the legal entities associated with the audit firm.

The audit firm shall provide access to the information for compliance with the regulations governing prevention of money laundering and terrorist financing in pre-criminal or criminal proceedings, as well as when submission of the information is requested in writing by the court in criminal or pre-criminal proceedings, as well as in other legally prescribed cases .

#### Auditor's report

##### Article 39

The audit firm shall compile an auditor's report on the conducted statutory audit in accordance with IAS and the provisions of this Law.

The auditor's report must, at least, include the following:

- 1) the identification data of the auditee whose regular annual financial statements or consolidated annual financial statements are subject to statutory audit;
- 2) the name of the regular annual financial statements or consolidated annual financial statements, specifying the date or period covered by the financial statements or consolidated financial statements;
- 3) the description of the relevant legal framework that has been applied in the preparation of the regular annual financial statements or consolidated annual financial statements;
- 4) the description of the statutory audit scope and ISAs in accordance with which the statutory audit was performed;

- 5) the opinion of the licensed certified auditor may be unqualified, qualified or adverse, and must clearly state: whether the regular annual financial statements or the consolidated annual financial statements provide a true and fair view of the financial position of the legal entity in accordance with the relevant legal framework, as well as whether the annual financial statements are in accordance with the special regulations governing the business of the legal entity, if provided for by those regulations;
- 6) special warnings and issues that the licensed certified auditor wishes to draw attention to without expressing a qualified opinion;
- 7) management's opinion and statement on the compliance of the annual business report with the regular annual financial statements for the same financial year, whether the regular annual financial statements have been prepared in accordance with the law governing accounting and whether the licensed certified auditor, based on the knowledge and evidence obtained during the audit of the auditee, has identified material misstatements in the presentation of the financial statements, with provided description of the nature of such misstatements;
- 8) a statement of potential material uncertainties with regard to events or circumstances that may give rise to significant doubt about the auditee's ability to continue as a going concern;
- 9) information on the audit firm's registered headquarters address.

By way of exception from paragraph 2, item 5 of this Article, a licensed certified auditor may express a disclaimer of opinion on financial statements or consolidated financial statements if there is no adequate and sufficient audit evidence obtained or the auditee has not provided access to the information required.

In the event a statutory audit has been performed by several audit firms, in accordance with Article 34 of this Law, they are obliged to agree on the results of the statutory audit and then issue a harmonized auditors' report that expresses their opinion. In the event of any disagreement, each audit firm shall issue its own opinion and, in a separate supplement to the auditor's report, state the reasons for disagreement. The stated reasons for disagreement shall be further elaborated to the Audit Committee of the auditee.

The auditor's report shall be signed by the key audit partner performing the statutory audit. In the event that a statutory audit was carried out by several audit firms at the same time, in accordance with Article 34 of this Law, their harmonized auditors' report shall be signed by all licensed certified auditors who carried out the statutory audit on behalf of their audit firms.

Exceptionally from paragraph 5 of this Article, the signature of a certified auditor need not be available to the public if disclosure of such information could cause direct and imminent threat to the personal safety of the licensed certified auditor.

In the case as stated in paragraph 6 of this Article, the audit firm is obliged to notify the Commission of the name of the licensed certified auditor prior to issuance of the auditor's report, as well as of specific reasons for public non-disclosure of such data, and, at the same time, to submit the auditor's report signed by the licensed certified auditor.

The auditor's report on performed statutory audit shall be in accordance with the provisions of paragraph 2, items 1-7, of this Article. When reporting on compliance of the annual report and regular annual financial statements for the same financial year, within the meaning of paragraph 2, item 7, the audit firm shall consider the consolidated financial statements and consolidated annual business reports of the auditee. If the financial statements of the parent company are enclosed with the consolidated financial statements, the auditor's reports may be consolidated.

The opinion of the licensed certified auditor referred to in paragraph 2, item 5 of this Article, applies to the financial statements as a whole.

The key audit matters, in terms of IAS, shall be applicable to statutory audit of public-interest entities, in keeping with the law governing capital markets.

The auditor's report shall be prepared and issued in the Serbian language.

Financial statements or consolidated financial statements that are subject of the statutory audit shall be attached to the auditor's report.

## Additional report to the Audit Committee/Commission

### Article 40

Audit firms performing audits of public interest entities are required to submit an additional report to the Audit Committee of the auditee within the deadline for submission of the auditor's report in accordance with the law governing accounting. In case the auditee does not have an Audit Committee, an additional report shall be submitted to a body with equivalent function in the same entity.

The additional report to the Audit Committee shall be in writing and it shall explain the result of the statutory audit and include at least the following:

- 1) a statement of independence in accordance with Article 29 of this Law;
- 2) the name of the key audit partner;
- 3) in case the audit firm hires a licensed certified auditor or an audit firm that is not part of a network, or an external expert to perform certain activities during the audit, such fact must be disclosed in the supplementary report as well as confirmation of their independence;
- 4) the nature, frequency and extent of communication with the Audit Committee, or a body performing an equivalent function within the auditee, the management or supervisory board of the auditee, including the dates of meetings with those bodies;
- 5) description of the scope of audit and period during which the audit was conducted;
- 6) when more audit firms are engaged, a description of the activity distribution among those audit firms;
- 7) description of the methodology used, including descriptions of the balance sheet items that were verified through the selected sample, including explanations of significant differences identified in the methodology applied, compared to the methodology of the previous year. This also applies if the previous year's audit was performed by another audit firm;
- 8) Disclosure of:
  - (1) the quantitative materiality amounts used in the audit of the regular annual financial statements;

(2) the materiality amounts for the individual classes of transactions, accounts or disclosures;

(3) the qualitative factors considered in defining the materiality level;

9) an explanation of the estimates related to the events or conditions identified during the audit, which may raise significant doubt about the auditee's ability to continue as a going concern. It should include an overview of all guarantees, letters of assurance, government interventions and other support measures that were considered when assessing the auditee's ability to continue its business operations;

10) significant deficiencies of the auditee, or, in the case of consolidated annual financial statements, significant deficiencies in the internal control system and/or the accounting system of the parent company. For each significant deficiency, it should be stated whether the deficiency has been addressed and eliminated by the auditee's management;

11) significant items related to non-compliance with the statutory and internal regulations of the auditee identified during the audit, which may be significant information for the Audit Committee to fulfill its tasks;

12) an assessment of the methods used to evaluate the various items within the standalone or consolidated annual financial statements;

13) in case of a statutory audit of the consolidated annual financial statements, the disclosure of the scope of consolidation and the selected criteria used to define the said scope of consolidation, and whether the criteria are consistent with the financial reporting framework;

14) a note whether all explanations and documentation have been provided by the auditee;

15) whether there were significant problems during the audit and facts that would be of an additional benefit to the Audit Committee.



## Audit of consolidated financial statements

### Article 41

The Key Audit Partner as a group auditor shall be responsible for performing audit of the consolidated financial statements.

A licensed certified auditor, as the group auditor shall prepare a report on the audit of consolidated financial statements in accordance with Article 39 of this Law.

The opinion on the compliance of the annual business report with the financial statements for the same financial year in accordance with this Article shall be issued on the basis of the consolidated annual business report and the consolidated annual financial statements.

The licensed certified auditor shall document the results of his work on the consolidated annual financial statements, as well as prepare working documentation, in accordance with Article 37 of this Law.

For audit of the consolidated annual financial statements, the group auditor may use the work products of the audit of the consolidated financial statements or of the consolidated reporting packages of the group's subsidiaries prepared by:

- 1) other audit firms engaged,
- 2) audit firms related to the group auditor within the same network,
- 3) member state audit firms
- 4) a licenced certified auditor from a member state,
- 5) a third country audit firm,
- 6) a licenced certified auditor from a third country,

Auditors' reports of regular annual financial statements of the parent entity can be merged with the auditors' report of consolidated annual financial statements of the group. The regular annual financial statements of the parent entity, and consolidated annual financial statements that have been subject of the audit are enclosed with the auditor's report.

The group auditor, with the persons referred to in paragraph 5 of this Article, by execution of a contract or issue of a statement or certificate, defines the obligation to submit the working documentation related to the audit of the group's subsidiaries, for the purpose of review and quality assurance of the working documentation and relying on their work, unless the aforesaid audit is performed by auditors from the network to which the group auditor also belongs.

The group auditor conducts the following activities relating to the work of the component auditors of the subsidiaries from para. 5 hereof in connection with the audit of the consolidated annual financial statements of the group:

- 1) examines the work of the persons included in the audit process,
- 2) documents the nature, time and scope of their activities,
- 3) documents the overview of the working documentation obtained by those persons for the purpose of the consolidated financial statements audit.

In case the group auditor of the group cannot carry out the review referred to in para. 4 and 5 of this Article, for the purposes of quality audit of the consolidated financial statements, he/she is obliged to carry out additional activities related to the audit of financial statements or reporting packages of subsidiaries, either directly or by engaging the persons referred to in para. 5 of this Article. The group auditor is required to inform the Commission of the performance of additional procedures.

If the audit of the financial statements of a subsidiary within a business group comprised of a parent and subsidiaries is carried out by a licensed auditor or an audit firm of a member state or a third country, the key audit partner as a group auditor shall be responsible for submitting the documentation on the work of the licensed auditor or audit company from a third country for quality review and supervision purposes in accordance with this Law.

