

Independent Financial Audit Act

DECREE No 375

On the grounds of Art. 98, p. 4 of the Constitution of the Republic of Bulgaria,

I hereby ORDER:

the promulgation in the State Gazette of the Independent Financial Audit Act, as adopted by the 43rd National Assembly on 15 November 2016.

Issued in Sofia on 22 November 2016.

President of the Republic: **Rosen Plevneliev**

Sealed with the State Seal.

Minister of Justice: **Ekaterina Zaharieva**

Independent Financial Audit ACT

PART ONE

GENERAL PROVISIONS

Chapter One

SUBJECT, SCOPE AND DEFINITIONS

Subject

Art. 1. This Act shall govern:

1. the objective, scope and principles of the independent financial audit carried out by registered auditors, hereinafter referred to as “financial audit”;

2. the professional standards for the organization, documentation and performance, as well as attestation of the results of the financial audit, hereinafter referred to as the “applicable auditing standards”;

3. getting the qualification and acquiring the legal capacity to practice as a certified public accountant;

4. getting the qualification, acquiring the legal capacity to practice and practicing the auditing profession by registered auditors;

5. the rights and obligations of registered auditors;

6. the legal status and functions of the Commission for Public Oversight of Statutory Auditors, hereinafter referred to as “the Commission”;

7. the legal status and functions of the Institute of Certified Public Accountants (ICPA);

8. the activities of audit committees in public-interest entities.

Financial audit objective

Art. 2. The objective of financial audit shall be to increase the level of confidence of financial statements users by expressing an audit opinion on whether those statements have been prepared in all material respects in accordance with the applicable financial reporting framework.

Financial audit

Art. 3. (1) Financial audit shall mean the performance of a range of required and interrelated procedures determined by the applicable auditing standards on the basis of which the audit opinion is formed.

(2) In expressing the audit opinion, the type of the applicable financial reporting framework shall be taken into account.

Financial audit subject

Art. 4. Subject of the financial audit shall be:

1. the annual or interim, separate or consolidated financial statements prepared in accordance with the applicable financial reporting framework;

2. other financial statements or financial information.

Applicable reporting frameworks

Art. 5. (1) An applicable financial reporting framework may be:

1. a general purpose financial reporting framework regulating general purpose financial statements for a wide range of users;

2. a special purpose financial reporting framework regulating financial statements for specific users.

(2) A general purpose financial reporting framework may be:

1. a fair presentation framework which shall contain at least one of the following acknowledgements:

a) acknowledges explicitly or implicitly that, to achieve fair presentation of the financial statements, it may be necessary for audited entity's management to provide additional disclosures;

b) acknowledges explicitly that, to achieve fair presentation of the financial statements, it may be necessary for audited entity's management to depart from a requirement of the framework;

2. a compliance framework which does not contain the acknowledgements referred to in p. 1 above.

Statutory audit and voluntary audit

Art. 6. (1) The financial audit shall be statutory audit or voluntary audit.

(2) Statutory audit shall be the audit of annual financial statements insofar as required by the legislation or EU law.

(3) Voluntary audit shall be any audit other than a statutory audit.

Registered auditors

Art. 7. (1) Financial audit shall be carried out by registered auditors that have been entered into the register under Art. 20.

(2) Registered auditors within the meaning of this Act shall comprise:

1. natural persons;

2. audit firms.

(3) An audit firm shall be a business entity registered under Art. 64, paragraph 1(1), (2) or (3) of the Commerce Act or under the legislation of another EU Member State, having as its principal activity carrying out financial audits of entities' financial statements, where 75% of the members of its management body are registered auditors under this Act or are other EU Member State registered auditors, is of good repute, and is:

1. a partnership where more than half of the partners are registered auditors under this Act or under the legislation of other EU Member States;

2. a limited partnership where more than half of the general partners having unlimited liability are registered auditors under this Act or under the legislation of other EU Member States;

3. a limited liability company where more than half of the voting rights in the general meeting of shareholders and in the capital are held by registered auditors, auditors and/or audit firms from other EU Member States.

Modes of practicing the auditing profession

Art. 8. (1) The right to practice the auditing profession shall be exclusive and shall be exercised:

1. directly:

a) as a natural person;

b) through participation in a business entity meeting the requirements for an audit firm laid down in Art. 7;

c) under employment contract with an audit firm or a business entity meeting the requirements for an audit firm laid down in Art. 7;

d) under contract law agreement with an audit firm or a business entity meeting the requirements for an audit firm laid down in Art. 7;

2. through participation in an audit firm which has been entered as a registered auditor in the register under Art. 20;

3. through participation in a Civil Law partnership under the Obligations and Contracts Act.

(2) A registered auditor may not practice the auditing profession through participation in more than one business entity and/or audit firm.

Professional standards

Art. 9. (1) A registered auditor shall pursue his/her/its professional activities within the territory of the country complying with the principles and requirements of the auditing standards applicable as at the date of accepting the relevant audit engagement.

(2) The applicable auditing standards shall be the International Standards on Auditing, the International Standard on Quality Control and the other international pronouncements issued by the International Federation of Accountants through the International Auditing and Assurance Standards Board.

(3) A registered auditor may provide services other than statutory financial audit and related services applying the requirements of other auditing standards where the audit engagement has been accepted on the basis of those other standards.

Professional ethics

Art. 10. In pursuing his/her/its professional activities, a registered auditor shall apply the principles and requirements of the Code of Ethics for Professional Accountants issued by the International Federation of Accountants through the International Ethics Standards Board for Accountants and adopted by ICPA, hereinafter referred to as the Code of Ethics.

Professional secrecy

Art. 11. A registered auditor, audit team members, and any individuals working for the registered auditor shall comply with the obligation of professional secrecy for the information of which they have become aware in the course of, or in connection with, the performance of the audit engagement, except where the disclosure of this information is required for the purposes of judicial proceedings or by law.

Public oversight of registered auditors

Art. 12. (1) Public oversight of registered auditors shall be carried out by the Commission.

(2) The oversight under paragraph 1 shall be carried out in accordance with the requirements of this Act and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (OJ, L 158/77 of 27 May 2014), hereinafter referred to as “Regulation (EU) No 537/2014”, over:

1. the professional activities of registered auditors;
2. the activities of ICPA in the cases referred to in this Act;

3. the activities of audit committees in public-interest entities.

(3) The Commission shall be the competent authority for the regulation and oversight of registered auditors in the Republic of Bulgaria.

Chapter Two

GETTING THE QUALIFICATION AND ACQUIRING THE LEGAL CAPACITY TO PRACTICE AS A CERTIFIED PUBLIC ACCOUNTANT AND A REGISTERED AUDITOR. RECOGNITION OF THE QUALIFICATION AND THE LEGAL CAPACITY OF EU REGISTERED AUDITORS AND THIRD-COUNTRY AUDITORS

Eligibility requirements for application

Art. 13. (1) A person of good repute may be a candidate aspiring to become a certified public accountant or a registered auditor.

(2) A candidate aspiring to get the qualification and acquire the legal capacity to practice as a certified public accountant shall have:

1. an accounting and economics education with a Master's degree and four years of practical professional experience;

2. an accounting and economics education with a Bachelor's degree and five years of practical professional experience;

3. other higher economics education and seven years of practical professional experience;

4. other higher education and ten years of practical professional experience.

(3) The practical professional experience referred to in paragraph 2 means a practical experience in the fields of accounting, internal audit, external audit, and financial inspection, practical experience in a National Revenue Agency body, as an inspector with the Commission or as a university lecturer in the fields of accounting, control or finance.

Requirement for primary examinations for a certified public accountant

Art. 14. (1) To become entitled to sit the examinations referred to in Art. 15, the certified public accountant candidate must have successfully passed at a university examinations in the following fields:

1. principles of accounting (general theory of accounting);
2. financial accounting;
3. management accounting;
4. financial statements analysis;
5. financial control and auditing standards, including the International Standards on Auditing;
6. commercial law;
7. tax law;
8. employment and social security law;
9. corporate finance;
10. mathematics and statistics;
11. microeconomics;
12. basic principles of the financial management of an enterprise;
13. information systems and information technology;
14. risk management and internal control;
15. professional ethics and independence.

(2) Where a certified public accountant candidate has not held an examination in any of the fields referred to in paragraph 1, the candidate shall sit such an examination in accordance with the rules laid down in Art. 71, paragraph 3(4).

Examinations for a certified public accountant

Art. 15. (1) A certified public accountant diploma shall be awarded upon successfully passing the following written examinations:

1. accounting, including the International Accounting Standards;
2. commercial law;
3. tax and social security law;

4. independent financial audit, including the International Standards on Auditing.

(2) The examinations referred to in paragraph 1 shall be conducted in accordance with the rules laid down in Art. 71, paragraph 3(4).

Practical training for admission to the independent financial audit examination of a certified public accountant candidate

Art. 16. (1) To be admitted to the independent financial audit examination, a certified public accountant candidate must have undergone at least one year of practical training in the field of auditing annual financial statements or other financial statements.

(2) The requirement under paragraph 1 shall not apply where a candidate furnishes proof that in the course of at least three years he or she has effectively performed an activity equivalent to financial audit.

Certified public accountant diploma and registration

Art. 17. A candidate who has successfully passed the examinations referred to in Art. 15 shall be awarded a certified public accountant diploma and shall be registered in the register of certified public accountants with ICPA.

Acquiring the legal capacity to practice as a registered auditor

Art. 18. (1) A certified public accountant shall acquire the right to sign audit reports with an opinion on the financial statements after three years of practical training in the field of annual financial statements or other financial statements auditing and after being registered in the register under Art. 20.

(2) In the cases under Art. 16, paragraph 2, the practical training referred to in paragraph 1 must be of at least two years.

(3) The requirement for practical training under paragraph 1 shall not apply where the training referred to in Art. 16, paragraph 1 has been not shorter than three years.

Practical training

Art. 19. (1) The practical training referred to in Art. 16, paragraph 1, Art. 18 and 25 shall be undergone with a registered auditor.

(2) The rules laid down in Art. 71, paragraph 3(4) shall establish

the terms and procedures for attesting the practical training referred to in Art. 16, 18 and 25.

Register of registered auditors

Art. 20. (1) The Institute of Certified Public Accountants shall organize and maintain a Register of registered auditors.

(2) Only natural persons and audit firms of good repute shall be entered into the register.

(3) To be entered into the register, a certified public accountant shall submit an application accompanied by a criminal record certificate.

(4) Audit firms shall be entered into the register on the basis of an application by the individuals representing the firm accompanied by the criminal record certificates of the partners who are registered auditors and of the individuals managing or representing the firm; information about the names and addresses of the other partners; declaration by the persons with management responsibilities that the firm complies with the requirements of this Act; declaration by the natural persons who are partners or members of the managing or supervisory bodies of the audit firm that they are of good repute.

(5) The Management Board of ICPA shall decide on the application under paragraphs 3 and 4 coming up with a reasoned decision within a period of 30 days as of the date of submission of the application. The registration decision shall be notified in writing to the parties concerned.

(6) Where registration is refused, the Management Board's decision may be appealed against, within a period of 14 days as of its notification to the party concerned, before the Commission which shall come up with a decision on the appeal within a period of 30 days after submission. By its decision the Commission may uphold the refusal or annul it and order entering into the register. The order for entering into the register shall be implemented by ICPA within a period of three days after notification.

(7) The decision of the Commission under paragraph 6 shall be subject to a right to apply to the courts under the procedures provided for in the Administrative Procedure Code.

(8) The rules laid down in Art. 71, paragraph 3(4) shall establish the terms and procedures for creating and maintaining the register.

Information in the register

Art. 21. (1) The register referred to in Art. 20 shall be publicly available, with the information therein being kept in electronic form, in the Bulgarian language, and made accessible via the official websites of the Commission and ICPA.

(2) As regards registered auditors who are natural persons, the register under Art. 20 shall contain the following information:

1. name as per identity document, address for correspondence, registration number and information about the website (if applicable);

2. name, legal seat, registered address and website (if applicable) of the business entity through which the auditing profession is being practiced;

3. name, legal seat, registered address, website (if applicable) and registration number of the audit firm where this person participates as a partner, or practices the auditing profession, or with which he or she is associated in any other way;

4. any other registration as a registered auditor in another EU Member State and/or a third country auditor, including the registration number and the name of the competent authority in the country which has registered this person;

5. Third-country auditors and audit firms entered into under Art. 23, paragraph 1 shall be clearly indicated as third-country auditors or audit firms and not as registered auditors.

(3) As regards registered auditors which are audit firms, the register under Art. 20 shall contain the following information:

1. name and registration number;

2. legal form;

3. information about each partner, his/her shares and type of responsibility;

4. contact person, contact information and website (if applicable);

5. legal seat and registered address;

6. the addresses of all firm's offices in the country;

7. names, addresses for correspondence and registration numbers of all partners who are registered auditors;

8. names, addresses for correspondence and registration numbers of registered auditors who are in contractual relationships with the audit firm;

9. names and addresses of audit firm's management and supervisory body members who are registered auditors;

10. names and addresses of all registered auditors who are otherwise associated with the audit firm;

11. a membership in an audit network and a list of the names and addresses of member firms and firms related to the audit network or an indication of the place where such information is publicly available;

12. any other registration as a registered auditor in another EU Member State and/or a third country auditor, including the registration number and the name of the competent authority in the country which has registered this firm.

(4) In case of any change in the circumstances subject to registration, the persons referred to in paragraphs 2 and 3 shall notify ICPA in writing within a period of 7 days from its occurrence; ICPA shall record the change within a period of up to three business days from the receipt of the notification.