In order to ensure submission of the documentation referred to in paragraph 4 of this Article, the group auditor should request copies of such documentation or agree with the licensed third-country auditors or audit firms on access to such documentation, or take other appropriate measures.

If there are legal or other restrictions arising from the national legislation of a member state or a third country for submission of the working audit documentation of that country, the key audit partner as a group auditor is required to provide in his own working documentation on the conducted audit of the consolidated annual financial statements evidence of all the necessary measures taken to submit it, as well as evidence of the existence of the said legal and other restrictions.

#### Fees for the conducted audit

##### Article 42

Fees shall be paid for the conducted audit.

The amount of the fee shall be determined by the contract for audit services.

Audit firm or a sole audit licensed practitioner should determine audit fees in accordance with the nature of the requested work, time, resources and other foreseeable expenses of the audit process.

The amount of the fee for performed audit referred to in paragraph 1 of this Article:

- 1) cannot depend on or be associated with provision of additional services to auditee; and
- 2) cannot be conditioned by occurrence of any potential event relating to the audit, which may require a fee connected with the outcome or a result of a transaction or a result of the work performed.

#### Additional services provided along with audit services

##### Article 43

Beside auditing, an audit firm may perform, within its registered business activities, services in the areas of finance and accounting, services of financial analyses and control, tax advisory services other types of business consulting, services of capital value assessment, assessment of the value of assets and liabilities, services of judicial expertise, services of developing and economic evaluation of investment projects and other related services, unless otherwise stipulated by a special regulation.

## Prohibitions for Auditors

### Article 44

A licensed certified auditor cannot perform an audit of a legal entity:

- 1) in which he/she owns shares or equity interests or has significant financial influence on the auditee or has a significant interest in the auditee's related entity;
- 2) in which he/she is a director, or a member of a management or supervisory body, a procurator and proxy of the auditee or an entity that has a significant interest in the auditee's related entity;
- 3) in which a director, or a member of a management or supervisory body or the procurator, is his/her direct-line blood relative (lineal descent), an indirect-line blood relative (collateral descent) up to the third degree relation and spouse;
- 4) in which he/she provided the services referred to in Article 45, para. 1, item 3) of this Law
- 5) if other circumstances arise that may affect the independence of the licensed certified auditor.

The prohibition on performing the services referred to in paragraph 1 of this Article shall also apply to licensed certified auditors who perform audits of the consolidated annual financial statements of the auditee.

The prohibitions referred to in paragraph 1 shall apply to the year for which the audit is performed as well as the year in which the audit is performed.

A licensed certified auditor may not solicit or receive monetary or non-monetary gifts or services from the auditee entity or another legal or natural person associated with the auditee unless an objective, reasonable and informed third party would assess the value of those gifts as insignificant and negligible.

Prohibitions from para. 1 and 4 of this Article shall also apply to members of the audit team and other persons who are not licensed certified auditors but participate in the audit.

## Prohibitions for Audit Firms

### Article 45

An audit firm cannot audit an auditee:

- 1) in which it has equity interests or holds shares or equity interests in the auditee's related entity;
- 2) that is the owner of equity interests or shares in the audit firm;
- 3) if an audit firm, i.e. any organizational unit within the network it belongs to, or an entity related to the audit firm, has provided the auditee, during the year for which the audit is conducted, as well as for the year in which the audit is conducted, with the following services:
  - (1) Preparation and maintenance of business books and preparation of financial statements;
  - (2) Valuation of capital, assets and/or liabilities to be reflected in the financial statements, i.e. where conflict of interest is evident;
  - (3) Representation in court proceedings as regards tax-related issues;
  - (4) Tax calculation and submission of tax returns for individuals that are managers in the auditee's finance department;
  - (5) Advice as regards accounting for tax liabilities;
  - (6) Design of the internal audit system and the internal controls and implementation of the systems;
  - (7) Design and implementation of information systems for accounting purposes;
  - (8) Actuarial services;
  - (9) Other services that, in specific circumstances, could compromise the independence of the a licensed certified auditor or an audit firm and/or affect the valuation of items in the financial statements.
- 4) If it is related to a legal entity in any other manner, so that such relation can affect the independence and objectivity in the audit process.

Prohibition to perform the services referred to in paragraph 1 of this Article shall also apply to audit firms or licensed certified auditors performing audits of the consolidated financial statements of the auditee.

An audit firm may not solicit or receive monetary or non-monetary gifts or services from the auditee or another legal or natural person related to the auditee unless an objective, reasonable and informed third party would assess the value as insignificant and negligible.

In the event of a status change of the auditee whose financial statements are subject to audit, the audit firm is obliged to check whether there are possible threats to its independence, and the independence of a licensed certified auditor within the meaning of Art. 29 and 30 of this Law and terminate the business relations that may affect their independence within three months from the status change date.

#### Notification by auditors and other persons performing audit

##### Article 46

A licensed certified auditor shall immediately inform the audit firm he/she is employed with about occurrence of the circumstances referred to in Article 44 of this Law.

Audit team members, as well as other persons that are not licensed certified auditors but take part in the auditing process, shall inform without any delay the audit firm they are employed with about all occurrence of the circumstances referred to as in Article 44 of this Law.

#### Notification by the audit firm

##### Article 47

A shareholder or a company member of the audit firm shall inform the audit firm without any delay about occurrence of the circumstances referred to in Article 45 of this Law.

#### Prohibition of influence of other persons

##### Article 48

Owners and shareholders of the audit firm, as well as the director, or members of the managing or supervisory bodies of the audit firm or an entity related to it, must not influence auditing and expression of an audit opinion and thereby compromise independence and objectivity of the licensed certified auditor who performs the audit.

## Reduction of the number of auditors

### Article 49

The audit firm where the number of licensed certified auditors is reduced under the number prescribed by this Law, shall notify the Chamber and the Commission on such a change within eight days from the day of the change occurrence.

An audit firm in which, during audit performance, the number of licensed certified auditors is reduced below the number prescribed in Article 4, paragraph 1, item 1) of this Law, or Article 31, paragraph 3 of this Law, shall provide the legally prescribed number number of employed licensed certified auditors or discontinue its audit activities within three months and inform thereof the auditee, the Chamber and the Commission within eight days of the change occurrence; the auditee shall entrust another audit firm with the commenced audit.

In the cases referred to in paragraphs 1 and 2 of this Article, the audit firm shall not conclude new audit contracts before it has fulfilled the conditions referred to in Article 4, paragraph 1, item 1) of this Law, and Article 31, paragraph 3 of this Law and notified thereof the Chamber and the Commission.

## Replacement of auditors and audit firms

### Article 50

The audit firm may perform audit of the same public interest entity for as long as 10 consecutive years from the beginning of auditing, unless otherwise stipulated by a special law.

After the expiry of the maximum allowed period referred to in paragraph 1 of this Article, the audit firm cannot audit the same public interest entity for the ensuing four years.

Audit firms shall replace the licensed certified auditor, signatory of the auditor's report, i.e., the key audit partner, no later than every seventh year from the commencement of financial statements auditing at the same auditee.

The licensed certified auditor, i.e., the key audit partner is allowed to perform auditing again at the same auditee three years after signing the last auditor's report for that auditee.

## Non-solicitation of employment

### Article 51

Before expiration of at least one year or, in the case of statutory audit of public interest entities, at least two years from the time he/she ceased to perform duties of a licensed certified auditor or a key audit partner in connection with an audit engagement, a key audit partner or a licensed certified auditor performing a statutory audit on behalf of the audit firm with the auditee:

1. cannot hold a key position at the executive management positions of the auditee;
2. cannot become a member of the Audit Committee or, in the absence of such a board, a member of the body that performs functions equivalent to the functions of the Audit Committee;
3. cannot become a member of the auditee's supervisory body.

The prohibition referred to in paragraph 1 of this Article shall also apply to members of the audit team and other persons who are not licensed certified auditors but have participated in the audit according to Article 1 of this Law for a period of one year from the date of termination of employment with the audit firm.

## Reporting and verifying independence of the audit firm

### Article 52

The audit firm shall report to the auditee entity, i.e., the Audit Committee, which the auditee is obliged to form, in accordance with Article 53 of this Law, on the key matters arising from the audit performance, and in particular, on significant internal control deficiencies regarding the financial reporting process.

Before executing a contract for statutory audit, or when continuing to perform a statutory audit, the audit firm is obliged to assess and document the following:

- 1) whether there are threats to independence in accordance with Article 29 of this Law or to the auditee and whether there are safeguards against such threats;
- 2) whether it has competent employees, time and resources required to perform the statutory audit;
- 3) that the key audit partner is licensed to perform audit issued in accordance with this Law.



An audit firm performing audits of public-interest entities shall, once a year, confirm in writing its independence to the auditee and notify the Audit Committee referred to in Article 53 of this Law of any additional services provided to that auditee as well as discuss possible threats to its independence and safeguards against those threats.

#### IV AUDIT COMMITTEE OF THE AUDITEE AND INTERNAL AUDITOR

##### Formation and Composition of the Audit Committee

##### Article 53

Public interest entities shall be obliged to have the Audit Committee (a committee for monitoring of business operations).

The Audit Committee shall perform activities in accordance with the law governing business companies.

The Audit Committee shall be composed of at least three members, appointed in accordance with paragraph 2 of this Article.

The Audit Committee shall be either an independent body or a committee/commission of the auditee's management or supervisory body. It shall be composed of non-executive members of the management body and/or supervisory body members and /or the member appointed by the shareholders' assembly of the auditee or, for the entities without shareholders, appointed by a counterpart body.

At least one Audit Committee member has to be competent in the area of either accounting or auditing.

The members of the Committee, as a whole, must be competent for the auditee's business activities.

The majority of the Audit Committee members must be independent from the auditee. The chairperson of the Committee shall be appointed by either the members or the auditee's supervisory body and the chairperson must be independent from the auditee. The Audit Committee chairperson may also be elected by the auditee's shareholder' assembly on a n annual basis.

By way of exception from paragraph 1 of this Article, public interest entities which, in accordance with special regulations, have in place bodies with audit committee competences referred to in paragraph 2 of this Article shall not be obliged to constitute the Committee in accordance with this Law.

By way of exception from paragraph 1 of this Article, public interest entities that are subsidiaries, i.e. members of a group of entities which, at the group level have the Audit Committee performing competences referred to in paragraph 2 of this Article at the group level, shall not be obliged to constitute it in accordance with this Law, unless otherwise regulated by a special law.

#### Certified internal auditor

#### Article 54

Legal entity entrusts performing internal audit activities to the person holding a certificate of the Chamber on the acquired title of the certified internal auditor unless otherwise regulated by a special law.

The title of the certified internal auditor may be acquired by a person who:

- 1) has obtained higher education in accordance with the law by which higher education is regulated, that is of the undergraduate studies with the duration of at least four years;
- 2) has working experience on the jobs of statutory audit or internal audit of three years, i.e., working experience of five years on the accounting activities;
- 3) has passed the examination for obtaining this title in accordance with the program of the Chamber;
- 4) has not been convicted for criminal offenses in accordance with Article 5 of this Law.

The experience obtained in the full time or part-time employment is considered relevant for taking the examination for acquiring the title of the certified internal auditor.

A certified internal auditor is obliged to attend professional seminars, courses and lectures, for continuous professional development the minimum duration of which is defined by the Chamber's Program for continuous professional development for the certified internal auditors.

A certified internal auditor cannot be a member of the top management; he/she also must not perform any other activities in the company.

## V CHAMBER OF AUTHORIZED AUDITORS

### Status and head office of the Chamber

#### Article 55

The Chamber is an independent professional organisation of licensed certified auditors employed in audit firms, audit firms and sole audit practitioners, which has the capacity of a legal entity, with rights, obligations and responsibilities determined by this Law and the Statute of the Chamber.

The Chamber shall have its bank account.

The head office of the Chamber shall be in Belgrade.

The Chamber may have branches in accordance with the Statute of the Chamber.

The Chamber shall be registered with the Serbian Business Registers Agency, in accordance with the Law.

### Membership in the Chamber

#### Article 56

Membership in the Chamber is mandatory for audit firms, sole practitioners and licensed certified auditors employed with audit firms, or with sole audit practitioners.

An audit firm and a sole audit practitioner shall become members of the Chamber on the date of entry in the Register of audit firms and sole audit practitioners.

A licensed certified auditor shall become member of the Chamber on the date of entry into the Register of licensed certified auditors.

Membership in the Chamber for audit firms and sole practitioners shall cease on the date of submitting a request for deletion from the register referred to in paragraph 2 of this Article, as well as in other cases in accordance with this Law and the Statute of the Chamber.

A licensed certified auditor shall have his/her membership in the Chamber ceased on the date of deletion from the register referred to in paragraph 3 of this Article, as well as in other cases, in accordance with this Law.

## Entrusted activities of the Chamber

### Article 57

The Chamber shall perform the following activities as its public authorisations:

1. enact and implement the program of examinations for acquiring the title of the certified auditor, organize examinations for obtaining the title of the certified auditor and issue certificates of the title of the certified auditor;
2. regulate more detailed conditions and procedure for exemption from taking the examinations referred to in Article 9 of this Law;
3. enact the program for continuous professional development and organize professional development for licensed certified auditors;
4. prescribe the minimum working audit documentation, which is the content of the audit methodology;
5. maintain the Register of licensed certified auditors;
6. maintain the Register of audit firms and sole audit practitioners;
7. maintain the Register of imposed measures;
8. determine the amount of membership fees for the Chamber's members;
9. determine the amount of fees for entry in the Chamber's registers, fees for examinations conducted by the Chamber, fees for issuing excerpts from the registers, certificates and certificates of records maintained by the Chamber, as well as other fees prescribed by the law and by-laws of the Chamber;
10. conduct investigative, disciplinary and other procedures in accordance with the Statute and bylaws of the Chamber.

Activities referred to in paragraph 1 of this Article shall be performed by the Chamber as entrusted activities.

The bylaws referred to in paragraph 1, items 1) - 4) and items 8) and 9) of this Article shall be adopted upon obtaining prior consent of the Ministry, which shall obtain the opinion of the Commission before granting its consent.

## Other activities of the Chamber

### Article 58

In addition to the activities referred to in Article 57 of this Law, the Chamber shall also perform the following activities:

- 1) define the implementation of the Professional Code of Ethics for Auditors;
- 2) monitor the implementation of ISAs;
- 3) pass and conducts the program examinations for acquiring the title of a certified internal auditor, organize examinations for obtaining the title of a certified internal auditor and issue certificates for the title of a certified internal auditor;
- 4) prepare and enact the program for continuous professional development and organize professional development and education for licensed certified auditors;
- 5) take care of the reputation of the Chamber members, i.e., performing audit activities in accordance with the Professional Code of Ethics for Auditors;
- 6) provide professional assistance to the Chamber members;
- 7) submit the annual financial statements with the auditors' opinion and the annual business report Ministry and the Commission;
- 8) cooperate and provide professional assistance to the Ministry and Commission in performing activities in accordance with this Law;
- 9) organize trainings and examinations and certificate issuance for acquiring other audit titles in accordance with the general regulations of the Chamber;
- 10) perform other activities in accordance with this Law other legislation and the Statute.

## Data Protection

### Article 59

The Chamber shall be obliged to preserve and treat all data, facts and circumstances it obtained while performing activities in accordance with the provisions of this Law, as confidential.

Paragraph 1 of this Article shall also apply to the members of the Chamber bodies, current and former employees of the Chamber, and other persons to whom confidential data were available while working in the Chamber.

Trade secrets shall be kept in accordance with this Law, unless otherwise stipulated by special regulations.

## Chamber financing

### Article 60

The Chamber shall obtain funds for work from:

- 1) membership fees paid by the Chamber members;
- 2) fees for the registration in the Chamber Registers;
- 3) funds from other sources, in accordance with the Law, the Statute and bylaws of the Chamber.

## Funds of the Chamber

### Article 61

The Chamber's funds are kept on the Chamber's bank account.

The person authorized by the bylaws of the Chamber shall be responsible for the disposal of the Chamber's funds.

The Chamber is accountable for its obligations with the entire all property it owns.

## Statute of the Chamber

### Article 62

The Statute of the Chamber regulates the following activities in more detail: the activities performed by the Chamber within the scope of legal powers; the manner of carrying out the Chamber's activities; the internal organization and operation of the Chamber; composition, manner and procedure for election of members into and competences of the Chamber bodies; the rights and duties of audit firms, sole audit practitioners and licensed certified auditors as members of the Chamber; as well as other issues of importance for the work and organization of the Chamber, in accordance with this Law.

The part of the Statute of the Chamber which refers to conducting public authorization activities from Article 57 of this Law shall be approved by the Ministry, upon previously obtaining the relevant opinion of the Commission.

## Publication of documents

### Article 63

The Chamber is obliged to publish the Statute of the Chamber in the Official Gazette of the Republic of Serbia.

Bylaws and enactments adopted by the Chamber in accordance with this Law shall be published on the Chamber's website.

## Bodies of the Chamber

### Article 64

The Chamber's bodies are:

- 1) the Assembly;
- 2) the Council;
- 3) other bodies of the Chamber.

The competence and responsibilities of these bodies, tenure duration and working methods shall be determined by the Chamber's Statute.

## Chamber Registers

### Article 65

The Chamber maintains:

- 1) the Register of audit firms and sole audit practitioners;
- 2) the Register of licensed certified auditors;
- 3) the Register of remedy measures imposed on its members.

Upon receiving the decision referred to in Article 14 of this Law, the Chamber shall immediately register an audit firm or a sole audit practitioner in the register referred to in paragraph 1, item 1) of this Article.

Upon receiving the decision referred to in Article 7 of this Law, the Chamber shall without delay register a licensed certified auditor in the register referred to in paragraph 1, item 2) of this Article.

An audit firm or the sole audit practitioner and a licensed certified auditor shall be entitled to perform audit on the date of entry in the registers referred to in paragraph 1, items 1) - 2) of this Article.

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

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

The registers referred to in paragraph 1 of this Article are public books.

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

The Chamber may maintain other registers in compliance with the Law, Statute or its bylaws.

### Register of audit firms and sole audit practitioners

#### Article 66

The register of audit firms and sole audit practitioners shall include at least:

- 1) the business name, address, corporate ID number, tax identification number and legal form;
- 2) contact information and internet address;
- 3) the address of each branch/subsidiary and related parties in the country and abroad;
- 4) the first and last names and registration number of all licensed certified auditors employed by the audit firm or the sole practitioner;
- 5) information on the founders, in compliance with the regulations on the registration of business entities;
- 6) information on the director or members of the governing bodies, in accordance with the regulations on the registration of business entities;
- 7) network membership information;
- 8) all other registrations of the audit firm or the sole practitioner with the competent authorities of the member states and the relevant authorities of third countries, including the name of the registration authority and the registration number, if any.