(5) Information about the following shall also be entered into the register under Art. 20:

1. removal from the register (deregistration) and the grounds thereof;

2. sanctions imposed on registered auditors;

3. final decision of the Commission about an applied supervisory measure under Art. 89, paragraph 2 (5), (6), (7) or (8), including the term of its validity;

4. final decision about an imposed disciplinary measure under Art. 40, paragraph 3(5) or (6), including the term of its validity;

5. temporary non-pursuit of professional activities other than on the grounds of p. 3 and 4.

Entering other EU Member State registered auditors

Art. 22. (1) A natural person who has acquired in another EU Member State the legal capacity to sign audit reports with an opinion on the financial statements shall be entered into the register under Art. 20

after having successfully passed before ICPA examinations in Bulgarian commercial, tax and social security law, taken in the Bulgarian language. The examinations shall be conducted in accordance with the rules laid down in Art. 71, paragraph 3(4).

(2) An audit firm registered in another EU Member State willing to carry out financial audit in the country shall be entered into the register under Art. 20 provided that each natural person performing financial audit on behalf of the audit firm has been entered into the register.

(3) To be entered into the register under Art. 20, the persons referred to in paragraphs 1 and 2 shall submit an application accompanied by a registration certificate issued not earlier than three months before the date of application submission by the home Member State competent authority.

(4) The professional activities of registered auditors entered into the register under the procedure provided for in this Article shall be subject to public oversight as provided for in this Act.

Entering third-country registered auditors

Art. 23. (1) Every auditor who is a third-country natural person shall be entered into the register under Art. 20 where he or she provides an audit report concerning the statutory audit of the annual financial statements of a company incorporated outside the European Union whose transferable securities are admitted to trading on a regulated market in the country, except where this company issues exclusively debt securities within the meaning of Art. 100j, paragraph 2(4) of the Public Offering of Securities Act, admitted to trading on a regulated market, with a nominal value per unit of not less than the BGN equivalent of EUR 50,000 or, in the case of debt securities denominated in a currency other than the EUR, with a nominal value, as at the date of issue, of not less than the BGN equivalent of EUR 50,000.

(2) Subject to reciprocity, any auditor who is a third-country natural person shall be entered into the register under Art. 20 after that person has furnished proof that he or she complies with requirements equivalent to those laid down in Art. 13-19 and Art. 20, paragraph 2, and after having successfully passed the examinations under Art. 22, paragraph 1.

(3) Subject to reciprocity, a third-country audit firm shall be entered into the register under Art. 20 as registered auditor, where this firm furnishes proof that:

1. three quarters of the members of the management bodies and the registered auditors carrying out statutory financial audit on behalf of the firm comply with requirements equivalent to those laid down in Art. 13-19 and Art. 20, paragraph 2;

2. the firm carries out statutory financial audit complying with the independence and objectivity requirements and rules equivalent to those laid down in Art. 31 and 54;

3. the audit firm publishes on its website an annual transparency report which complies with the requirements set out in Regulation (EU) No 537/2014.

(4) The professional activities of third-country auditors entered into the register under Art. 20 shall be subject to public oversight as provided for in this Act.

(5) The requirements of Regulation (EU) No 537/2014 shall also apply to third-country auditors entered into the register under Art. 20.

(6) The Commission shall inform the European Commission about the assessment of reciprocity referred to in paragraphs 2 and 3, as well as about the main cooperative arrangements with the systems of public oversight, quality assurance and imposing penalties.

(7) Statutory financial audit reports issued by third-country auditors or audit firm that are not duly registered in the country as required shall have no legal effect in the territory of the country.

Removal from the register

Art. 24. (1) A registered auditor shall be removed from the register under Art. 20 in the following cases:

1. submission of an application for cancellation of the registration;

2. entering into force of a sentence for intentionally committed criminal offence of a public nature;

3. temporary suspension of the right to practice the auditing profession;

4. final decision on temporary suspension of ICPA membership;

5. the audit firm ceasing to comply with the requirements of Art. 7, paragraph 3;

6. natural person's death.

(2) Upon removal from the register or a temporary suspension of the right to practice the auditing profession of a registered auditor who has also been approved in another EU Member State and entered into the register of that Member State, the Commission shall notify thereabout the competent authorities of the relevant Member State providing also the reasons for it.

(3) In the cases referred to in paragraph 1(1), (2), (4) - (6), the audit practice of this auditor may, at the discretion of the Commission or ICPA, be checked through carrying out an inspection, investigation, or review.

Re-registration

Art. 25. (1) A registered auditor that has been removed from the register under Art. 20 on the grounds of Art. 24, paragraph 1(1) may be entered anew into the register after having completed a one-year practical training, undertaken as provided for in Art. 19, in the course of the last two years prior re-registration.

(2) To be re-registered into the register, the certified public accountant shall submit an application accompanied by a criminal record certificate, a document evidencing compliance with the requirements of paragraph 1, and a declaration that the certified public accountant meets the requirements of this Act.

Fee for registration into the register

Art. 26. For registration into the register under Art. 20, a fee shall be collected at an amount determined by the rules laid down in Art. 71, paragraph 3(4).

Oath

Art. 27. Every natural person registered auditor shall, before being entered into the register under Art. 20, take an oath and sign a sworn statement with the following content: "I hereby take an oath on the power of knowledge and law that I shall perform in good faith, independently, responsibly, impartially and with professional competence my duties as a registered auditor. My activity shall be governed by the laws of the Republic of Bulgaria, the adopted professional standards on auditing and the ethical standards and principles of conduct, established by the Institute of Certified Public Accountants. Should I breach this oath, I shall bear my legal liability and be subject to sanctions in accordance with the provisions of the law and the professional and ethical standards of

the Institute of Certified Public Accountants”.

Professional seal

Art. 28. (1) The professional seal of a natural person registered auditor shall be of an elliptical shape. The name, the family name and the number of the registered auditor as per the register under Art. 20 shall be placed on it.

(2) The professional seal of a registered auditor which is an audit firm shall be of an elliptical shape. The wording “audit firm”, the company name and legal seat, as well as its number as per the register under Art. 20 shall be placed on it.

(3) The seals referred to in paragraphs 1 and 2 shall be authorized by ICPA following registration into the register under Art 20.

(4) The seals referred to in paragraphs 1 and 2 shall be used to certify the audit of the financial statements or in other cases provided for by law.

Chapter Three

PRACTICING THE AUDITING PROFESSION

Registered auditor's rights

Art. 29. (1) Registered auditors shall have the exceptional right to perform financial audit under the terms and procedures provided for in this Act.

(2) In performing financial audits, a registered auditor shall have the right to:

1. request and receive full cooperation by the audited entity's management on matters that are relevant to the preparation of financial statements;

2. obtain unrestricted access to any information, related to the audited entity's operations, that is relevant to the preparation of financial statements;

3. attend the physical inventory counting of audited entity's assets and liabilities;

4. observe, at registered auditor's discretion, any processes related to audited entity's operations and management.

Continuing professional development

Art. 30. (1) Every natural person registered auditor shall undergo training to maintain and develop his or her professional qualifications in the course of at least 40 hours in a professional year.

(2) The rules laid down in Art. 71, paragraph 3(4) shall establish the terms and procedures for conducting and reporting the training for registered auditors' professional qualifications maintenance and development.

Registered auditor's obligations

Art. 31. (1) In practicing the audit profession, a registered auditor shall have a duty to:

1. comply with the fundamental principles of professional ethics, i.e. integrity, objectivity, professional competence and due care, confidentiality and professional behavior, in accordance with the requirements of relevant auditing standards and the Code of Ethics;

2. perform the accepted audit engagement in accordance with relevant auditing standards;

3. appropriately safeguard the obligation of professional secrecy with regard to the information and documents to which the registered auditor has access in both performing the audit engagement and after its completion;

4. provide upon request the incoming registered auditor with access to the relevant information in his/her/its possession about the audited entity and the financial audits performed for prior years in accordance with the requirements of relevant auditing standards and the Code of Ethics and be in a position to prove that he/she/it has provided the incoming registered auditor with access to this information;

5. notify audited entity's management about any identified or potential material breaches of effective legislation, of entity's instruments of incorporation or other internal acts, of which the registered auditor has become aware in performing the audit engagement;

6. explain to audited entity's management the nature and the basis for modifying auditor's opinion in the audit report, as well as the emphasis of matter paragraphs and other matter paragraphs which have not modified the auditor's opinion;

7. report on an annual basis his/her/its activities in accordance with the rules laid down in Art. 71, paragraph 3(4);

8. take out professional indemnity insurance for damages occurring as a result of wrongfully failing to perform his/her/its obligations, except for the time during which the registered auditor is not pursuing his/her/its activities;

9. assist the Commission and ICPA in the exercise of their powers;

10. retain audit documentation for a period of 5 years after auditor's report date;

11. maintain membership with ICPA and comply with ICPA's By-Laws;

12. provide annually to the Commission information about the entities audited by the registered auditor and total revenue received from them under the terms and in accordance with the procedures set out by the Commission.

(2) In addition to the obligations under paragraph 1, in performing statutory financial audit in a public-interest entity, a registered auditor shall have a duty to:

1. inform entity's management and audit committee about any circumstances that have impaired or might impair the registered auditor's independence in performing an accepted audit engagement;

2. provide, acting as a predecessor registered auditor, access to the additional reports under Art. 60 and to any other information being provided to the competent authorities in accordance with Art. 61;

3. inform audited entity's audit committee about any identified or potential material breaches of the effective legislation, of entity's instruments of incorporation or other internal acts, of which the registered auditor has become aware in performing the audit engagement;

4. explain to audited entity's audit committee the nature and the basis for modifying auditor's opinion in the audit report, as well as the emphasis of matter paragraphs and other matter paragraphs which have not modified the auditor's opinion.

(3) The requirements under paragraph 1(11) shall not be mandatory for other EU Member State registered auditors and third-country auditors.

(4) The minimum insured amount under the compulsory professional indemnity insurance for registered auditors that do not audit public-interest entities shall be BGN 20,000 for each insured event and BGN 60,000 for all insured events in one year, and for registered auditors that audit public-interest entities, respectively, BGN 250,000 for each insured event and BGN 1,000,000 for all insured events in one year.

(5) When terminating the practicing of the auditing profession and upon removal from the register under Art. 20, the relevant person shall not have a duty to take out additional insurance in accordance with Art. 469, paragraph 6, of the Insurance Code.

Financial liability

Art. 32. (1) A registered auditor shall be held financially liable for the damages caused by the registered auditor if these damages are a direct consequence of the registered auditor's wrongful act or omission.

(2) Where the financial audit has been jointly performed by more than one registered auditor, registered auditors' financial liability shall be joint and several.

(3) The liability under paragraph 1 shall apply in accordance with the Obligations and Contracts Act and under the rules of general claims proceedings.

(4) Registered auditor's liability to the client entity shall be limited to the triple amount of the fee agreed, not falling however below the amounts specified in Art. 31, paragraph 4 for a single insured event. Limitation of liability shall not apply in the case of intentional misconduct by the registered auditor, including where the client entity is being declared bankrupt.

Disclaimer

Art. 33. Registered auditors shall not be held liable for infringements made by audited entities' management and staff, as well as for detecting fraud in the audited entities.

Responsibility of audited entity's management

Art. 34. The financial audit shall not release the audited entity's management from the responsibility for the lawfulness and appropriateness of its actions during the audited period, including for the financial statements and/or other financial or non-financial

information prepared thereby, as well as for entity's control system.

Chapter Four

THE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Legal status of ICPA

Art. 35. (1) The Institute of Certified Public Accountants shall be a self-sustained legal entity headquartered in Sofia.

(2) The Institute of Certified Public Accountants shall be a professional organization of certified public accountants and registered auditors which shall ensure the pursuit of the professional activities of its members, including the performance of financial audit in the public interest and in compliance with professional and ethical behavior standards.

ICPA's functions

Art. 36. (1) The Institute of Certified Public Accountants shall organize, direct and supervise the professional activities of its members by:

1. organizing and conducting the examinations for awarding a diploma of a certified public accountant and acquiring the legal capacity to practice as a registered auditor;

2. organizing and conducting the examinations for acquiring the legal capacity to practice as other European Union Member State registered auditor or a third-country auditor;

3. organizing and carrying out trainings for certified public accountant candidates, for raising professional qualifications of its members, and for continuing professional development of registered auditors;

4. performing the activities related to registration of auditors who have acquired the legal capacity to carry out financial audit and keeping the register under Art. 20;

5. organizing and maintaining the register of certified public accountants;

6. designing and proposing for approval by the Commission of the rules for implementation of the activities referred in p. 1-5 above;

7. designing, implementing and maintaining a functioning internal

system for control over the professional activities of its members and for compliance with the Code of Ethics requirements;

8. carrying out reviews of the professional activities of its members, following stakeholder whistle-blowing, or at the initiative of ICPA's bodies; Commission's inspectors may also take part in the review teams;

9. issuing methodological instructions/guidance and developing professional auditing rules and techniques, practice manuals, and technical resources for supporting the activities of its members;

10. publishing professional literature, education materials, scientific studies, and other resources, related to practicing, development and promotion of the certified public accountant and registered auditor professions;

11. organizing, supporting and carrying out research activities in the fields of financial audit, accounting, financial analysis and management, as well as in other related to the audit profession areas;

12. undertaking disciplinary actions in respect of its members.

(2) ICPA's bodies and administrative staff involved in performing the activities referred to in paragraph 1(8) and the functions under Art. 85, paragraph 3 shall have a duty to comply with the requirements for professional secrecy under Art. 82.

Powers of ICPA's President

Art. 37. The Institute of Certified Public Accountants shall be represented by its President.

ICPA's bodies

Art. 38. (1) ICPA's bodies shall comprise:

1. General Assembly;
2. Management Board;
3. Supervisory Board;
4. Professional Ethics Committee;
5. Audit Services Quality Assurance Committee;
6. Disciplinary Committee.

(2) The General Assembly shall comprise all ICPA members and shall adopt By-Laws, elect ICPA's President and members of its other bodies.

(3) The Management Board shall organize and direct the overall activities of ICPA to achieve its objectives and shall report to the General Assembly. ICPA's President shall be a member of the Management Board and shall chair Management Board's meetings.

(4) The Supervisory Board shall supervise the implementation of the decisions of the General Assembly and the Management Board, ICPA's budget implementation, and compliance with its By-Laws and internal rules.

(5) The Professional Ethics Committee shall supervise compliance with the Code of Ethics requirements by ICPA members.

(6) The Audit Services Quality Assurance Committee shall supervise the quality of ICPA members' professional activities by carrying out reviews.

(7) The Disciplinary Committee shall consider the findings of the Supervisory Board, the Audit Services Quality Assurance Committee, and the Professional Ethics Committee, and shall come up with decisions on them.

(8) The Supervisory Board shall draft rules for its work which shall be approved by the General Assembly.

(9) The Professional Ethics Committee, the Audit Services Quality Assurance Committee and the Disciplinary Committee shall draft rules for their work which shall be approved by the Management Board. These committees shall coordinate their activities with the Management Board remaining however independent in their professional judgements with regard to the cases/files considered by them.

(10) The members of ICPA's bodies shall be members of the Institute. The members of the Management Board, the Supervisory Board, the Professional Ethics Committee, the Audit Services Quality Assurance Committee, and the Disciplinary Committee, shall be elected on the basis of eligibility criteria, developed by the Management Board and approved by the General Assembly, designed to ensure the appropriate expertise and experience of ICPA bodies' members.

(11) The organization and activities of the bodies under paragraph 1 shall be regulated by ICPAs By-Laws.

Funding ICPA's activities

Art. 39. ICPA's activities shall be funded by:

1. admission fees and annual fees paid by members;
2. income from training courses and examination fees;
3. income from subscriptions and publishing activity;
4. income from provision of advisory services;
5. income from sanctions imposed by ICPA;
6. income from donations;
7. other income.

Disciplinary liability

Art. 40. (1) For a violation of ICPA's By-Laws, registered auditors and certified public accountants shall be liable to disciplinary action.

(2) For violations ascertained by the Professional Ethics Committee, the Audit Services Quality Assurance Committee or the Supervisory Board, the relevant files shall be submitted to the Disciplinary Committee, notifying accordingly ICPA's Management Board.

(3) For violations of ICPA's By-Laws, the following disciplinary actions shall be taken:

1. a compulsory prescription to remedy a violation found;
2. making public on ICPA's website for a period of one year the violations found;
3. exclusion from the right to be elected in ICPA's bodies for a period of up to three years;
4. warning for exclusion from ICPA membership;
5. temporary suspension of ICPA membership for a period of up to three years;
6. temporary suspension of ICPA membership for a period of 5 years;
7. imposing a fine of BGN 1,000 to BGN 15,000.

(4) Where, as a result of the review carried out under the

procedures referred to in Art. 36, paragraph 1(8), violations are found to have been made by a registered auditor in pursuing his/her/its professional activities, which are violations of the provisions of this Act and/or Regulation (EU) No 537/2014, the Management Board shall forward to the Commission the review report. The Commission shall carry out investigation and notify ICPA accordingly about the relevant outcome, the administrative sanctions imposed and the oversight measures applied. In such a case, ICPA shall not impose any disciplinary action.

Disciplinary proceedings

Art. 41. (1) Disciplinary proceedings shall be initiated by a decision of ICPA's Disciplinary Committee.

(2) The Disciplinary Committee shall examine in closed session the files of the reviews carried out by ICPA's bodies with the participation of the registered auditor or certified public account being reviewed.

(3) The Disciplinary Committee shall make admissible any evidence that is relevant to the definitive determination of the case.

(4) The Disciplinary Committee shall come up with a decision within a period of 14 days as of the last session at which the relevant file under paragraph 2 has been considered.

(5) The Disciplinary Committee shall impose the disciplinary measures under Art. 40, paragraph 3(1-4) or (7) and shall propose to the Management Board to impose the measures under Art. 40, paragraph 3(5) or (6).

(6) The Management Board shall, by a majority of two thirds of its members, make a decision to impose the measures under Art. 40, paragraph 3(5) or (6) within a period of 14 days as of the receipt of the proposal.

(7) In disciplinary proceedings, the provisions of Chapter Five, Section I, of the Administrative Procedure Code shall apply.

(8) No disciplinary proceedings shall be initiated, and initiated disciplinary proceedings shall be terminated, where two years have elapsed after the violation has been committed.

Appeal against an imposed disciplinary measure

Art. 42. (1) The decision to impose a disciplinary measure under Art. 40, paragraph 3(1-4) or (7) may be appealed against within a

period of 14 days as of its notification to the person concerned before ICPA's Management Board. The Management Board shall come up with a decision on the appeal within a one-month period after its receipt.

(2) The decision of the Management Board to impose a sanction under Art. 40, paragraph 3(1), (2) or (4) shall be final. The decision of the Management Board to impose a sanction under Art. 40, paragraph 3(3) or (7) shall be subject to appeal before Sofia Administrative Court under the procedures provided for in Chapter Ten, Section I, of the Administrative Procedure Code.

(3) The decision of the Management Board to impose a sanction under Art. 40, paragraph 3(5) or (6) on a registered auditor shall be subject to appeal before the Commission within a period of 14 days as of its notification to the person concerned. Within a period of one month from the receipt of the appeal, the Commission shall come up with a decision upholding or annulling the decision of ICPA's Management board. Commission's decision shall be subject to appeal before Sofia Administrative Court under the procedures provided for in Chapter Ten, Section I, of the Administrative Procedure Code.

(4) The decision of the Management Board to impose a sanction under Art. 40, paragraph 3(5) or (6) on a certified public accountant shall be subject to appeal before Sofia Administrative Court under the procedures provided for in Chapter Ten, Section I, of the Administrative Procedure Code.

Enforcement of the disciplinary measure "imposing a fine"

Art. 43. The enforcement of a final decision whereby the disciplinary measure "fine" is imposed shall be allowed upon the request of ICPA's Management Board as provided for in Art. 418 of the Civil Procedure Code.

PART TWO

FINANCIAL AUDIT

Chapter Five

FINANCIAL AUDIT OF FINANCIAL STATEMENTS - GENERAL REQUIREMENTS

Objective

Art. 44. (1) The objective of financial audit shall be to obtain reasonable assurance that the financial statements are free from material misstatements, whether due to error or fraud, in order for

the registered auditor to express auditor's opinion whether these financial statements are prepared, in all material respects, in accordance with the basis of accounting applicable to the entity.

(2) For financial reporting frameworks, adopted as applicable basis of accounting, the auditor's opinion shall be on whether the financial statements are presented fairly, in all material respects, or give a true and fair view of the financial position, performance and cash flows of the audited entity as at the date of the financial statements in accordance with the applicable basis of accounting.

(3) The auditor's opinion shall be expressed by a written audit report.

Scope

Art. 45. (1) Financial audit shall comprise procedures for obtaining reasonable assurance:

1. about compliance with the accounting principles in accordance with the applicable basis of accounting;

2. as to what extent audited entity's accounting policies are appropriate for its activities and are consistent with the applicable basis of accounting and the accounting policies applied in the relevant industry;

3. about consistency in applying the accounting policies disclosed in accordance with the applicable basis of accounting;

4. about the effectiveness of the internal control system relevant to achieving audit objectives;

5. about the process of closing the accounts and preparing the financial statements;

6. about the faithfulness and the extent required by users of the information presented and disclosed in the financial statements in accordance with the applicable basis of accounting.

(2) Where so required by law, a registered auditor shall provide a statement as to the consistency of the information in the financial statements with the information in the audited entity's management report, as well as with any other information that entity's management bodies provide together with the audited financial statements.

(3) Without prejudice to the reporting requirements under this Act

and Regulation (EU) No 537/2014, financial audit's scope shall not include assurance about the future viability of the audited entity nor the efficiency or effectiveness with which the audited entity's management has managed or would manage entity's affairs.

Ethical requirements

Art. 46. Before accepting an audit engagement, and in the course of its performance, a registered auditor shall assess and document in writing compliance with the requirements of the applicable auditing standards and the Code of Ethics in respect of registered auditor's independence and the fundamental ethical principles.

Professional skepticism and professional judgement

Art. 47. (1) In performing a financial audit, a registered auditor shall act with professional skepticism and shall exercise professional judgement in compliance with the requirements of this Act and in accordance with the applicable auditing standards.

(2) Paragraph 1 shall also apply where a registered auditor reviews audited entity management's estimates in respect of fair values, impairment of assets, provisions and future cash flows which are relevant to assessing the audited entity's ability to continue as a going concern.

Financial audit engagement acceptance

Art. 48. (1) Financial audit engagement shall be accepted on the basis of an engagement letter signed by the client entity and by the registered auditor in accordance with the requirements of the applicable auditing standards. An audit engagement letter shall specify the registered auditor responsible for the audit.

(2) The audit fee and the terms and conditions of its payment shall be agreed between the parties under paragraph 1. The financial audit fee may not be contingent or fixed on the basis of the provision of additional services to the audited entity.

(3) The registered auditor appointed to carry out the statutory financial audit of the annual financial statements shall be chosen by a decision of the general meeting of members/shareholders, unlimited liability partners or the sole owner of capital of the client entity. The choice of a registered auditor to carry out a voluntary financial audit might also be made by other bodies of the client entity.

(4) Ant contractual provision pursuant to which the selection performed by the general meeting of shareholders or members of the

client entity is being limited to certain categories or lists of registered auditors in relation to the appointment of a registered auditor to carry out the statutory financial audit of the financial statements of that entity shall be prohibited. Any such provisions shall be null and void.

Dismissal of a registered auditor from the performance of an accepted financial audit engagement

Art. 49. (1) The registered auditor who has been appointed and with whom the letter under Art. 48 has already been signed cannot decline issuing an auditor's report and cannot be dismissed earlier from the engagement, save where there are proper grounds. Divergence of opinions on accounting treatments or the scope and nature of audit procedures shall not be proper grounds for declining to issue an audit report or for early dismissal from the engagement.

(2) Any of the following circumstances shall be proper grounds under paragraph 1:

1. the existence of facts or circumstances that impair registered auditor's independence or objectivity;

2. objective impossibility to perform the accepted financial audit engagement;

3. other circumstances specified in the applicable auditing standards and/or in other pieces of legislation in audit engagements other than statutory financial audit and related services that are not provided to public-interest entities; in such cases the registered auditor shall document all circumstances justifying the early dismissal from the engagement.

(3) In the case of early dismissal or where the performance of the accepted statutory financial audit engagement has been declined, the audited entity and the registered auditor shall notify in writing within a 7-days period the Commission and ICPA about the dismissal or refusal specifying the grounds thereof. In the case of statutory financial audit of public-interest entity's financial statements, the relevant authorities with regulatory and oversight powers with regard to the activities of the audited entity shall also be notified under this procedure.

(4) Where, in the case of a statutory financial audit of public-interest entity's financial statements, the proper grounds referred to in paragraph 2(1) are found to exist, partners representing 5 % or more of the voting rights or of the share capital of the audited entity, as well as the Commission, may bring a claim

before courts for registered auditor's early dismissal from the engagement.

Documentation

Art. 50. (1) The financial audit and the procedures for its performance shall be documented in accordance with the provisions of the effective legislation and the requirements of the applicable auditing standards.

(2) Audited entity's management shall provide the registered auditor with the financial statements to be audited as well as representation letter signed by the management body in accordance with the applicable auditing standards.

(3) In the cases of statutory financial audits, audited entity's management shall also provide the registered auditor, in addition to the documents specified in paragraph 2, with the decision of the relevant management body to approve the financial statements and management report.

(4) Audited entity's management bodies shall also be obliged to provide any other information needed by the registered auditor to perform the financial audit and issue an audit report.

Presenting the results of the financial audit performed

Art. 51. (1) A registered auditor shall present the results of the financial audit performed in an audit report.

(2) An audit report shall be prepared in writing in accordance with the applicable auditing standards.

(3) In a statutory financial audit, the audit report shall comply with the requirements under paragraph 2 containing at least the following:

1. addressee / addressees;
2. date when drawn up;
3. name of the entity whose financial statements are the subject of the financial audit; indication of the type of financial statements and the period they cover; identification of the basis of accounting that has been applied in their preparation;
4. a description of the financial audit specifying at least the applicable auditing standards in accordance with which this financial

audit was conducted;

5. an audit opinion, which may be unmodified, qualified or an adverse opinion, and which shall state clearly the opinion of the registered auditor as to whether the financial statements give a true and fair view in accordance with the applicable basis of accounting and where applicable, whether the financial statements comply with statutory requirements, or disclaimer of opinion, if the registered auditor is unable to express an audit opinion;

6. any other matters to which the registered auditor has drawn attention by a paragraph without qualifying the audit opinion;

7. an opinion as to whether the management report is consistent with the financial statements for the same financial year and whether it has been prepared in accordance with the relevant statutory requirements;

8. a statement as to whether there are any material misstatements in the audited entity's management report and the nature of the misstatement;

9. a statement on any material uncertainty relating to events or conditions that may cast significant doubt about the entity's ability to continue as a going concern;

10. the address for correspondence for a natural person or the registered address for a firm, specified accordingly in the register under Art. 20.