Audit firms and/or sole practitioners are obliged to inform the Chamber about changes in all facts and circumstances on the basis of which they have been entered in the register referred to in paragraph 1 of this Article, within eight days from the date the change occurrence.



The information submitted to the Chamber must be signed by the person authorized to represent the audit firm, or by the sole practitioner.

Information to be provided to the Chamber submitted by member states' audit firms and third country audit firms must be translated into Serbian by an authorized person in compliance with the Law.

Third-country audit firms registered in compliance with this Law shall be separately identified in the register referred to in paragraph 1 of this Article.

#### Registration of a member state audit firm

##### Article 67

An audit firm of a member state shall be entered in the appropriate register within the meaning of this Law on the basis of a registration application submitted to the Chamber.

In addition to the application for registration referred to in paragraph 1 of this Article, it shall also submit a certificate from the relevant authority of the member state in which it is registered, or in which a license for performance of statutory audit is issued, which may not be over three months old from the date of filing the application for registration.

The registered audit firm referred to in paragraph 1 of this Article may perform auditing, provided that the key audit partner is licensed to perform the audit issued in accordance with this Law.

The request shall be accompanied by the data and evidence necessary for entry in the register in accordance with this Law.

#### Register of Licenced Certified Auditors

##### Article 68

The register of licensed certified auditors shall, as a minimum, include:

- 1) the name, last name and registration number of the license;
- 2) the name, address, internet address and registration number of the audit firm in which the licensed certified auditor is employed or affiliated with as a partner or otherwise;
- 3) all other registrations of a licensed certified auditor with the competent authorities of the member states and the competent authorities of third countries, including the name of the registration authority and the registration number, if any;

4) the date of issue or extension of the license.

The licensed certified auditor shall inform the Chamber about changes to all the facts and circumstances on the basis of which he/she has been entered in the register referred to in paragraph 1 of this Article within eight days from the date of the change occurrence.

The information provided to the Chamber must be signed by the licensed certified auditor.

The information submitted to the Chamber by the member state auditors and third country auditors must be translated into Serbian by an authorized person in accordance with the law.

Third-country auditors registered in accordance with this Law shall be separately identified as such in the register referred to in paragraph 1 of this Article.

#### Register of imposed remedy measures

##### Article 69

Register of imposed remedy measures shall contain:

- 1) the name of the legal entity and the name and last name of the natural person that the remedy is imposed on;
- 2) the imposed remedy measure(s);
- 3) number and date of the decision on declaring the remedy.

By way of exception from paragraph 1, item 1) of this Article, the name of the legal entity, i.e., the name of the natural person that the measure is imposed on, need not be published in the register referred to in paragraph 1 of this Article:

- 1) when a sanction is imposed on a natural person, indicates that the publication of personal data would be disproportionate;
- 2) if the publication would endanger the stability of financial markets or ongoing criminal investigations;
- 3) if the publication would cause disproportionate damage to the institutions or individuals in the case.

The exceptions referred to in para. 2 of this Article shall be decided by the Commission.

## Removal from the register of audit firms and sole audit practitioners

### Article 70

Audit firms and sole practitioners shall be removed from the register maintained in accordance with Article 65, para. 1, item 1) of this Law on the basis of a decision of the Ministry on revocation of the audit license, i.e., a decision of the Commission to revoke the audit license, in accordance with this Law.

When the decision on revocation of the license for audit performance referred to in para. 1 of this Article is final and enforceable, the Ministry shall submit a copy of the decision to the Chamber, the Commission and the Serbian Business Registers Agency.

When the decision on revocation of the license for audit performance referred to in para. 1 of this Article is final and enforceable, the Commission shall submit a copy of the decision to the Ministry, the Chamber and the Serbian Agency for Business Registers.

## Removal of licenced certified auditors from the register

### Article 71

Licensed certificated auditors shall be removed from the register maintained in accordance with Article 62, para. 1 item 2), of this Law on the basis of a decision of the Ministry on revocation of the decision on issuing the license or on the basis of the Commission's decision on withdrawal of the audit performance license in accordance with this Law.

When the decision on revocation of the decision on issuing the license referred to in para. 1 of this Article is final and enforceable, the Ministry shall submit a copy of the decision to the Chamber and the Commission.

When the decision on revocation of the audit license referred to in para. 1 of this Article is enforceable, the Commission shall submit a copy of the decision to the Ministry and the Chamber.

In the event of death of a licenced certified auditor, he/she shall be ex officio removed from the register.

The Chamber ex officio deletes a licensed certified auditor from the register within 30 days from the expiration of the period for which the license was issued, unless an application has been submitted for the license issuance.

## Removal from the register of imposed remedies

### Article 72

Imposed remedies referred to in Articles 81 and 94 in this Law shall be removed from the register upon expiration of 5 years from enactment of the decision on imposing thereof.

By exception from para. 1 of this Article, the license revocation measure imposed on an audit firm, a sole practitioner and a licenced certified auditor shall be deleted from the register upon expiration of 10 years from enactment of the decision on imposing thereof .

## Public character of the Chamber's work

### Article 73

The Chamber is obliged to inform the public about all matters within its remit.

The Chamber is obliged to inform the Ministry and Commission about disciplinary procedures conducted against the Chamber's members before the Chamber's competent bodies.

If a disciplinary procedure reveals a suspected fraud, the Chamber shall inform the competent judicial authority thereof.

The Chamber is obliged to submit the required information about the established facts on the request of the authorities referred to in para. 2 and 3 of this Article.

## Supervision of the Chamber's operations

### Article 74

Supervision of the lawfulness of the Chamber's operations and enactments shall be performed by the Ministry.

Supervision over operations referred to in Article 57, para. 1 of this Law, within the scope regulated by this Law, shall be performed by the Ministry and the Commission.

When conducting supervision referred to in para. 1 and 2 in this Article, the Ministry and the Commission can demand from the Chamber appropriate reports and data and they can directly inspect the Chamber's operations.

The Chamber is obliged to deliver to the Ministry and the Commission the reports and data referred to in para. 3 in this Article within 30 days from the date the data was requested, unless the Ministry or the Commission set a shorter period.

When conducting supervision of public autorizations of the Chamber, the provisions of the Law governing state administration shall apply.

## VI. PRACTICE QUALITY REVIEW OF AUDIT FIRMS, SOLE PRACTITIONERS AND LICENSED CERTIFIED AUDITORS

### Subject of control

#### Article 75

The Commission shall perform practice quality reviews of audit firms, sole practitioners and licensed certified auditors in order to check whether audit is performed according to ISAs and the provisions of this Law.

Quality review and the manner of conducting practice quality review shall be proportional to the complexity of work performed by an audit firm or a sole practitioner, which shall be additionally regulated by the Commission's bylaws and enactments.

Quality control for audit work shall be performed in an objective manner in the procedure that does not include any conflict of interest between the persons performing the practice quality review and audit firms, sole practitioners and licensed certified auditors.

The process of practice quality review entails implementation of the provisions of the Law governing general administrative procedure, unless otherwise stipulated by this Law.

In order to perform practice quality review referred to in para. 1 of this Article, the Commission enacts a methodology for quality review of the performed audits, quality review of the practices of audit firms, sole audit practitioners and licensed certified auditors.

### Practice quality review procedure

#### Article 76

Practice quality review is performed through:

- 1) Monitoring, obtaining and verifying the financial statements and information that audit firms, sole practitioners, and licensed certified auditors submit to the Commission in accordance with this Law;
- 2) Performing review of operations of audit firms and sole practitioners;
- 3) Imposing remedial measures in the procedure of practice quality review, in accordance with this Law;

Review of operations of audit firms and sole practitioners referred to in para. 1 item 2) of this Article involves:

- 1) Review of internal quality control system;
- 2) Verification of the independence of the licensed certified auditor, the sole practitioner and the audit firm in relation to the audited entity;
- 3) Verification of compliance of audit procedures with the Law and ISAs;
- 4) Quality assessment regarding the resources deployed (members of the audit team and working hours);
- 5) Review of fees calculated and charged for audit services;
- 6) A direct review of the quality of work of a licensed certified auditor.

By reviewing the internal quality control system of an audit firm from para. 2 item 1) of this Article it is determined whether the audit firm and sole practitioner have appropriate guidelines and procedures in place for:

- 1) assuming responsibilities for quality of the conducted work within the firm;
- 2) compliance with the ethical requirements;
- 3) acceptance and continuance of audit client relationships and relationship with the users of other services;
- 4) assignment of audit teams;
- 5) performing audit in accordance with the Law and ISAs;
- 6) ensuring that the guidelines and procedures associated with internal quality control procedures function successfully and are complied with in practice.

A direct quality review of the work of a licensed certified auditor referred to in para. 2, item 6) of this Article shall be carried out by reviewing the entire working documentation on the audit performed with at least one auditee.

Persons performing quality reviews are required to provide the required number of selected audit documents or test samples in order for the subject review to be comprehensive and of good quality, by applying ISAs and requirements related to the independence of their work in accordance with Article 29 of this Law.