(4) In a statutory financial audit of public-interest entity's financial statements, the audit report shall comply with the requirements under paragraph 3, as well as, where appropriate, the requirements under Art. 10 of Regulation (EU) No 537/2014.

(5) Where the financial audit was jointly carried out by more than one registered auditor, the registered auditors shall agree on the results of the financial audit and submit a joint audit report and joint audit opinion. In the case of disagreement, each registered auditor shall submit his, her or its opinion in a separate paragraph of the audit report and shall state the reason for the disagreement.

(6) The audit report in a statutory financial audit shall be certified by:

1. the name of the registered auditor, his or her personal signature and professional seal, where the financial audit was carried out directly by the registered auditor as a natural person or through the

business entity through which the registered auditor practices the auditing profession;

2. the company name, the name and the personal signature of the person representing the firm and the professional seal of the audit firm, as well as by the name and the personal signature of the registered auditor responsible for the audit on behalf of the audit firm, where the financial audit was carried out by an audit firm.

(7) Where the statutory financial audit was jointly carried out by more than one registered auditor, the audit report shall be certified by:

1. the name of the registered auditor, his or her personal signature and professional seal - for each registered auditor who has participated in carrying out the joint audit as a natural person;

2. the company name, the name and the personal signature of the person representing the firm and the professional seal of the audit firm, as well as by the name and the personal signature of the registered auditor responsible for the audit on behalf of the audit firm - for each audit firm participating in the joint audit.

(8) The audit report in a statutory financial audit of consolidated financial statements shall comply with the requirements set out in paragraphs 1-6. In reporting on the consistency of the management report and the financial statements as required by Art. 45, paragraph 2 at the level of the group within the meaning of § 1, p. 2 of the Additional Provisions to the Accountancy Act, the registered auditor shall express an opinion on the consistency of the consolidated financial statements and the consolidated management report.

(9) In statutory financial audits, registered auditor's personal signature and professional seal shall be placed on the audit report and on each of the single annual financial statements, save for the notes, in accordance with the applicable basis of accounting, on which an audit opinion has been expressed.

Financial audit of other financial information

Art. 52. The provisions of this Chapter shall also apply for engagements to carry out financial audit of other financial information.

Chapter Six

ADDITIONAL REQUIREMENTS FOR CARRYING OUT A STATUTORY FINANCIAL AUDIT
OF FINANCIAL STATEMENTS

Preparation for the financial audit and assessment of threats to independence

Art. 53. In addition to the obligations under Chapter Five, in accepting and continuing a statutory financial audit engagement, the registered auditor shall assess and document in writing whether:

1. the independence and objectivity requirements under Art. 54 are complied with;
2. there are any threats to the registered auditor's independence and what safeguards have been applied to mitigate those threats;
3. the registered auditor has competent employees, time and resources needed in order to carry out the financial audit.

Independence and a conflict of interest

Art. 54. (1) The registered auditor, and any natural person in a position to directly or indirectly influence the outcome of the statutory financial audit, must be independent of the audited entity and shall not be involved in the decision-making process of that entity. The independence requirement shall be complied with at least during both the period covered by the financial statements to be audited and the period during which the financial audit is carried out.

(2) The registered auditor shall apply the necessary safeguards so that when carrying out the financial audit his, her or its independence is not affected by an existing or a potential conflict of interest or by an economic or any other direct or indirect relationship. These requirements shall also apply to:

1. where appropriate, the registered auditor's audit network, and
2. any person whose services are placed at the disposal or under the control of the registered auditor or any person directly or indirectly linked to the registered auditor by control.

(3) The registered auditor shall not carry out a statutory financial audit if an objective, reasonable and informed third party would, taking into account the safeguards applied by the registered auditor, conclude that the registered auditor's independence is compromised by the existence of a self-review, self-interest, advocacy, familiarity or intimidation risk as a result of financial, personal, economic, employment or other relationships between:

1. the registered auditor, the registered auditor's audit network

and any natural person in a position to influence the outcome of the audit, and

2. the audited entity.

(4) The registered auditor shall record in the audit working papers all significant threats to his, her or its independence, as well as the safeguards applied to mitigate the effect of those threats.

(5) The registered auditor shall not participate in, or otherwise influence the outcome of, a statutory financial audit, if:

1. the registered auditor owns financial instruments of the audited entity, other than interests owned indirectly through diversified collective investment schemes;

2. the registered auditor owns financial instruments of any entity related to an audited entity, the ownership of which may cause, or may be generally perceived as causing, a conflict of interest, other than interests owned indirectly through diversified collective investment schemes;

3. the registered auditor has had an employment, or an economic or other relationship with that audited entity within the periods referred in paragraph 1 that may cause, or may be generally perceived as causing, a conflict of interest;

4. any circumstance referred to in p. 1 - 3 above exists for spouses, or relatives in direct or collateral lineage to the second degree included, or for persons related to the registered auditor.

(6) The persons referred to in paragraph 2 shall not solicit or accept pecuniary and non-pecuniary gifts or favours from the audited entity or any entity related to an audited entity unless an objective, reasonable and informed third party would consider the value thereof as trivial or inconsequential.

(7) Where during the periods referred to in paragraph 1, an audited entity is acquired by, merges with, or acquires another entity, the registered auditor shall identify and evaluate any previous or current interests or relationships with that entity, including any non-audit services provided to that entity, which could compromise the registered auditor's independence and ability to continue with the statutory audit after the transformation date. As soon as possible, and at the latest within three months after transformation date, the registered auditor shall take the steps as may be necessary to terminate any current interests or relationships that would compromise his, her or its independence and shall, where possible, adopt

safeguards to minimise any threat to his, her or its independence arising from previous and current interests and relationships.

Internal organization of registered auditor's work

Art. 55. (1) A registered auditor carrying out statutory financial audits shall have a duty to comply with the following requirements:

1. to establish policies and procedures to ensure that the owners of its capital, as well as the members of its management, supervisory and control bodies, do not intervene in the performance, have no access to the audit documentation, and cannot undertake any actions which jeopardise the independence and objectivity of the registered auditor who carries out the financial audit on behalf of the audit firm- where the registered auditor is an audit firm;

2. a registered auditor shall have sound procedures, internal quality control mechanisms, effective procedures for risk assessment, and effective control and safeguard arrangements for information processing systems;

3. a registered auditor shall implement quality control mechanisms to ensure compliance with decisions and procedures at all levels of the audit firm or of the working structure of the registered auditor;

4. a registered auditor shall establish policies and procedures to ensure that all persons whose services are placed at his, her or its disposal and who are involved in the audit, have appropriate knowledge and experience for the duties assigned;

5. a registered auditor shall establish policies and procedures to ensure that outsourcing of functions related to the performance of the financial audit is not undertaken in such a way as to impair internal quality control and the ability of the Commission to exercise effective oversight for compliance with this Act and Regulation (EU) No 537/2014;

6. a registered auditor shall establish effective organisational and managerial arrangements to prevent, eliminate, detect or manage and disclose any potential threats to their independence as referred to in Art. 54;

7. a registered auditor shall establish policies and procedures for carrying out statutory financial audits, coaching, supervising and reviewing employees' activities and for creating and completing the audit file in accordance with the requirements set out in Art. 56;

8. a registered auditor shall establish and maintain an appropriate

internal quality control system to ensure the quality of the statutory financial audit covering at least the policies and procedures described in p. 1-7; in the case of an audit firm, responsibility for the internal quality control system shall lie with a person who is a registered auditor;

9. a registered auditor shall implement and use appropriate systems, resources and procedures to ensure continuity and regularity in the carrying out of his, her or its activities;

10. a registered auditor shall establish appropriate and effective organisational and managerial arrangements for recording and remedying infringements which have, or may have, serious consequences for the quality of his, her or its activities;

11. a registered auditor shall establish adequate remuneration policies, including profit-sharing policies, providing sufficient performance incentives to secure statutory financial audit quality; the amount of revenue that the registered auditor derives from providing non-audit services to the audited entity shall not form part of the performance evaluation and remuneration of any person involved in, or able to influence the carrying out of, the statutory financial audit;

12. a registered auditor shall monitor and evaluate the adequacy and effectiveness of his, her or its internal quality control systems and mechanisms established, as well as their consistency with the requirements of this Act and, where applicable, Regulation (EU) No 537/2014, and take appropriate measures to address any deficiencies; a registered auditor shall document the findings of that evaluation and any proposed modifications to the internal quality control system related thereto;

13. a registered auditor shall establish appropriate internal procedures to ensure his, her or its employees report, under specified procedures, potential or actual violations of this Act or Regulation (EU) No 537/2014.

(2) The policies and procedures referred to in paragraph 1 shall be documented and communicated to all persons working for the registered auditor.

(3) Any outsourcing of financial audit functions as referred to in paragraph 1(5) shall not result in exempting from or limiting the liability of the registered auditor.

(4) A registered auditor shall at any time be able to demonstrate to the Commission that the policies and procedures under paragraph 1 are

appropriate given the scale and complexity of registered auditor's activities.

Organization of the carrying out of a statutory financial audit

Art. 56. (1) In performing a statutory financial audit engagement, the registered auditor shall ensure that sufficient time and resources are assigned so as to enable him, her or it to carry out his, her or its duties appropriately and for the audit to be conducted with the appropriate quality.

(2) When the statutory financial audit is carried out by an audit firm, the audit firm shall appoint a natural person registered auditor responsible for the audit. The audit firm shall provide the responsible registered auditor with sufficient resources, including personnel who has the necessary knowledge and skills to carry out his or her duties appropriately and for the audit to be conducted with the appropriate quality.

(3) A registered auditor shall keep records of any breaches of the provisions of this Act and, where applicable, of Regulation (EU) No 537/2014. The information shall also include records of the consequence of any breach, the measures taken to address such breach and the related modifications made to the internal quality control system. A registered auditor shall also prepare an annual report on all activities undertaken to remedy the infringements and shall communicate it within the audit practice of the registered auditor.

(4) When a registered auditor uses external experts to receive advice, he, she or it shall document the request made and the advice received.

(5) A registered auditor shall retain all data and documents supporting the findings in the audit report referred to in Art. 51 and, where applicable, the reports under Art. 10 and 11 of Regulation (EU) No 537/2014.

(6) A registered auditor shall create an audit file for each statutory financial audit performed documenting mandatorily the information under Art. 53 and, where applicable, Art. 6-8 of Regulation (EU) No 537/2014. The audit file shall be closed and sent to archives no later than 60 days after the date of signing the audit report.

(7) A registered auditor shall create and maintain a file for each audited entity which shall contain at least the following information:

1. name, unified identity code, legal seat and registered address of

the audited entity;

2. names of the responsible auditor and, where applicable, the person performing a quality control review before issuing the audit report;

3. the fees received in any financial year from the audited entity for the financial audit performed, as well as for any other services provided to that entity.

(8) A registered auditor shall keep in a register records of any complaints made in writing about the performance of the financial audits carried out.

Specific requirements in a statutory financial audit of consolidated financial statements

Art. 57. (1) In carrying out a statutory financial audit of the consolidated financial statements of a group of entities, the group auditor shall bear the full responsibility for the opinion expressed in the audit report on the consolidated financial statements, including in compliance with the requirements set out in Regulation (EU) No 537/2014.

(2) The group auditor shall prepare documentation on the work performed by other European Union Member State or third-country registered auditors, auditors and/or audit firm, for the purposes of the group audit.

(3) The group auditor shall evaluate the work performed by the other auditors for the purposes of the group audit and shall document the nature, timing and extent of the work performed by those auditors, including, where applicable, the group auditor's review of those auditors' audit documentation. To rely on their work, the group auditor shall request the agreement of those auditors to the transfer of relevant documentation during the conduct of the audit of consolidated financial statements.

(4) The group auditor shall review the work performed by the other auditors for the purposes of the group audit and document it. The documentation retained by the group auditor shall be such as to enable the Commission to review the work of the group auditor. Where the group auditor is unable to perform this review, he, she or it shall carry out additional audit work, either directly or by outsourcing such tasks, and inform accordingly the Commission.

(5) Where the group auditor is subject to a quality assurance inspection or an investigation concerning the statutory financial

audit of the consolidated financial statements of a group of entities, the group auditor shall, when requested, make available to the Commission the relevant documentation he, she or it retains concerning the audit work performed by the other auditors for the purposes of the group audit as well as any other working papers.

(6) The Commission may request from the relevant European Union Member State competent authorities additional documentation on the work performed by the other auditors for the purposes of the group audit.

(7) Where a parent entity or a subsidiary of a group of entities is audited by an auditor or audit firm from a third-country, the Commission may request from the third-country relevant competent authorities additional documentation on the work performed by the other auditors for the purposes of the group audit through the working arrangements referred to in Art. 104.

(8) Where a parent entity or a subsidiary of a group of entities is audited by an auditor or audit firm from a third-country that has no working arrangements complying with the requirements set out in Art. 104, the group auditor shall also be responsible for ensuring proper delivery of the additional documentation of the work performed by such third-country auditors, including the working papers relevant to the group audit. To ensure the delivery, the group auditor shall retain a copy of such documentation or shall agree with the third-country auditors that he, she or it is to be given, upon request, an authorized and unrestricted access to such documentation, or take any other appropriate action. Where audit working papers cannot be passed from the third-country auditor, the group auditor shall include evidence in the documentation retained thereby that he, she or it has undertaken the appropriate actions in order to gain access to this documentation, and in the case of a reason other than a reason related to the legislation of the third country concerned, evidence supporting the existence of such reason.

(9) Where a registered auditor carries out a statutory financial audit of an entity which is part of a group whose parent entity is situated in a third country, the professional secrecy rules provided for in this Act shall not impede the transfer by the registered auditor of relevant documentation concerning the work performed to the group auditor situated in a third country if such documentation is necessary for the performance of the audit of consolidated financial statements of the parent undertaking.

(10) A registered auditor, carrying out a statutory financial audit of an entity which has issued securities in a third country or forms

part of a group which prepares consolidated financial statements in a third country, may only transfer the working papers or other documents relating to the audit of that entity that he, she or it holds to the competent authorities in the relevant third countries under the conditions set out in Art. 105.

(11) The transfer of information to a group auditor situated in a third country shall be made in compliance with the requirements of the Personal Data Protection Act.

Restrictions in holding positions after statutory financial audit completion

Art. 58. (1) A registered auditor carrying out a statutory financial audit shall not be elected or appointed in an audited entity before a period of one year, or in the case of statutory audit of a public-interest entity, two years, has elapsed since the date of completing the audit, to the following positions:

1. management position;
2. a member of an audit committee or a body performing the functions of an audit committee;
3. a member of a management or supervisory body.

(2) The restrictions under paragraph 1 shall apply to all natural person registered auditors, the responsible auditors of an audit firm, as well as to all employees, partners or any other natural persons involved in the performance of the relevant statutory financial audit.

Chapter Seven

STATUTORY FINANCIAL AUDIT OF PUBLIC-INTEREST ENTITY FINANCIAL STATEMENTS

Audit report

Art. 59. A registered auditor carrying out a statutory financial audit of the annual financial statements of a public-interest entity shall present the results of the audit in an audit report which shall be prepared in accordance with the provisions set out in Art. 51 of this Act and Art. 10 of Regulation (EU) No 537/2014.

Additional report to the audit committee

Art. 60. (1) A registered auditor carrying out a statutory financial audit of the financial statements of a public-interest entity shall

prepare and submit to the audit committee a report additional to the one referred to in Art. 59.

(2) In a statutory financial audit of consolidated financial statements, the group auditor shall prepare and submit to the audit committee of the parent entity a report additional to the one referred to in Art. 59.

(3) The additional reports under paragraphs 1 and 2 shall be prepared in accordance with the requirements of the applicable auditing standards and the provisions set out in Art. 11 of Regulation (EU) No 537/2014.

(4) Upon request by a competent authority overseeing the public-interest entity, a registered auditor shall make available without delay the relevant additional report referred to in paragraphs 1 and 2.

Report to a competent supervisor

Art. 61. (1) A registered auditor carrying out a statutory financial audit of the financial statements of a public-interest entity shall have a duty to notify in writing within a 7-days period from the audit report the competent authority supervising that public-interest entity and the Commission on any information about that entity, of which he, she or it has become aware while carrying out the statutory financial audit and which has brought or may bring about any of the following consequences:

1. a material breach of the legal provisions which lay down the conditions governing authorisation or which specifically govern pursuit of the activities of such public-interest entity;

2. a material threat or doubt concerning the continuous functioning of the public-interest entity;

3. a disclaimer of opinion, an adverse or qualified audit opinion under Art. 51, paragraph 3(5).

(2) A registered auditor shall have a duty to communicate also any information referred to in paragraph 1 of which he, she or it becomes aware in the course of carrying out the statutory financial audit of an entity having close links with the public-interest entity audited by this registered auditor.

Transparency report

Art. 62. (1) A registered auditor carrying out a statutory financial

audit of the financial statements of a public-interest entity shall annually make public at his, her or its website a transparency report which shall include at least:

1. a description of the legal structure and the shares and partners where the registered auditor is an audit firm;

2. where the audit firm is a member of an audit network:

a) a description of the audit network and the legal and structural arrangements in the network;

b) the name of each registered auditor pursuing activities as a natural person or an audit firm;

c) the countries in which each registered auditor pursuing activities as a natural person or an audit firm is qualified as a registered auditor or has its legal seat and principal place of business;

d) the total turnover achieved by the registered auditor resulting from the statutory financial audit of annual financial statements - separate and consolidated;

3. a description of the governance structure of the audit firm;

4. a description of the internal quality control system of the registered auditor and a statement by a natural person registered auditor, respectively, by the persons managing the audit firm on the effectiveness of its functioning;

5. the date when the last quality assurance inspection referred to in Art. 85 was carried out;

6. a list of public-interest entities for which the registered auditor performed statutory financial audits engagements during the preceding year;

7. a description of registered auditor's practices in relation to independence; this report on the practices shall also confirm that in the course of the last year an internal review on compliance with independence requirements was conducted;

8. a description of the policies which the registered auditor follows with regard to training in relation to the continuing professional development referred to in Art. 30;

9. in the case of an audit firm, information concerning the basis

for the partners' remuneration;

10. a description of registered auditor's policy concerning the rotation of responsible auditors and staff in accordance with Art. 65;

11. information about the total turnover of the registered auditor, divided into the following categories:

a) revenues from the statutory audit of annual financial statements - separate and consolidated - of public-interest entities and entities members of a group whose parent entity is a public-interest entity;

b) revenues from the statutory audit of annual financial statements - separate and consolidated - of other entities;

c) revenues from permitted non-audit services provided to the audited entities;

d) revenues from non-audit services provided to other clients.

(2) A transparency report shall be signed by the natural person registered auditor, respectively, by the persons managing the audit firm.

(3) A transparency report shall be made public annually until 30 April and shall be available on registered auditor's website for at least 5 years from the day of its publication.

Information provided to the Commission

Art. 63. (1) A registered auditor carrying out a statutory financial audit of the financial statements of a public-interest entity shall provide annually to the Commission the following information:

1. a list of the public-interest entities audited by the registered auditor with information about revenue received from them; the revenue information shall be divided into:

a) revenues from statutory audit;

b) revenues from non-audit services other than those referred to in Article 5, paragraph 1 of Regulation (EU) No 537/2014 which are required by European Union or national legislation;

c) revenues from non-audit services other than those referred to in Article 5, paragraph 1 of Regulation (EU) No 537/2014 which are not required by European Union or national legislation;

2. a list of any services provided to the audited entities by audit network members where the registered auditor is a member of an audit network.

(2) The terms and procedures for providing the information referred to in paragraph 1 shall be established by rules adopted by the Commission.

Prohibited services

Art. 64. (1) A registered auditor carrying out a statutory financial audit of the financial statements of a public-interest entity shall be subject to the provisions of Art. 5, paragraphs 1, 4 and 5 of Regulation (EU) No 537/2014. A registered auditor may provide the services referred to in Art. 5, paragraph 1(2)(a)(vii), provided that:

1. the services have no effect or have immaterial effect, separately or in the aggregate, on the audited financial statements;

2. the estimation of the effect on the audited financial statements is comprehensively documented and explained in the additional report to the audit committee;

3. the registered auditor complies with the independence requirements.

(2) Paragraph 1 shall also apply to the persons referred to in Art. 54, paragraphs 1 and 2, as well as to a spouse and a relative in direct or collateral lineage to the second degree included, and to persons related to the registered auditor.

(3) A registered auditor and the persons referred to in paragraph 2 may provide the services allowed under paragraph 1, other than the statutory financial audit, upon an approval by the audit committee, on which the registered auditor shall notify the Commission in writing within a period of 7 days after receipt of the approval.

Appointment and rotation of registered auditors

Art. 65. (1) The appointment of a registered auditor to carry out a statutory financial audit of the financial statements of a public-interest entity shall be made in accordance with the requirements of this Act and Art. 16 of Regulation (EU) No 537/2014.

(2) The minimum duration of an agreement for a statutory financial audit of the financial statements of a public-interest entity shall not be less than one year.

(3) A registered auditor carrying out a statutory financial audit of the financial statements of a public-interest entity shall withdraw after having performed audit engagements in the course of 7 consecutive years as of the date of his, her or its appointment. This registered auditor shall not perform statutory financial audit engagements for that entity in the course of 4 years after the date of his, her or its withdrawal.

(4) A responsible auditor carrying out a statutory financial audit of the financial statements on behalf of an audit firm for a public-interest entity shall be replaced after having performed statutory financial audit engagements in the course of 4 consecutive years as of the date of the appointment of the audit firm in that entity. This registered auditor shall not perform statutory financial audit engagements for that entity as a responsible auditor in the course of three years after the date of his or her withdrawal.

(5) The duration under paragraph 3 and 4 shall commence from the year in which the initial statutory financial audit engagement was accepted in the relevant period.

(6) The provisions of paragraph 3 shall also apply to the business entities referred to in Art. 8, paragraph 1(1)(b).

Audit fee

Art. 66. (1) When the registered auditor provides to the audited public-interest entity, its parent entity or its subsidiaries, for a period of three or more consecutive financial years, non-audit services other than those referred to Art. 5, paragraph 1 of Regulation (EU) No 537/2014, the total fees for such services shall not exceed 70 % of the average of the fees for the last three consecutive financial years for the statutory financial audit of the audited entity and, where applicable, of its parent entity, of its subsidiaries and of the consolidated financial statements of that group of entities. This restriction shall not apply to non-audit services other than those referred to Art. 5, paragraph 1 of Regulation (EU) No 537/2014 required by law.

(2) When the total fees paid by a public-interest entity in each of the last three consecutive financial years are more than 15 % of the total fees received by the registered auditor or, where applicable, by the group auditor carrying out the statutory audit, in each of those financial years, such an auditor shall disclose that fact to the audit committee and discuss with the audit committee the threats to his, her or its independence and the safeguards applied to mitigate those threats. In such a case, the audit committee shall consider whether the audit engagement should be subject to an engagement quality

control review by another registered auditor specified by the audit committee prior to the issuance of the audit report.

(3) Where the fees paid by the public-interest entity continue to exceed 15 % of the total revenues received by such a registered auditor or, as the case may be, by a group auditor carrying out the statutory audit, the audit committee shall decide on the basis of objective grounds whether the relevant auditor may continue to carry out the statutory financial audit for an additional period after the occurrence of those circumstances which shall not, in any case, exceed two years.

Preparation for the statutory audit and assessment of threats to independence

Art. 67. Before accepting or continuing an engagement for a statutory financial audit of the financial statements of a public-interest entity, a registered auditor shall, in addition to the provisions in Art. 54, perform additional activities to assess threats to independence in accordance with the provisions laid down in Art. 6 of Regulation (EU) No 537/2014.

Engagement quality control review

Art. 68. (1) Before the reports referred to in Art. 59 and 60 are issued, a statutory financial audit engagement quality control review shall be performed to assess whether the registered auditor could reasonably have come to the opinion and conclusions expressed in the drafts of these reports.

(2) A statutory financial audit engagement quality control review shall be performed in accordance with the provisions laid down in Art. 8 of Regulation (EU) No 537/2014.

Irregularities

Art. 69. (1) When a registered auditor carrying out the statutory financial audit of the financial statements of a public-interest entity suspects or has reasonable grounds to suspect that irregularities, including fraud with regard to the financial statements of the audited entity, may occur or have occurred, he, she or it shall inform the audited entity and make a recommendation to it to investigate the matter and take appropriate measures to deal with such irregularities and to prevent any recurrence of such irregularities in the future.

(2) Where the audited entity does not investigate the matter or does not take appropriate action, the registered auditor shall have a duty

to inform in due time the competent authority overseeing that entity.

(3) The disclosure in good faith by the registered auditor to the audited entity's authorities of any irregularities referred to in paragraph 1 shall not constitute a breach of any contractual or legal restriction on disclosure of information.

PART THREE

PUBLIC OVERSIGHT

Chapter Eight

COMMISSION FOR PUBLIC OVERSIGHT OF STATUTORY AUDITORS

Legal status of the Commission

Art. 70. (1) The Commission is a specialized public authority for regulation of and supervision over the activities of the persons referred to in Art. 12, paragraph 2.

(2) The Commission is a budget funded legal entity headquartered in Sofia. The Chairperson of the Commission shall be an Authorizing Officer by delegation.

(3) In conducting its activities under this Act and Regulation (EU) No 537/2014, the Commission shall be independent and shall not receive instructions from any other authorities, institutions or persons.

(4) The Commission shall be accountable to the National Assembly.

Responsibilities and functions of the Commission

Art. 71. (1) The Commission shall bear ultimate responsibility for the oversight of:

1. acquiring the right to practice as a registered auditor, registering auditors, including other European Union Member State and third-country auditors and the temporary suspension of the right to pursue activities as a registered auditor;

2. adopting standards on professional ethics, internal quality control with regard to the activities of registered auditors and the performance of statutory financial audit and audit related services;

3. continuing professional development of registered auditors;

4. registered auditors' professional activity quality assurance

system;

5. applying coercive administrative measures and imposing administrative sanctions.

(2) The Commission shall carry out supervision by:

1. performing inspections and investigations;

2. coming up with decisions on refusals for registration of registered auditors into the register under Art. 20;

3. applying coercive administrative and other measures under Art. 89, paragraph 2, hereinafter referred to as “supervisory measures”;

4. allowing proceedings for determining administrative and penal liability;

5. carrying out checks for compliance with legal requirements in the performance by ICPA of its functions under Art. 36, paragraph 1(1)-(5) and under Art. 85, paragraph 3.