## Regular and extraordinary practice reviews

### Article 77

Regular practice quality reviews of audit firms shall be performed in accordance with the annual practice review plan for audit firms, sole practitioners and licensed certified auditors, which shall be adopted by the Commission.

Based on the risk assessment, the Commission performs a regular quality review of the practice of audit firms and sole practitioners at least once every six years, and with an audit firm that audits public interest entities at least once in three years.

The quality review referred to in para. 2 of this Article can be performed more frequently, especially in audit firms or sole practitioners who have been imposed remedy measures in previous quality review procedures or audit firms where high-level risks have been assessed as a result of the risk assessment referred to in para. 2 of this Article.

The Commission shall notify audit firms and sole practitioners in writing about the practice quality review of before commencement of the quality review.

Extraordinary quality reviews of audit firms may be initiated by the Commission upon receiving a notification from the National Bank of Serbia, the Chamber, competent courts and other authorities that there is a reasonable doubt that an audit firm does not perform audit in accordance with this Law and ISAs, or if they identify omissions and irregularities in the auditors' reports and practices of audit firms.

Extraordinary quality reviews referred to in para. 1 of this Article may also be initiated by the Commission if, within the scope of its competence defined by the Law, it determines that an audit firm does not perform audit in accordance with this Law and ISAs, as well as at the proposal of shareholders and equity interest holders of the audit firm.

The Commission shall establish the procedures for receiving and acting on the notifications referred to in para. 5 and 6 of this Article, in accordance with the Law governing the protection of personal data.

## Persons performing the practice quality review

### Article 78

Quality review of the practices of audit firms, sole audit practitioners and licensed certified auditors shall be performed by full-time permanent employees of the Commission, who are licensed certified auditors with minimum 5 years of experience in auditing.

Persons performing the practice quality review referred to in paragraph 1 of this Article are not allowed to perform quality reviews of audit firms or sole audit practitioners, where at least three years prior to the practice quality review, they held ownership interest, or participated in governance thereof, or were employed by those or otherwise related to those audit firms or sole practitioners.

Persons performing the practice quality review referred to in paragraph 1 of this Article shall declare, before each quality review, that there is no conflict of interest between them and the audit firm, sole practitioner or the licensed certified auditor that is subject to the practice quality review.

Persons performing the practice quality review referred to in paragraph 1 of this Article shall complete additional training according to the program established by the Chamber.

The Commission may engage experts in cases of specific tasks or audits of high-risk public interest entities when necessary for their adequate completion. In such a case, the experts cannot be involved in the Commission's decision-making.

In case of hiring an expert, the Commission shall ensure that there is no conflict of interest between the expert and the licensed certified auditor, i.e., the subject of the audit as referred to in paragraph 3 of this Article. The hired expert must sign a declaration of non-existence of conflict of interest as referred to in paragraph 3 of this Article. The expert must have at least seven years of experience in auditing of financial statements, of which at least two years of experience in auditing of public interest entities.



## Obligations of the Audit Firms and the Sole Practitioners during the Review Procedures

### Article 79

The audit firm or the sole practitioner subject to the practice quality review is obligated to allow the authorized Commission's reviewer to inspect the auditor's reports, working papers and other documents underlying the auditor's reports .

The audit firm, or the sole practitioner subject to the practice quality review is obligated to enable quality review in its headquarters at the request of the authorized Commission's reviewer.

## Protocol on the Performed Practice Quality Review

### Article 80

A protocol shall be composed on the performed practice quality review, which shall include significant findings and conclusions.

A protocol on the practice quality review of an audit firm, or the sole practitioner shall be submitted to the audit firm, i.e. sole practitioner.

Once a year, the Commission shall publish the total results of the practice quality review of the audit firms and sole practitioners on its website.

## Measures in the Procedure of the Practice Quality Review of Audit Firms and Sole Practitioners

### Article 81

If, during the quality review procedure, it is determined that the audit firm, i.e. sole practitioner, does not comply with the provisions of this Law and other auditing regulations, the following measures can be imposed/applied:

- 1) Order elimination of the determined irregularities;
- 2) Issue a public reprimand;
- 3) Conditionally revoke the audit license;
- 4) Issuing a temporary injunction, for a maximum period of three years, by which the audit firm and sole practitioner shall be prohibited from performing statutory auditing.

- 5) Issue a temporary injunction, for a maximum period of three years, by which the founder (member) or a member of the audit firm's governing body, or the founder (member), or a member of the governing body of a public-interest entity, shall be prohibited from performing functions in the audit firm, or the public-interest entity;
- 6) Revoke the audit license;
- 7) Issue a fine.

The Commission shall issue a decision stating the measures referred to in paragraph 1, items 1,2,3,6 and 7 of this Article.

The decision referred to in the paragraph 2 hereof shall be final. An administrative dispute may be initiated.

The decision on imposing measures referred to in paragraph 2 of this Article shall be forwarded to the Chamber by the Commission, on the day following the date that the decision comes into force.

The Chamber is obligated to enter the decision on imposing the measure referred to in paragraph 2 of this Article in the Register of imposed measures without delay.

The measures referred to in the paragraph 1, items 4 and 5 of the Law are imposed by the court, within a misdemeanor procedure, in accordance with the law.

#### Guidelines for imposing measures

##### Article 82

The Commission is obligated to enact guidelines to be followed during the process of deciding which measures to impose while performing practice quality review of an audit firm, or a sole practitioner, and a licensed certified auditor, and, as a minimum, consider the following facts and circumstances:

- 1) Severity and the duration of the breach of the provisions of this Law and other rules of the auditing profession;
- 2) The degree of responsibility of the audit firm, or a sole practitioner, and licensed certified auditor for issued auditor's report;
- 3) Financial strength of the audit firm, or a sole practitioner, and licensed certified auditor;
- 4) The amount of proceeds acquired;

- 5) The level of cooperation of the audit firm, or a sole practitioner, and licensed certified auditor during the procedure of their practice quality review;
- 6) Previous measures imposed in accordance with this Law.

The Commission may take into account other facts and circumstances that can be of influence on the effectiveness of imposed measures.

#### Implementation of measures

##### Article 83

The Commission implements the measures from Article 81 and 94 of this Law as follows:

- 1) Directly;
- 2) In cooperation with other bodies;
- 3) By submitting motions or requests to the competent judicial authority.

The content of the decision on elimination of the determined irregularities

##### Article 84

The decision ordering the elimination of determined irregularities shall include:

- 1) Description of irregularities which are to be eliminated under the Decision
- 2) The deadline for delivering the report on elimination of irregularities that the audit firm, i.e. sole practitioner, is obligated to submit;
- 3) The method or manner of elimination of the irregularities;
- 4) Evidence of the elimination of irregularities that the audit firm, i.e. sole practitioner, is obligated to submit to the Commission.

#### Elimination of the determined irregularities

##### Article 85

The Commission shall order that the irregularities identified be remedied if:

- 1) the ownership and governance of the audit firm is not in accordance with the provisions of this Law, i.e. if the sole practitioner does not comply with Article 17 of this Law;
- 2) the audit firm or the sole practitioner does not comply with Articles 20 and 21 of this Law;

- 3) the audit firm does not release the transparency report in accordance with Article 24 of this Law;
- 4) the audit firm or the sole practitioner performs additional services contrary to Article 45 of this Law;
- 5) the audit firm or the sole practitioner does not submit reports and notifications referred to in Article 25 and Article 66, paragraph 2 of this Law;
- 6) the audit firm or the sole practitioner does not fulfil the conditions for issuance of the license to perform audit in accordance with this Law;
- 7) the audit firm or the sole practitioner does not comply with the provisions of this Law and by-laws adopted under this Law.

#### Report on elimination of the determined irregularities

##### Article 86

The audit firm, i.e. sole practitioner, shall address and eliminate the determined irregularities within no less than 15 days or more than 90 days and submit the report to the Commission, which shall include description of the measures taken, and enclosed evidence on the elimination of irregularities.

#### Public Reprimand

##### Article 87

The Commission shall issue a public reprimand if it is determined that:

- 1) the audit firm, i.e. sole practitioner, did not comply with the decision ordering elimination of the determined irregularities;
- 2) the license of the licensed certified auditor who performs auditing in the audit firm, or at the sole practitioner, was revoked;
- 3) the audit firm, i.e. sole practitioner, has violated the duty of timely and regular delivery of reports or notifications more than four times within the past two years, or in some other way hindered performance of the practice quality review;
- 4) the audit firm, i.e. sole practitioner, does not implement an adequate internal control in accordance with ISA, if it does not significantly affect the work of the audit firm, i.e. sole practitioner.

## Temporary injunction on statutory audit performance

### Article 88

The Commission issues a decision to temporarily ban performing statutory audit if:

- 1) the audit firm, i.e. sole practitioner, was issued a measure of public reprimand during the previous quality review, which has not been deleted from the register according to this Law;
- 2) the audit firm, i.e. sole practitioner, does not remedy and eliminate the determined irregularities, within an additional deadline set by the Commission;
- 3) the audit firm, i.e. sole practitioner, does not implement an adequate internal control system in accordance with ISA, if this significantly affects the performance of the audit firm.

The temporary prohibition referred to in paragraph 1 of this Article may be imposed for a maximum of three years from the date of issuing the decision on the imposition of the measure.

The audit firm, i.e. sole practitioner, may resume the statutory audit activities after the period for which the injunction was imposed has expired, with prior notice to the Commission that the statutory audit is resumed.

## Audit License Revocation

### Article 89

The Commission shall revoke the audit performance permit by a decision, as follows:

- 1) If it was issued based on the false data;
- 2) If the audit firm ceases to fulfil the conditions referred to in Articles 12, 13 and 15 of this Law, or if the sole practitioner has their audit license revoked and fails to fulfil the conditions within 60 days;
- 3) If the number of licensed certified auditors is reduced below the prescribed number, and the audit firm fails to increase the number of licensed certified auditors to the number prescribed by this Law within 3 months after the change in number, and fails to inform the Chamber and the Commission thereof;
- 4) If in the previous control the audit firm was issued a measure of temporary injunction on auditing, which has not been deleted from the register according to this Law;

5) If the audit firm or the sole practitioner fails to comply with the provisions of this Law and other regulations governing the audit of financial statements;

6) If the audit firm or the sole practitioner is prohibited from performing audit by a decision of the competent court;

7) If the audit firm or the sole practitioner does not have an internal control system in place in accordance with ISA or does not implement it;

8) If the audit firm or the sole practitioner does not comply with the regulations governing the prevention of money laundering and terrorism financing – following the proposal with an adequate rationale of the competent authority in charge of implementation of the said regulations;

The Commission shall submit the decision on audit license revocation to audit firm, or the sole practitioner, and when it becomes final and effective, to the Ministry, the Chamber and the Business Registers Agency as well.

In the event of audit license revocation of an audit firm in a member state, i.e. third country, the Commission shall act in accordance with Article 14, paragraph 6 of this Law.

In the event where the fulfilment of the conditions referred to in paragraph 1, item 2) of this Article depends on the completion of the proceedings before the competent authorities, the deadline shall be suspended until such proceedings are completed.

#### Conditional revocation of audit license

##### Article 90

The Commission may determine by a decision on conditional revocation of the audit license, that the license shall not be revoked if the audit firm, or the sole practitioner, that was imposed the measure, measure was imposed, does not commit a new violation of this Law upon auditing within the period which cannot be shorter than 6 months and longer than 2 years.

The Commission cancels the decision on the conditional revocation of the audit license and revokes the license if the audit firm, or the sole practitioner, that has been imposed the measure of conditional revocation of the audit license, commits a new violation of this Law upon auditing, within the period determined by the decision referred to in paragraph 1 of this Article.

## Prohibition to the founders and members of the audit firm's governing bodies

### Article 91

The founder (member) of the audit firm or a member of the the audit firm's governing body may be, in the context of the article 81, paragraph 1, item 4 of the Law, temporarily prohibited from performing the function in that company if the company does not comply with Article 45 of this Law.

## Prohibition to the founders and members of the governing body of a public-interest entity

### Article 92

The founder (member) of the public-interest entity or a member of its governing body may be, in the context of the article 81, paragraph 1, item 5 of the Law, temporarily prohibited from performing their function if the entity does not comply with Article 36 of this Law, unless otherwise provided by specific regulations.

## Fine

### Article 93

The Commission may, by decision, impose a fine on an audit firm up to 10 percent of the revenue generated from the audit services of financial statements in the previous financial year for actions that make it possible to impose the measures referred to in Article 81, paragraph 1, item. 1) - 6) of this Law.

The measure referred to in paragraph 1 of this Article may also be imposed together with the measures referred to in Article 81, paragraph 1, item. 1) - 6) of this Law.

The decision referred to in paragraph 1 of this Article, after being submitted to the audit firm, shall be an enforceable document.

The fine referred to in paragraph 1 of this Article shall be paid to the Commission's account.

## Measures in the procedure of the practice quality review of licensed certified auditors

### Article 94

If, in the procedure of practice quality review, the Commission determines that a licensed certified auditor does not comply with the provisions of this Law and other rules of auditing, it may undertake the following measures:

- 1) Issue a warning;
- 2) Issue a public reprimand;
- 3) Issue a conditional revocation of audit licence;
- 4) Revoke the license;
- 5) Issue a fine.

The decision referred to in paragraph 2 of this Article is final, but an administrative procedure may be instigated against it.

The Commission shall submit the decision on imposition of the measure referred to in paragraph 2 of this Article to the Chamber, on the day following the date that this decision comes into force.

The Chamber is obligated to enter without delay the decision on imposition of the measure referred to in paragraph 2 of this Article in the Register of imposed measures.

Provisions from Articles 79, 80, and 89 of this Law shall be applied by the Commission during the process of practice quality review of licensed certified auditors.

### Warning

### Article 95

The Commission shall issue a warning to a licensed certified auditor if the licensed certified auditor does not comply with the rules of auditing in such a manner that it does not significantly affect the quality of the auditor's report.



## Public reprimand

### Article 96

The Commission shall issue a reprimand to a licensed certified auditor if:

- 1) The licensed certified auditor does not comply with the rules of auditing and when there are no conditions for license revocation or conditional license revocation;
- 2) If a warning was issued during the previous review, in accordance with this Law, and upon a repeated review it is established that the irregularities that were the basis for imposing the measure have not been eliminated and the reprimand has not been deleted from the register referred to in the Article 69 of this Law.

## Conditional license revocation

### Article 97

The Commission may, by a decision on conditional license revocation, decide that a license shall not be revoked if the person to whom such a measure was imposed does not commit a new violation of the provisions of this Law when performing audit, in the period specified in the decision.

The Commission cancels the decision on the conditional revocation of the audit license and revokes the license if the person, to whom the measure of conditional revocation of the audit license was imposed, commits a new violation of this Law upon auditing, within the specified period.

## License revocation

### Article 98

The Commission shall revoke the audit license from a licensed certified auditor:

- 1) If it was issued based on the false data;
- 2) If the person has been convicted for criminal offenses, according to Article 5 of this Law;

The Commission shall issue a decision and revoke the audit license if the licensed certified auditor:

- 1) does not comply with Articles 44 and 51 of this Law;
- 2) does not comply with the rules of auditing and if, due to that non-compliance, the signed auditor's report contains irregularities, i.e., it is misleading for the users of the auditor's report;
- 3) does not comply with the data confidentiality obligation;
- 4) does not comply with the provisions of this Law and ISA.

#### Fine

#### Article 99

The Commission may, by way of a decision, impose a fine on a licensed certified auditor up to the amount of 12 times the average amount he/she earned during the previous three months that precede the month that the fine is imposed, for the actions that make it possible to impose the measures referred to in Article 94, paragraph 1, item 1) – 4) of this Law.

The measure referred to in paragraph 1 of this Article may also be imposed together with the measures referred to in Article 94, paragraph 1, item. 1) - 4) of this Law.

The decision referred to in paragraph 1 of this Article, after submission to the licensed certified auditor, shall be an enforceable document.

The fine referred to in paragraph 1 of this Article shall be paid to the Commission's account.

#### Reporting irregularities in public-interest entities

#### Article 100

When a licensed certified auditor, i.e., an audit firm, conducting an audit of a public interest entity suspects that irregularities, including fraud in the part of the auditee's financial statements have occurred or may occur, it shall inform the auditee thereof and request to conduct investigative actions in respect thereof, and take the necessary measures that would have an effect on the identified irregularities and prevent them from recurring in the future.

If the auditee does not investigate the irregularities observed, the licensed certified auditor, i.e. audit firm, is obligated to notify the Commission.

The information on the irregularities referred to in paragraph 2 of this Article by a licensed certified auditor, i.e., audit firm, shall not be considered a breach of a confidentiality agreement with the auditee entity or any other legal restriction on disclosure of the information.

The licensed certified auditor, i.e., audit firm, shall notify the Audit Committee of the public-interest entity, the Chamber and the Commission in the following cases, when there is:

- 1) Significant violation of laws, regulations and administrative guidelines that specifically affect the governance of a public-interest entity;
- 2) Significant compromise or doubt of the ability of the public-interest entity continuing as a going concern;
- 3) Refraining from issuing opinions on the financial statements or issuing an adverse opinion.

## Exchange of Information

### Article 101

Once a year, the Commission informs the Committee of the European Supervisory Authorities of all measures imposed on audit firms, sole practitioners and licensed certified auditors. This information shall be included in the annual report of the Committee of the European Supervisory Authorities.

The Commission shall, without delay, inform the Committee of the European Supervisory Authorities about the revoked licenses of the audit firms, and licences of certified auditors for performing audit.

## VII PUBLIC OVERSIGHT OF AUDITING

### Commission

#### Article 102

The Commission conducts public oversight of auditing in accordance with this Law in order to protect the public interest in the work of the Chamber, audit firms, sole practitioners and licensed certified auditors.

The members of the Commission who make decisions with regard to implementation of this Law must be non-practitioners in accordance with this Law.

## Scope of Work

### Article 103

The Commission, within its competence regulated by this Law, shall oversee:

- 1) Implementing programs for taking, recognizing and organizing examinations for acquiring of the certified auditor title;
- 2) Determining and implementing the program for continuing professional development of licensed certified auditors;
- 3) Issuing, renewing and revoking licenses of certified auditors;
- 4) Issuing and revoking audit licences to audit firms and sole practitioners;
- 5) ISA implementation;
- 6) Implementation of the Code of Ethics for Auditors;
- 7) Conducting investigative, disciplinary and other proceedings conducted by the Chamber.

The Commission performs other activities in accordance with this Law.

The Commission cooperates with the Chamber, supervisory authorities in the Republic of Serbia, supervisory authorities of member states and with third country supervisory authorities.