(3) The Commission shall:

1. adopt its Rules of Procedure which shall be promulgated in the State Gazette;

2. adopt rules on carrying out inspections and investigations;

3. adopt the rules under Art. 31, paragraph 1(12) and under Art. 63;

4. adopt rules and methodological guidance on the terms and procedures for performing by ICPA of the functions under Art. 36, paragraph 1(1)-(5) and under Art. 85, paragraph 3;

5. adopt other rules, guidelines and methodological guidance related to the implementation of public oversight.

(4) The Commission shall be the competent authority for the implementation of Regulation (EU) No 537/2014.

Composition of the Commission and requirements for the Chairperson and Members

Art. 72. (1) The Commission shall be a collective body and shall comprise a Chairperson and 4 Members. In the absence of the Chairperson, his or her functions shall be performed by a Member of the Commission appointed by the Chairperson on a case-by-case basis.

(2) Only Bulgarian citizens meeting the requirements below may serve as a Chairperson and Members of the Commission:

1. they shall have completed higher education in law or economics with a Master's degree;

2. they shall have knowledge in the fields related to financial audit and shall have at least 5-year professional experience in those fields;

3. they shall not have been convicted of criminal offences of public nature;

4. they shall comply with the independence requirements referred to in Art. 21 of Regulation (EU) No 537/2014.

Election of a Chairperson and Members of the Commission

Art. 73. (1) The Chairperson of the Commission shall be elected by the National Assembly following a public procedure.

(2) Within a one-month period from the election of the Chairperson of the Commission, he or she shall hold consultations for nomination of Commission Member candidates complying with the following principle:

1. one person shall be proposed by the Minister of Finance;

2. one person shall be proposed by the Governor of the Bulgarian National Bank;

3. one person shall be proposed by the Chairperson of the Financial Supervision Commission;

4. one person shall be proposed by the Management Board of ICPA following an election by the General Assembly.

(3) Members of the Commission shall be elected by the National Assembly on a proposal made by the Chairperson of the Commission.

Term of office and termination of powers

Art. 74. (1) The term of office of the Chairperson and the Members of the Commission shall be 4 years. The Chairperson and the Members of the Commission shall not be elected for more than two consecutive terms of office.

(2) The powers of the Chairperson and of a Member of the Commission

shall be terminated by the National Assembly before expiry of the term of office:

1. upon their request;
2. upon inability to perform their duties for more than 6 months;
3. where they no longer meet the requirements of Art. 72, paragraph 2(3) and (4);
4. in case of absence without reasonable grounds from three or more meetings of the Commission over a period of one year;
5. upon the entry into force of an act ascertaining a conflict of interest under the Conflict of Interest Prevention and Ascertainment Act;
6. in case of death.

(3) Upon early termination of the term of office of the Chairperson or a Member of the Commission, another person shall be elected in his or her place for the remaining term of his or her office in accordance with the procedure laid down in Art. 73.

(4) Upon expiry of the term of office for which they have been elected, the Chairperson and the Members of the Commission shall continue to exercise their powers until a new Chairperson and Members are elected.

(5) Members of the Commission, except for the Chairperson, are not in employment or service relationship with the Commission.

Remuneration of the Chairperson and the Members of the Commission

Art. 75. (1) The Chairperson the Commission shall receive a basic monthly remuneration at the amount of 90 per cent of the remuneration of the Chairperson of the National Assembly.

(2) The Members of the Commission, except for the Chairperson, shall receive remuneration for their participation in each meeting, a quality assurance inspection and an international event of the Commission at an amount determined in accordance with the Rules of Procedure referred to in Art. 71, paragraph 3(1). The monthly remuneration received shall not exceed 50 per cent of the basic monthly remuneration of the Chairperson.

Powers of the Chairperson of the Commission

Art. 76. (1) The Chairperson of the Commission shall direct its activities and shall represent the Commission.

(2) The Chairperson of the Commission shall appoint and dismiss administration staff.

Powers of the Commission

Art. 77. (1) Performing its functions, the Commission shall:

1. exercise the supervisory powers referred to in Art. 71, paragraph 2(1)-(3) and in doing so may be assisted by the relevant bodies of ICPA;

2. supervise the legitimate and effective performance of the functions referred to in Art. 36, paragraph 1(1)-(5), compliance with the rules and methodological guidance referred to in Art. 71, paragraph 3(2) and (4), as well as compliance with the independence requirements and the absence of any conflict of interest referred to in Art. 54;

3. return for additional review or re-performance of the review the cases in which the quality of the registered auditor professional activity quality assurance inspections carried out has been found to be unsatisfactory;

4. designate a Member or Members to take part in registered auditor professional activity quality assurance inspections in recurring cases of non-compliance with deadlines for completion or unsatisfactory quality of inspections;

5. conduct investigations at its own discretion or upon receipt of alerts and proposals related to alleged or suspected infringements in relation to the performance of a statutory financial audit and/or provision of related services; in such cases, the Commission may be assisted by the relevant bodies of ICPA; upon receipt of alerts on infringements in the provision of services other than statutory financial audit and/or related services, the Commission may assign to ICPA to carry out reviews in relation thereto;

6. carry out ongoing monitoring of the developments on the market for the provision of services related to a statutory audit of the financial statements of public-interest entities, assessing in particular:

a) risks arising from deficiencies related to the quality of registered auditors' activities, including systematic deficiencies within an audit network that could result in cessation of activities

of an audit firm, difficulties in providing statutory audit services in a specific industry or across industries, concentration of audit failure risks and the impact on the overall financial sector stability;

b) levels of concentration in the market, including in specific sectors;

c) the outcomes of the activities of audit committees;

d) the need for undertaking actions to mitigate the risks referred to in (a) above;

7. notify prosecution authorities where indications of criminal offences have been found;

8. cooperate with the relevant European Union authorities, with other European Union Member State and third-country competent authorities responsible for statutory financial audit;

9. be entitled to request from registered auditors, ICPA, audited entities, audit committees and other parties related thereto the submission within deadlines determined by the Commission of certified copies of documents, schedules and other information;

10. exercise other powers related to the responsibilities and functions under Art. 71.

(2) By 31 July of the current year, the Commission shall submit with the National Assembly a report on its activities during the preceding professional year. This report shall also contain information on:

1. Commission's activities with regard to the responsibilities and functions referred to in Art. 71;

2. the overall results of the quality assurance system;

3. summary data about the findings and conclusions of the inspections and investigations.

Commission's Administration

Art. 78. (1) In pursuing its activities, the Commission shall be assisted by an Administration whose structure and work organization shall be established by the Rules of Procedure referred to in Art. 71, paragraph 3(1).

(2) The activities of the Administration shall be carried out by public servants and individuals working under employment relationships. For the individuals working under employment relationships, the provisions laid down in Art. 107a of the Labour Code shall apply.

(3) Without prejudice to the provisions of this Act, the Administration Act shall apply in respect of Commission's Administration.

(4) Inspections and investigations shall be carried out by inspectors duly authorized by the Chairperson of the Commission.

(5) In carrying out inspections and investigations, the requirements set out in Regulation (EU) No 537/2014 shall also apply.

Meetings and decisions of the Commission

Art. 79. (1) Meetings of the Commission shall be valid where the meeting is attended by the Chairperson and at least two of its Members. The Chairperson may authorize a Member of the Commission to chair a meeting in his or her absence.

(2) The Commission shall adopt decisions in an open vote and a majority of three votes. The Chairperson and the Members of the Commission shall not abstain from voting.

(3) The decisions on temporary suspension of the right to carry out financial audits, on temporary suspension of the right to pursue audit activities under Art. 42, paragraph 3, and on temporary suspension of the functions under Art. 36, paragraph 1(1)-(5), shall be adopted by a majority of 4 votes. Those decisions shall be made public on the website of the Commission indicating how each of the voters has voted and the reasons therefore.

Transparency of Commission's activities

Art. 80. The Commission shall make public on its website:

1. the decisions adopted;
2. an annual report on its activities under Art. 77, paragraph 2;
3. an annual plan on inspection activities.

Principles in the activities of the Commission

Art. 81. In carrying out its activities, the Commission and its

bodies shall apply the basic principles as provided for in Art. 4-14 of the Administrative Procedure Code. The information related to compliance with the principle referred to in Art. 13 of the Administrative Procedure Code shall be made public on the website of the Commission.

An obligation of professional secrecy

Art. 82. (1) The information which the Chairperson and the Members of the Commission, as well as its Administration staff, originate or receive in carrying out, or in relation to, their relevant activities shall be information covered by an obligation of professional secrecy. Professional secrecy shall not mean an official secret as provided for in the Classified Information Protection Act.

(2) An information subject to public disclosure in accordance with this or any other Act shall not be information covered by professional secrecy.

(3) The Chairperson and the Members of the Commission, as well as its Administration staff, shall be under the obligation of professional secrecy, including even after leaving the Commission or its Administration.

(4) Information covered by professional secrecy may only be used by the Commission in performing its functions.

(5) Information covered by professional secrecy may only be disclosed:

1. to judicial bodies and public prosecution authorities;
2. to the State Agency for National Security under terms and procedures set out in a joint instruction, insofar as this is needed for the performance of their functions;
3. to the relevant competent authorities overseeing public-interest entities;
4. as aggregated data in a way that does not allow identifying the relevant persons.

(6) Information about the results of inspections, investigations and reviews covered by professional secrecy, may also be exchanged between the Commission and ICPA's bodies. The terms and procedures for the exchange of that information shall be established by rules adopted by the Commission.

Conflict of interest in exercising supervisory powers

Art. 83. In exercising their supervisory powers, Commission's bodies shall also comply with the requirements referred to in Art. 26, paragraph 5(b), (c) and (d) of Regulation (EU) No 537/2014.

Commission's liability for damages

Art. 84. In exercising their supervisory powers, the Commission and its staff shall not be held liable for damages, unless where they have acted intentionally.

Chapter Nine

QUALITY ASSURANCE SYSTEM FOR THE PROFESSIONAL ACTIVITIES OF REGISTERED
AUDITORS AND INVESTIGATIONS

Section I

Scope and principles

Scope

Art. 85. (1) The quality assurance system for the professional activities of registered auditors shall include the carrying out of inspections for:

1. compliance with the requirements of the applicable auditing standards in carrying out a statutory financial audit;
2. consistency of the audit documentation in carrying out a statutory financial audit with the requirements of the applicable auditing standards;
3. compliance with ethical standards and independence requirements for registered auditors in carrying out a statutory financial audit;
4. adequacy of time and human resources used in carrying out a statutory financial audit in line with the scope and complexity of the accepted engagement;
5. adequacy of audit fees received for carrying out a statutory financial audit;
6. adequacy of the internal quality control system implemented by a registered auditor;
7. compliance with the requirements set out in Regulation (EU) No

573/2014 by registered auditors carrying out a statutory financial audit of the financial statements of public-interest entities;

8. compliance with the provisions laid down in Art. 89, paragraph 2(2).

(2) The terms and procedures for carrying out inspections shall be established by rules adopted by the Commission.

(3) The Commission may delegate to ICPA the functions of control over the quality assurance for the professional activities with regard to statutory financial audit of registered auditors auditing entities that are not public-interest entities. Those functions shall be delegated by a decision of the Commission adopted by a majority of 4 votes.

Principles

Art. 86. (1) The quality assurance system shall be established following the principles described below:

1. inspections shall be carried out by persons who are independent from the relevant registered auditors being inspected;

2. financing of the quality assurance system shall be adequate, sufficient and independent from registered auditors;

3. sufficient resources shall be provided to carry out the required activities;

4. the persons carrying out inspections shall have an appropriate professional education and relevant experience in the field of financial audit and financial reporting and shall have completed quality assurance training;

5. there shall be no conflict of interest between the persons carrying out inspections and registered auditors;

6. inspections shall be appropriate and proportionate to the scale and complexity of the activities of the registered auditor inspected.

(2) The principles referred to in paragraph 1 shall also apply in carrying out investigations.

(3) A conflict of interest under paragraph 1(5) shall exist where the persons carrying out an inspection or an investigation:

1. and the registered auditor being inspected or investigated have

been partners in an entity operating in financial audit;

2. have carried out financial audits for entities whose financial statements were audited by the registered auditor being inspected or investigated in the previous three years;

3. and the registered auditor being inspected or investigated are related parties.

Section II

Quality assurance oversight over the professional activities of registered auditors that carry out statutory financial audits of the financial statements of public-interest entities

Inspections and investigations

Art. 87. (1) Inspections shall be carried out at least every three years on the basis of risk assessment.

(2) Inspections and investigations shall be performed by teams with the participation of Commission's inspectors. ICPA's controllers, designated by the Chairperson of the Commission, may also take part in these teams.

(3) When carrying out an audit firm inspection, statutory financial audit engagements performed by each registered auditor who has been pursuing activities on behalf of this audit firm shall be reviewed.

(4) In inspections and investigations, other related services provided by registered auditors may also be reviewed.

(5) A report shall be drawn up for the inspections/investigations performed which shall then be served on the parties subject to the inspection/investigation; these parties shall have a right to objection within a period of 14 days after service. The inspection team shall come up with an opinion on the objections raised.

(6) In carrying out inspections, the requirements laid down in Art. 26 of Regulation (EU) No 537/2014 shall also be complied with.

(7) The Commission shall consider each report in a meeting within a reasonable period of time after the report was submitted to the Chairperson, together with the evidence gathered, the objections raised and the opinion of the inspection team on those objections.