## Method of Work

### Article 104

The Commission shall perform activities referred to in Article 103, of this Law by:

- 1) Providing approvals and opinions on the Chamber's bylaws in accordance with this Law, monitoring implementation of those bylaws and proposing their amendment;
- 2) Reviewing the annual report on the work of the Chamber, which the Chamber is obligated to submit within 30 days from its adoption by the Assembly.

## Oversight procedure measures

### Article 105

If the Commission finds that there is a reasonable doubt that certain unlawful activities and irregularities have occurred in the work of the Chamber, it may:

- 1) Request reports and other information on the determined irregularities;
- 2) Impose measures for their elimination;

- 3) Propose initiating a procedure for determining responsibility of the Chamber's bodies, i.e. employees;
- 4) Take other measures within its remit.

#### Financing of the Commission's Activities Entrusted by the Law

##### Article 106

The Commission shall obtain funds for work from:

- 1) Specific contribution for performing practice quality review of audit firms;
- 2) Fees from other sources in accordance with the Law.

The Commission passes an act which regulates the specific contribution referred to in paragraph 1 item 1) of this Article upon previously obtained consent from the Ministry.

#### Rules of Procedure, Program and Report on the Commission's Work

##### Article 107

The Commission passes rules of procedure which stipulate the manner of its work in performance of the activities it is entrusted by this Law.

The Commission publishes an annual program of activities and annual report on the activities performed on its internet website.

The Commission submits the annual report to the Ministry, and reports to the Ministry on implementing the activities defined by this Law at least twice annually.

#### Public Audit Oversight Committee

##### Article 108

The Public Audit Oversight Committee (hereinafter: the Public Oversight Committee) provides expert assistance to the Commission in implementation of the provisions of this Law.

The Public Oversight Committee shall review and approve the general and individual bylaws adopted by the Commission within the limits of competences determined by this Law.

The Public Oversight Committee has a chairman and six members.

The members of the Public Oversight Committee are appointed and relieved of duty by the Government, as follows:

- 1) The president and four members - at the proposal of the Minister in charge of finance;
- 2) One member - at the proposal of the National Bank of Serbia;

3) One member - at the proposal of the Securities Commission.

As a member of the Public Oversight Committee a person may be proposed who:

1) Has obtained higher university degree in the area of Economics or Law at the second degree studies in accordance with the Law regulating university education, or undergraduate studies with the duration of at least four years.

2) Has at least five years of working experience in managing positions in the field of accounting, audit, finances or law, or eight years of working experience in those fields;

3) Has not been convicted for criminal offenses, within the meaning of Article 5 of this Law;

One member of the Public Oversight Committee referred to in paragraph 4, item 1) of this Article must be a representative of the Chamber, but cannot make decisions according to this Law.

The president and members of Public Oversight Committee referred to in paragraph 4, item 1) of this Article can be appointed among the civil service employees in office, i.e. appointed persons.

Members of the Public Oversight Board shall be elected for a tenure of four years, and these persons may not be re-elected more than once.

Members of the Public Oversight Board make decisions independently and autonomously.

The amount of remuneration for the work of the President and members of the Public Oversight Board is determined by the Government at the proposal of the Ministry.

Professional and administrative tasks for the purposes of the Public Oversight Board are performed by the Commission.

## Mutual Recognition of Public Oversight Regulations

### Article 109

The Commission and the competent public oversight bodies in the member states in which the audit firms or certified auditors have been licensed, i.e., have obtained a licence to perform audit, or are registered for performing these activities, shall mutually recognise the regulations governing the method of work and oversight of audit firms and licensed certified auditors.

An audit firm licensed in accordance with this Law and performing audit in another member state (the host member state) shall be subject to the quality review of the internal quality control system in accordance with this Law, as well as the quality review of the audit practice performed in the host member state over the audit performed in that country.

In case of a statutory audit of consolidated financial statements, the audit firm performing statutory audit in the member state, i.e. the auditor of the member state performing statutory audit of a subsidiary established in that member state, may not be subjected to additional statutory audit requirements related to registration, practice quality review, accounting standards, professional ethics and independence.

In case of a statutory audit of financial statements of a business entity headquartered in a member state, whose securities are traded on the regulated market of the Republic of Serbia in accordance with the regulations governing the capital market, the audit firm, i.e., the audit firm of the member state which is registered for performing statutory audits in accordance with this Law, which performs statutory audits, no additional requirements may be imposed on with respect to statutory audits in relation to registration, practice quality review, auditing standards, professional ethics and independence.

A third country audit firm or a third country auditor licensed to perform audit in accordance with this Law shall be subject to the system of practice quality review and public oversight in accordance with this Law.

## Data protection

### Article 110

The Commission and the Public Oversight Committee are obligated to protect as classified all the data, facts, and circumstances obtained during performance of business operations in accordance with the provisions of this Law.

The provision in paragraph 1 of this Article shall be applied to employees and former employees of the Commission and other persons who had access to classified data while working for the Commission.

Trade secrets, in the context of the paragraph 1 of the Article, shall be protected in accordance with this Law, unless otherwise stipulated by specific regulations.

Provisions of this Law shall not be applicable to the members of the Commission and the Chamber when it comes to the exchange of data and cooperation with the competent authorities of the member states related to the activities in accordance with this Law.

The method and conditions for the exchange of data, audit documentation and other documents shall be determined by the Commission in its general regulations.

Provision of paragraph 4 of this Article shall be applicable to the exchange of data with a third country's competent authorities, provided that the mutual cooperation agreement has previously been concluded.

## VIII INTERNATIONAL COOPERATION

### Cooperation with Member States

#### Article 111

The Commission shall provide assistance, provide information and cooperate with competent authorities of member states responsible for approval, registration, practice quality review and oversight of auditors, i.e., audit firms of member states.

Members of the Commission are obligated, even after the end of their membership, to preserve as confidential the data that were obtained through cooperation with competent authorities referred to in paragraph 1 of this Article.

After receiving the request of the competent authorities of member states for delivery of information, the Commission shall deliver all of the required information without any delay.

The Commission shall take actions necessary for collecting the required information.

If the Commission is unable to obtain the required information, it shall report on the reasons for this inability to the competent authority that filed the request.

The Commission may reject the request for the information delivery, as follows:

1) If the disclosure of the information may be unfavourable for the sovereignty, safety or public order of the Republic of Serbia;

2) If judicial proceedings have already been instigated before the authorities of the Republic of Serbia related to the same activities against the audit firms, sole practitioners and licensed certified auditors;



3) If the competent authorities of the Republic of Serbia have already passed the final judgment against the entities or persons referred to in item 2) of this paragraph for the same activities.

If the Commission receives the information from other competent authorities, this information may only be used for performing its work based on this Law and within the administrative and judicial proceedings related to it.

#### Commission's Actions

##### Article 112

If in the oversight procedure it is determined that audit firms, independent auditors and licensed certified auditors perform or have performed activities contrary to the provisions of this Law in the territory of another member state, the Commission shall inform the competent authority of the member state thereof.

If the Commission receives a notification from the competent authority of the member state that the audit firms, sole practitioners and licensed certified auditors perform or have performed activities in the territory of the Republic of Serbia contrary to the provisions of this Law, it shall take measures in accordance with this Law and notify on this matter the authority which has delivered the notification.

If the competent authority of the member state demands conduct of practice quality review of audit firms, sole practitioners and licensed certified auditors in the Republic of Serbia, the Commission may reject the request for conduct of the quality review or request for participation of competent authority representative of another member state in the review:

1) If such a review could adversely affect sovereignty, safety or public order in the Republic of Serbia;

2) If judicial proceedings have already been instigated before the authorities in the Republic of Serbia related to the same activities against the audit firms, sole practitioners and licensed certified auditors;

3) If the competent authorities of the Republic of Serbia have already passed the final judgment against the entities/persons referred to in item 2) of this paragraph for the same activities.

In the case referred to in paragraph 3 items 2) and 3) of this Article, the Commission shall inform the competent authorities of the member states on the initiated procedures and judgments.

## Cooperation with Third Countries

### Article 113

The Commission may allow that the working documentation or other documents in the possession of licensed certified auditors, independent auditors and audit firms, be delivered to the competent authorities of third countries provided that:

1) The working documentation or other documents related to auditing of financial statements and consolidated financial statements of firms that have issued securities in a third country or that constitute a part of a group preparing consolidated financial statements;

2) The transfer of working documentation shall occur through the Commission towards the competent authorities of third countries solely upon request of the competent authority of the third country;

3) The conditions referred to in paragraph 2 of this Article are fulfilled;

4) There is a concluded agreement on cooperation between the Commission and the competent authority of the third country;

5) The transfer of personal data to the third country shall be performed in accordance with the provisions of Article 111 of this Law and the law on the personal data protection;

6) The competent authorities of third countries shall fulfil the conditions prescribed by the European Commission for the purpose of improving cooperation among competent authorities.

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

1) Explanation of the request for the delivery of working documentation and other documents;

2) Provisions on the obligation of protection of confidential data by the persons who are employed or have been employed at the competent authorities of the third country;

3) Provisions on the obligation to use the working documentation and other documents by the competent authorities of the third country only for conducting oversight and practice quality review in accordance with Articles 14-16, Articles 65-72 and Articles 75-101 of this Law.