Powers and duties in carrying out an inspection or an investigation

Art. 88. (1) In carrying out inspections and investigations, Commission's Chairperson, Members and inspectors shall have the right to request, within time limits specified by them, from:

1. the registered auditor subject to inspection or investigation:

a) documents, certified copies of documents, evidence, summaries/schedules and any other information relevant to the performance of the inspection or investigation;

b) written explanations on matters related to the inspection or investigation;

2. natural and legal entities, other than those referred to in p. 1 - the submission of certified copies of documents, evidence, summaries/schedules related to the inspection or investigation;

3. ICPA - the submission of documents, evidence, summaries/schedules and any other information related to the powers of the Commission;

4. the audit committees referred to in Art. 107 - the submission of certified copies of documents, summaries/schedules and any other information related to the powers of the Commission.

(2) Registered auditors subject to inspection or investigation shall be obliged to assist the bodies of the Commission and shall not make reference to the requirements for professional, bank, or any other secrecy protected by law.

(3) The Commission shall have the right, where necessary for the purposes of an inspection or investigation, to engage external experts to perform specific tasks. Those experts shall have relevant professional education and experience and shall meet the requirements laid down in Art. 86, paragraph 1(5).

(4) In carrying out an inspection or an investigation, Commission's members and inspectors shall make themselves known by an identity card issued by the Commission.

Infringements and supervisory measures

Art. 89. (1) The Commission shall apply supervisory measures where an inspection or investigation finds:

1. deficiencies or infringements in the activities of a registered auditor in the areas referred to in Art. 85, paragraph 1;

2. failure of a registered auditor to comply with the obligations under Art. 31;

3. non-compliance with the provisions of Regulation (EU) No 537/2014;

4. failure to provide assistance or impeding in any other way Commission's supervision.

(2) In the cases under paragraph 1, the Commission may:

1. come up with an assessment of the quality of registered auditor's professional activities;

2. come up with prescriptions to a registered auditor to discontinue or correct the infringements made; those prescriptions shall mandatorily be implemented;

3. make public via its website and in any other appropriate way the offender and the infringements made thereby which have been ascertained by an act that has become final and effective;

4. make public via its website, or in any other appropriate way, the decision that a particular audit report does not comply with the requirements set out in this Act and Regulation (EU) No 537/2014, as well as send this report to the Registry Agency for registration into the commercial register under the file of the audited entity for which the provision under Art. 38, paragraph 1(1) of the Accountancy Act applies;

5. suspend a registered auditor's right to conduct a statutory financial audit for public-interest entities for a period of up to three years;

6. suspend a registered auditor's right to conduct a financial audit for a period of up to three years;

7. suspend a registered auditor's right to practice the auditing profession for a period of 5 years;

8. prohibit for a period of up to three years a registered auditor to perform statutory financial audit engagement quality assurance reviews;

9. propose to a competent authority supervising the activities of a public-interest entity to impose a prohibition on a member of its management body to perform his or her functions for a period of up to three years; the relevant supervisory authority shall, within a

reasonable period, notify the Commission about the actions undertaken.

(3) Upon expiry of the term referred to in paragraph 2(5) and (6), quality assurance inspections may be carried out in the course of the following three years.

(4) The measures referred to in paragraph 2(3) and (4) shall continue to be implemented for a period of 5 years after the decision of the Commission comes into force.

(5) Where a measure under paragraph 2(5) or (6) has been imposed on a registered auditor and during an annual inspection or an investigation performed in the course of the period referred to in paragraph 3, an infringement of the same type is detected, the Commission shall apply the measure under point 7.

(6) The measure referred to in paragraph 2(6) shall be applied to a registered auditor committing an infringement under paragraph 1(4). In case of repeated violation, the Commission shall apply the measure referred to in paragraph 2(7).

(7) Where the infringement referred to in paragraph 1 has been committed by a registered auditor who carries out a statutory financial audit on behalf of an audit firm, the supervisory measure shall be applied to both the natural person registered auditor and the audit firm.

(8) The measures referred to in paragraph 2(5)-(7) may also be applied upon a proposal made by ICPA's Management Board on the basis of its decision adopted by a majority of two thirds of its members. The proposal of the Management Board must be based on facts and circumstances found in the course of reviews performed by ICPA's bodies.

Section III

Quality assurance oversight over the professional activities of registered auditors that do not carry out statutory financial audits of the financial statements of public-interest entities

Inspections and investigations

Art. 90. (1) Registered auditors that do not carry out statutory financial audits of the financial statements of public-interest entities shall be subject to quality assurance inspections at least every 6 years on the basis of risk assessment.

(2) The inspections and investigations under this Section shall be

carried out as provided for in Art. 87 and 88, applying accordingly the provisions laid down in Art. 87, paragraphs 3-5 and Art. 89, paragraph 1.

(3) The persons carrying out inspections in accordance with paragraph 1 shall comply with the requirements laid down in Art. 86.

(4) The Commission may carry out investigations for compliance with the requirements laid down in Art. 85, paragraph 1.

(5) For registered auditors that do not carry out statutory financial audits of the financial statements of public-interest entities, the measures provided for in Art. 89, paragraph 2 shall accordingly apply.

Chapter Ten

OVERSIGHT OVER ICPA'S ACTIVITIES

Oversight scope

Art. 91. The Commission shall carry out reviews in respect of ICPA's activities for the lawful and effective exercising of the functions referred to in Art. 36, paragraph 1(1)-(5) and Art. 85, paragraph 3.

Review procedure

Art. 92. In the reviews under Art. 91, ICPA's controllers shall not participate in the review team, applying accordingly the provisions laid down in Art. 88.

Infringements and supervisory measures

Art. 93. (1) Upon detecting infringements made by ICPA in respect of the legal requirements for exercising the functions referred to in Art. 36, paragraph 1(1)-(5) and Art. 85, paragraph 3, the Commission may:

1. order in writing the President of ICPA to take actions for discontinuing and for correcting the infringements;

2. make public via its website, or in any other appropriate way, the infringements;

3. issue written warning for temporary suspension of the function or functions referred to in Art. 36, paragraph 1(1)-(5) and Art. 85, paragraph 3;

4. temporarily suspend the function or functions referred to in Art. 36, paragraph 1(1)-(5) and Art. 85, paragraph 3.

(2) The measure referred to in paragraph 1(4) shall be applied by decision of the Commission after having before that applied the measures referred to in paragraph 1(1)-(3) which have however not resulted in correction of or putting an end to the infringements. In such a case, the Commission shall carry out the functions revoked for a period of up to three months with an option for one-off extension for further three months. Delegated functions shall be revoked by decision of the Commission adopted by a majority of 4 votes.

Chapter Eleven

ISSUANCE AND APPEAL OF COMMISSION'S PRONOUNCEMENTS

Requirements for the decisions of the Commission

Art. 94. The decisions of the Commission to apply supervisory measures shall be issued in compliance with the requirements laid down in Art. 59, paragraphs 1 and 2 of the Administrative Procedure Code.

Notification and service

Art. 95. (1) The decisions of the Commission to apply supervisory measures shall be communicated to the addressees by serving against a signed receipt or by registered mail with acknowledgement of receipt. Serving on registered auditors by registered mail with acknowledgement of receipt shall be made to the address specified in the register under Art. 20.

(2) Where a decision of the Commission cannot be served as specified in paragraph 1, it shall be considered served by placing it on a distinct designated area at the premises of the Commission. This circumstance shall be evidenced by a protocol drawn up by officials duly designated by an order of the Chairperson of the Commission.

Judicial appeal

Art. 96. The decisions of the Commission to apply supervisory measures, except for the measures referred to in Art. 89, paragraph 2(1)-(3) and Art. 93, paragraph 1(1)-(3), shall be subject to judicial appeal before Sofia Administrative Court with regard to their lawfulness.

Application of the Administrative Procedure Code

Art. 97. Insofar as no special rules are provided for in this

Chapter, the relevant provisions of the Administrative Procedure Code shall apply.

Chapter Twelve

COOPERATION AND EXCHANGE OF INFORMATION WITH THE EUROPEAN UNION AND WITH THE COMPETENT AUTHORITIES FROM OTHER COUNTRIES

Section I

Cooperation and exchange of information with the European Union and with other European Union Member State competent authorities

Purpose

Art. 98. The Commission shall cooperate with European Union bodies and with the relevant competent authorities of the other European Union Member States for the purpose of carrying out their duties in the area of public oversight of registered auditors.

Exchange of information with the Committee of European Auditing Oversight Bodies (CEAOB)

Art. 99. The Commission shall be the competent authority for cooperation and for receiving and providing information to CEAOB in accordance with the provisions of Regulation (EU) No 537/2014.

Exchange of information with the competent authorities for public oversight of registered auditors in the other European Union Member States and in third countries

Art. 100. (1) The Commission shall be the competent authority for cooperation and for receiving and providing information to the competent authorities for public oversight of registered auditors in the other European Union Member States and in third countries.

(2) Upon receipt of a request by the competent authority of another European Union Member State, the Commission shall immediately undertake the necessary actions to gather the requested information.

(3) The requirement for professional secrecy referred to in Art. 82 shall not prevent the exchange of confidential information between the Commission and the competent authorities of the other European Union Member States.

(4) For the information received, as provided for in this Chapter, from a competent authority of another European Union Member State, the requirement for professional secrecy referred to

in Art. 82 shall apply; that information may only be used by the Commission and its Administration in relation to carrying out their duties under this Act.

(5) Where the Commission has reasonable doubts that activities contrary to the provisions of Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC, hereinafter referred to as “Directive 2006/43/EC”, of Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014 amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts (OJ, L 158/196 of 27 May 2014), hereinafter referred to as “Directive 2014/56/EC”, or of Regulation (EU) No 537/2014, are being carried out on the territory of another European Union Member State, the Commission shall provide detailed information thereabout to the competent authority of the relevant Member State.

(6) Where the Commission has been notified by the competent authority of another European Union Member State about breach of the requirements of Directive 2006/43/EC, Directive 2014/56/EC or Regulation (EU) No 537/2014 on the territory of the Republic of Bulgaria, the Commission shall take the necessary actions and notify the competent authority of the relevant Member State about the results thereof.

(7) The Commission shall provide annually to the European Securities and Markets Authority summary information about the supervisory measures applied and the administrative sanctions imposed.

(8) The Commission shall immediately notify the European Securities and Markets Authority about the applied supervisory measures referred to in Art. 89, paragraph 2(5)-(7).

Investigations

Art. 101. (1) The Commission shall carry out investigation upon request by the relevant competent authority of another European Union Member State.

(2) In the cases under paragraph 1, the Commission may allow representatives of the competent authority of the Member State to participate as observers in the investigation, where such request has been made.

(3) The Commission may request the carrying out of an investigation by a competent authority of another European Union Member State on its

territory, as well as that its members participate as observers in such an investigation.

Refusal to provide information

Art. 102. (1) The Commission may refuse to fulfill a request for information as provided for in Art. 100, or to carry out an investigation, or the participation of observers as provided for in Art. 101, where:

1. the carrying out of the investigation or the provision of the information may adversely affect the sovereignty, security or public order of the Republic of Bulgaria;

2. proceedings have already been initiated before the judicial authorities of the Republic of Bulgaria in respect of the same actions and against the same registered auditors in relation to whom the assistance has been requested;

3. final judgment has already been passed in the Republic of Bulgaria in respect of the same actions and on the same registered auditors in relation to whom the assistance has been requested.

(2) In the cases under paragraph 1, the Commission shall notify the authority which has requested the assistance.

Non-application of additional requirements

Art. 103. (1) In the case of a financial audit of the consolidated financial statements of a local company, an auditor or audit firm carrying out financial audit of a subsidiary established in another European Union Member State, no additional requirements in relation to the financial audit with regard to registration, quality assurance control, auditing standards, professional ethics and independence shall be imposed on the registered auditor carrying out the audit for that entity.

(2) In the case of a financial audit of the financial statements of an entity headquartered in another European Union Member State whose securities are traded on a regulated market in Bulgaria, no additional requirements in relation to the financial audit with regard to registration, quality assurance control, auditing standards, professional ethics and independence shall be imposed on the registered auditor carrying out the audit for that entity.

Section II

Cooperation and exchange of information with third-country competent

authorities

Provision of working papers by the Commission

Art. 104. (1) The Commission may allow the provision of working papers related to the carrying out of a financial audit or other documents held by registered auditors to the competent authorities of a third country, provided that:

1. those working papers or other documents relate to financial audits of companies which have issued securities in that third country or which form part of a group preparing consolidated financial statements in that third country;

2. the provision takes place via the Commission to the competent authorities of that third country and at their request;

3. the competent authorities of the third country meet requirements which have been declared adequate by the European Commission in accordance with the procedure provided for in Art. 48 of Directive 2006/43/EC;

4. there are working arrangements on the basis of reciprocity agreed between the Commission and the competent authorities of that third country;

5. the provision is carried out in compliance with the requirements of Chapter Six of the Personal Data Protection Act.

(2) The working arrangements referred to in paragraph 1(4) shall ensure that:

1. the provision of working papers related to the carrying out of a financial audit or other documents held by registered auditors is made on the basis of justified request by the competent authorities of the third country specifying the purpose of the request;

2. the employees or the persons engaged by the competent authorities of the third country as well as other persons that receive the documents provided are subject to obligations of professional secrecy;

3. the competent authorities of the third country will use the documents provided only for the exercise of their functions of public oversight, quality assurance inspections and investigations that meet the requirements laid down in Art. 29, 30 and 32 of Directive 2006/43/EC;

4. the request from a competent authority of a third country may be refused, where:

a) the provision of the documents may adversely affect the sovereignty, security or public order of the Republic of Bulgaria;

b) proceedings have already been initiated before the judicial authorities of the Republic of Bulgaria in respect of the same actions and between the same parties in relation to whom the provision of those documents has been requested.

(3) The Commission shall cooperate with the European Commission in assessing the adequacy referred to in paragraph 1(3) and shall take the necessary actions to implement the decisions of the European Commission.