The Commission may refuse the request of the competent authority of the third country, as follows:

1) If the delivery of the working documentation, or documents has unfavourably affected sovereignty, safety and public order in the Republic of Serbia;

2) If judicial proceedings have already been instigated before the authorities of the Republic of Serbia related to the conduct of public oversight and practice quality review of audit firms, sole practitioners and licensed certified auditors;

3) If the competent authorities of the Republic of Serbia have already passed the final judgment in judicial proceedings related to conduct of public oversight and practice quality review.

Notwithstanding paragraph 1 of this Article, the Commission may allow the licensed certified auditors, sole practitioners and audit firms, to deliver their working documentation and other documents directly to the competent authorities of the third country, provided that:

1) The documentation shall be used for the purpose of initiating procedures by the competent authorities of the third country;

2) The delivery of the documentation is not contrary to the obligations that the licensed certified auditors, sole practitioners and audit firms are required to comply with;

3) There is an agreement on cooperation with competent authorities of the third country which provide direct access to the working documentation and other documents to the competent authorities of the Republic of Serbia;

4) The competent authority of the third country filing a request shall inform in advance the Commission on every direct request for the delivery of the working documentation, or other documents, by stating the reasons for this;

5) The conditions referred to in paragraph 2 of this Article are met.

The Commission shall inform the European Commission on cooperation referred to in paragraphs 1 and 4 of this Article.

## IX PENALTY PROVISIONS

### 1 Commercial offences

#### Article 114

Commercial offences shall be penalised with fines in the amount of RSD 300,000 up to RSD 3,000,000 for an entity:

- 1) that does not comply with Article 14 paragraph 3 of this Law;
- 2) that is subject to audit, if it does not opt for an audit firm in the manner and within the deadline as referred to in Article 32 of this Law;
- 3) that is subject to audit, if it does not comply with the provisions of Article 36 of this Law;
- 4) that does not comply with the Article 54, paragraph 1 of this Law;
- 5) that, as a public-interest entity, has not founded the Audit Committee pursuant to Article 53 of this Law.

For the activities referred to in paragraph 1 of this Article, the responsible person of the entity shall also be penalised with the fine in the amount from RSD 20,000 up to RSD 200,000 for the commercial offence.

#### Article 115

The Chamber shall be penalised for a commercial offence with the fine in the amount from RSD 300,000 up to RSD 3,000,000:

- 1) If it fails to obtain consent in accordance with the provisions of Article 10, paragraph 2 and Article 57, paragraph 3 of this Law;
- 2) If it fails to perform activities prescribed by the provisions of Article 57 of this Law;
- 3) If it fails to submit the annual financial statements and the annual report on activities in accordance with Article 58, paragraph 1, item 7) of this Law;
- 4) If it does not comply with Article 59 of this Law;
- 5) If it fails to publish documents in the manner prescribed by the provisions of Article 63 of this Law;
- 6) If it does not comply with Article 65, paragraph 2, item 3) of this Law;

For the activities referred to in paragraph 1 of this Article, the responsible person of the Chamber shall be penalised with the fine in the amount from RSD 20,000 up to RSD 200,000 for a commercial offence.

## Misdemeanor Offences

### Article 116

Legal entities referred to in Article 48 of this Law shall be penalised with the fine in the amount from RSD 100,000 up to RSD 2,000,000 for misdemeanor offence, if they do not comply with provisions of that Article.

The natural person, referred to in Article 48 of this Law, as well as the representatives of the legal entity, referred to in paragraph 1 of this Article, if they fail to comply with the provisions of that Article, shall be penalised with the fine in the amount from RSD 50,000 to RSD 150,000.

## X TRANSITIONAL AND FINAL PROVISIONS

### Public Oversight Board

#### Article 117

The Audit Public Oversight Board, established in accordance with the Law on Auditing (Official Gazette of RS, Nos. 62/13 and 30/18), shall continue to operate as the the Public Oversight Board, in accordance with the provisions of this Law.

### Commission

#### Article 118

The Commission is obligated to enact bylaws and take over the competences assigned to it by the provisions of this Law within one year from the day this Law enters into force.

The agreement between the Commission and the Chamber shall further regulate the matters of takeover of employees engaged on the practice quality review, documentation, devices and equipment necessary for the implementation of the competencies established by this Law.

### The Chamber

#### Article 119

The Chamber, established in accordance with the Law on Accounting and Auditing (“RS Official Gazette”, Nos. 46/06, 111/09 and 99/11 – the other law), shall continue to operate in accordance with the provisions of this Law.

The Chamber is obligated to harmonise the existing bylaws and adopt new ones in accordance with the provisions of this Law within one year from the day this Law enters into force.

#### License Validity Period and Business Operation Harmonisation

##### Article 120

Audit firms are obligated to harmonize their operations with the provisions of this Law within one year from the date of its entry into force at the latest and to inform the Commission and the Chamber thereof.

In case an audit firm fails to submit the information referred to in the paragraph 1 of this Article within 90 days from the expiry of the deadline specified in the same paragraph, the Chamber shall delete ex officio the audit firm from the register.

#### Professional titles and licences

##### Article 121

Persons who have obtained a certificate or a decision on the title of the certified auditor, by taking and passing the required examination under the program of the Federal Government until the date that this Law enters into force shall be recognized as certified auditors in accordance with this Law.

Persons who have obtained a certificate or a decision on the title of the certified auditor until the date that this Law enters into force, without passing the required examination in accordance with the Law on Auditing of Financial Statements ('Official Gazette of the Republic of Serbia', Nos. 30/96, 74/99, 1/00 and 71/01), shall be recognized as certified auditors, in accordance with this Law.

Persons who have acquired the professional title of the certified auditor, or certified internal auditor in accordance with the Law on Accounting and Auditing ('Official Gazette of the Republic of Serbia', Nos. 46/06, 111/09 and 99/11 - Law) and the Law on Auditing ('Official Gazette of the Republic of Serbia', Nos. 62/13 and 30/18) until the date that this Law enters into force shall be recognized as certified auditors, or authorized internal auditors, in accordance with this Law.

Licenses issued to certified auditors in accordance with the Law on Auditing ('Official Gazette of the Republic of Serbia', Nos. 62/13 and 30/18) shall be valid until their expiry date.

## Commenced Procedures

### Article 122

Persons who have commenced taking the examination under the Chamber's program for the acquisition of a license for the certified auditor and certified internal auditor until the date that this Law enters into force may take the remaining exams under the program under which they have commenced the examination.

According to the requests for issuing the license, i.e., the permit for performing audit, which were submitted until the date that this Law enters into force shall be resolved in accordance with the regulations effective until the date that this Law enters into force.

The procedures applicable to audit quality review, as well as those related to imposing measures, that commenced prior to the the Commission's bylaws coming into force, referred to in Article 118 of this Law, shall be settled under the regulations effective until the date that this Law enters into force.

## Deletion of Imposed Measures

### Article 123

The provisions of Article 72 of this Law, in respect of the deadline for deletion of the imposed measures, shall be applicable to the measures imposed prior to the date of this Law coming into force, in accordance with the Law on Audit (Official Gazette of RS, Nos. 62/13 and 30/18).

## Calculating the time to replace a licensed certified auditor

### Article 124

The deadline for replacement of the audit firm or the certified auditor who is the signatory of the audit report within the meaning of Article 50 of this Law, shall commence from the first audit of the financial statements with the same auditee, starting from the day this Law enters into force.

## The Effects of Accession of Serbia to the European Union

### Article 125

From the date of the accession of the Republic of Serbia to the European Union, the provisions of Article 24, Article 30, Article 33, paragraph 8, Article 34, Article 37, paragraph 7, Article 40, Article 42 paragraph 4, article 45, Article 50, Article 52, paragraph 3, Article 76 and 77, paragraphs 2 and 3, Article 78, paragraphs 2, 4, 5 and 6, Article 83 and Article 100 of this Law, which refer to audit firms that perform audits of public-interest entities, as well as to conducting quality review of audit and public oversight in the part regulated by the Regulation on the specific requirements regarding statutory audit of public-interest entities (Regulation (EU) No, 537/2014) shall cease to apply.

From the date of accession of the Republic of Serbia to the European Union, the Regulation on specific requirements regarding statutory audit of public-interest entities (Regulation (EU) No. 537/2014) shall be applicable to audit firms performing audits of public-interest, as well as to the practice quality review and public oversight of those audit firms. Up to the date of accession of the Republic of Serbia to the European Union, cooperation with member states, auditors and audit firms of member states shall be governed by the provisions governing cooperation with third countries, that is, the provisions related to auditors and audit firms of third countries.

Provisions of Article 7, paragraph 16, Article 14, paragraph 6, Art. 67, Art. 101, 109 and 110 paragraph 4, Art. 111 and 112, as well as Article 113, paragraph 1, item 6) and paragraph 5 of this Law shall be applicable from the date of accession of the Republic of Serbia to the European Union.

### Implementation of the previously enacted bylaws

#### Article 126

Prior to the commencement of implementation of the bylaws enacted under this Law, the bylaws enacted under the Law on Audit ('Official Gazette of RS', nos. 62/13, and 30/18 – the other law) shall apply.



Article 127

Cease of the Regulations Effect

On the date that this Law enters into force, the Law on Auditing of the Republic of Serbia (Official Gazette of RS, Nos. 62/13 and 30/18) shall cease to have effect.

Final Provision

Article 128

This Law shall enter into force on January 1, 2020.