Direct provision of working papers by registered auditors

Art. 105. The Commission may derogate from Art. 104, paragraph 1 and allow registered auditors to provide working papers related to the carrying out of a statutory financial audit or other documents held by them directly to the competent authorities of a third country, provided that:

1. an investigation has been initiated by the competent authorities in that third country;

2. the provision does not conflict with the obligations with which registered auditors are required to comply in accordance with this Act;

3. there are working arrangements with the competent authorities of that third country that allow the Commission reciprocal direct access to the working papers related to the carrying out of a statutory financial audit and to other documents of that third-country's registered auditors;

4. the requesting competent authority of the third country informs in advance the Commission of each request for direct provision of documents, indicating the reasons therefor;

5. the conditions referred to in Art. 104, paragraph 2 are respected.

Notification of the European Commission

Art. 106. The Commission shall notify the European Commission about any working arrangements referred to in Art. 104, paragraph

1(4) and Art. 105(3).

PART FOUR

AN AUDIT COMMITTEE IN PUBLIC-INTEREST ENTITIES

Setting up an audit committee

Art. 107. (1) An audit committee shall be set up in each public-interest entity.

(2) Audit committee members shall be elected by the general meeting of shareholders or partners, upon proposal made by the chairperson of the management board or of the supervisory board, or of the board of directors, or by entity's managing director. Members of the supervisory body of an entity and members of the management body who are not executive members of the management bodies may also be elected as members of the audit committee.

(3) As audit committee members shall be elected individuals having Master's degree, knowledge in the area in which the entity operates, and at least one of the members shall have practical professional experience of not less than 5 years in accounting or auditing.

(4) A majority of the members of the audit committee shall be external to and independent of the public-interest entity. The following persons shall not be independent members of an audit committee:

1. a member of the management body, an executive member of the supervisory body, or entity's employee;

2. a person who is in established business relations with the entity;

3. a member of the management or supervisory body, procurator or an employee of a person referred to in point 2 above;

4. a related party to another member of the management or supervisory body of the public-interest entity.

(5) Non-existence of the circumstances referred to in paragraph 4 shall be certified by a written declaration, submitted before the date of the election carried out by the general meeting, by each person nominated as an audit committee member. Where one or more of those circumstances occur after the election, the relevant member of the audit committee shall immediately inform in writing the management and supervisory bodies of the entity and shall cease performing his or her

functions, with another member being elected in his or her place at the next general meeting.

(6) The chairperson of the audit committee shall be elected by its members. The chairperson shall also comply with the requirements referred to in paragraph 4.

(7) The general meeting of shareholders or partners shall approve the statute of the audit committee which shall define audit committee's functions, rights and responsibilities with regard to financial audit, internal control and internal audit, as well as its interactions with entity's management bodies.

(8) By a decision of the general meeting, shareholders or partners may also set up audit committees in other entities.

Rights and obligations of an audit committee

Art. 108. (1) An audit committee shall:

1. inform entity's management and supervisory bodies of the outcome of the statutory audit and explain how the statutory audit contributed to the integrity of financial reporting and what the role of the audit committee was in that process;

2. monitor the financial reporting process and submit recommendations or proposals to ensure its efficiency;

3. monitor the effectiveness of the internal control system, the risk management system and the internal audit activities regarding the financial reporting of the audited entity;

4. monitor the statutory audit of the annual financial statements, including its performance, taking into account any findings and conclusions of the Commission in implementing Art. 26, paragraph 6 of Regulation (EU) No 537/2014;

5. review and monitor the independence of registered auditors in accordance with the requirements of Chapters Six and Seven of this Act as well as with Art. 6 of Regulation (EU) No 537/2014, including the appropriateness of the provision of non-audit services to the audited entity in accordance with Art. 5 of that Regulation;

6. be responsible for the procedure for the selection of a registered auditor and recommend the registered auditor to be appointed, except where the audited entity has a nomination committee;

7. inform, within a 7-day period from the decision, the Commission,

as well as the management and supervisory bodies of the entity, on any approval granted under Art. 64, paragraph 3 and Art. 66, paragraph 3;

8. report its activities to the appointing authority;

9. prepare and submit to the Commission, by 30th June, an annual report on its activities.

(2) Entity's management body shall provide to the audit committee sufficient resources for the effective performance of its obligations.

(3) The members of the management and supervisory bodies and the employees of the entity shall have a duty to assist the audit committee in the performance of its activities, including to provide within reasonable time limits the information requested thereby.

Monitoring, assessment and measures taken by the Commission with regard to the activities of audit committees

Art. 109. (1) The Commission shall regularly monitor the quality, developments and competition in the market for providing services in relation to statutory audits of public-interest entities in accordance with Art. 27 of Regulation (EU) No 537/2014.

(2) The Commission may give prescriptions to improve the activities of audit committees in public-interest entities.

PART FIVE

ADMINISTRATIVE AND PENAL PROVISION

Administrative violations and sanctions

Art. 110. (1) A fine or a financial sanction shall be imposed on a registered auditor at an amount of up to 10 per cent of total net sales revenue for the preceding financial year considering the date when the violation was detected, however not less than BGN 2,000, where an inspection or investigation finds that the registered auditor:

1. has issued an audit report with an audit opinion or disclaimer of opinion which is not consistent with the evidence gathered in performing the financial audit;

2. has failed to comply with the requirements of the applicable auditing standards which has adversely affected the outcome of registered auditor's work and the audit opinion issued;

3. has failed to comply with the independence and no conflict of interest requirements;

4. has failed to comply with the requirements for professional secrecy under Art. 11;

5. has failed to fulfill the obligation to provide the incoming registered auditor with the information in accordance with Art. 31, paragraph 1(4) and/or paragraph 2(2);

6. has failed to comply with the requirements for retaining the audit documentation laid down in Art. 31, paragraph 1(10);

7. has failed to fulfill the obligations under Art. 56, paragraphs 6 and 7 for creating and maintaining files or where those files are incomplete;

8. has failed to fulfill the obligation to report to a competent authority overseeing a public-interest entity as well as to the Commission, or has provided incomplete or incorrect information under Art. 61;

9. has failed to fulfill the obligation to publish an annual transparency report or where the report published contains incomplete or incorrect information with regard to the requirements laid down in Art. 62;

10. has failed to comply with the restrictions or prohibitions laid down in Art. 64;

11. has failed to comply with the requirements for maximum duration laid down in Art. 65;

12. has failed to comply with the requirements for fees laid down in Art. 66;

13. refuses or fails to render assistance in carrying out an inspection or investigation or impedes in any other way the performance of the functions of the Commission or ICPA;

14. has failed to issue, due to the registered auditor's fault, an audit report for a statutory financial audit in a public-interest entity, where the proper grounds referred to in Art. 49, paragraph 2 do not exist, or in the case of a refusal to continue performance under an audit agreement or failure to issue an audit report within specified deadlines where that audit report, as a result of late issuance, cannot serve the purpose of the audit assignment;

15. has failed to provide the Commission with the information required by this Act or has provided it upon expiry of a one-month period after the specified deadline, or where incomplete or incorrect information has been provided;

16. has failed to implement the prescriptions made by the Commission or ICPA as provided for in Art. 89, paragraph 2(2);

17. has failed to perform a quality control review in accordance with the requirements laid down in Art. 8 of Regulation (EU) No 537/2014;

18. has performed a quality control review as provided for in Art. 8 of Regulation (EU) No 537/2014 where an audit report has been issued with an audit opinion or disclaimer of opinion which is not consistent with the evidence gathered in performing the statutory financial audit and this has not been adequately reflected by the reviewer before the issuance of the audit report;

19. has failed to submit within the time limit referred to in Art. 11 of Regulation (EU) No 537/2014 an additional report to the audit committee or where the report submitted has been with incorrect or incomplete content.

(2) A registered auditor shall be sanctioned by imposing a fine or a financial sanction at an amount from BGN 500 to BGN 5,000, where an inspection or investigation finds that:

1. any other requirements of the applicable auditing standards, except for those specified in paragraph 1 above, have not been complied with;

2. the Commission has been provided with the information required by this Act within a one-month period after the specified deadline;

3. any other obligations under this Act or implementing acts of the Commission have not been complied with.

(3) Where the violations referred to in paragraph 1 or 2 have been committed by a registered auditor carrying out a statutory financial audit and related services on behalf of an audit firm, sanctions shall be imposed on both the natural person registered auditor and the audit firm on behalf of which the audit is being performed.

(4) Where the documentation and information required under Art. 77, paragraph 1(9) and Art. 88, paragraph 1 have not been provided or have been provided after the specified deadline, or where those are

incorrect or incomplete, a fine or financial sanction at an amount from BGN 500 to BGN 2,000 shall be imposed on the relevant person, other than the registered auditor.

(5) A chairperson of the management board or of the supervisory board, or a board of directors' chairperson, or a managing director of a public-interest entity, who has failed to fulfill his or her obligation under Art. 107, paragraph 2, shall be sanctioned by imposing a fine at an amount from BGN 500 to BGN 5,000.

(6) A public-interest entity which has failed to fulfill its obligation under Art. 107, paragraph 1 shall be sanctioned by imposing a financial sanction at an amount from BGN 2,000 to BGN 20,000.

(7) A public-interest entity which has failed to fulfill its obligation under Art. 107, paragraph 7 shall be sanctioned by imposing a financial sanction at an amount from BGN 2,000 to BGN 20,000.

(8) In case of repeated violation, the fine or financial sanction imposed shall be of double amount.

(9) Written Statements of Violations shall be drawn up by the inspectors of the Commission and ICPA's controllers duly authorized by the Chairperson of the Commission to whom the carrying out of the inspection or investigation has been assigned.

(10) Penal Decisions shall be issued by the Chairperson of the Commission.

(11) Drawing up of Written Statements, issuance, appeal and enforcement of Penal Decisions shall be carried out as provided for in the Administrative Violations and Sanctions Act.

Making public the information about the administrative sanctions imposed and the administrative measures taken

Art. 111. (1) The Commission shall publish on its website all imposed administrative sanctions and supervisory measures which have entered into force, providing information about the type and nature of the infringement and the identity of the natural or legal person on whom those sanctions have been imposed.

(2) The Commission shall publish the information referred to in paragraph 1 on an anonymous basis where:

1. in the event that the sanction is imposed on a natural person,

publication of personal data is shown to be disproportionate by a prior assessment of the proportionality of such publication;

2. publication would jeopardize the stability of financial markets or an ongoing investigation;

3. publication would cause disproportionate damage to the institutions or individuals involved.

ADDITIONAL PROVISIONS

§ 1. Within the meaning of this Act:

1. “Activity equivalent to financial audit” means the activity carried out as an inspector with the Commission for Public Oversight of Statutory Auditors.

2. “Good repute” exists where the natural person registered auditor or the audit firm partners, management and supervisory body members have not been convicted of a criminal offence of public nature and have not been deprived of the right to practice the audit profession or pursue audit activities, or any other similar professions or activities, in the field of finance and accounting.

3. “Home Member State” means another European Union Member State which has granted authorization to a registered auditor or audit firm to carry out financial audit in this country in accordance with its national law in compliance with the requirements of Art. 3, paragraph 1 of Directive 2006/43/EC.

4. “Expert” means a natural person possessing specific knowledge about financial markets, financial reporting, auditing, or other areas related to the reviews and practices of the audits performed under this Act.

5. “Stakeholder” means a person having legal interest in the activities of a registered auditor, the Commission, or ICPA.

6. “Inspector” means an individual who is engaged under service contract by or is in non-employment relationships with the Commission, has appropriate professional education and relevant experience in the field of financial audit and financial reporting, does not practice an activity related to financial audit, and has undergone training on registered auditor activity quality assurance.

7. “Inspection” means the set of procedures for reviewing the work of registered auditors aimed at quality assurance and comprises assessment of compliance with applicable auditing standards and

independence requirements, of the quantity and quality of resources spent, of audit fees received, and of the internal quality control system. Inspections may be scheduled or unscheduled, full-scope or thematic (topic-focused).

8. "Nomination Committee" means a committee in which the shareholders or partners have a considerable influence and which has the task of making recommendations on auditor appointment.

9. "Third-country competent authority" means the authority that is in charge of public oversight or of the approval and registration of the persons carrying out audits of annual financial statements in non-European Union Member States.

10. "Competent authority" means the authority or authorities designated by law that are in charge of the regulation and/or oversight of the activities of registered auditors or of specific functions thereof. Reference to a 'competent authority' in a specific Article means a reference to the authority responsible for the functions referred to in that Article.

11. "Controller" means an individual who is a member of ICPA, has undergone training in registered auditor activity quality assurance and has been approved by ICPA's Audit Services Quality Assurance Board.

12. "Non-practitioner" means any natural person who, during his or her involvement in the public oversight and during the period of three years immediately preceding that involvement, has not carried out financial audits within the meaning of this Act, has not held shares or other securities issued by an audit firm, has not been a member of the management or supervisory body of an audit firm and has not been employed by, or otherwise associated with, an audit firm.

13. "Net sales revenue" means the total amount of sales derived from the activities of a registered auditor, less any sales rebates, value added tax, and any other taxes directly linked to revenue. Where the registered auditor directly pursues the activities of an auditor, net sales revenue for the purposes of this Act shall comprise the total amount of sales, received directly by the natural person, from the activities of the business entity through which he or she provides audit services, as well as from his or her participation in a Civil Law company under the Obligations and Contracts Act, where applicable.

14. "Financial audit related areas" mean internal audit, external audit in the public sector and accounting.

15. "Group auditor" means a registered auditor that carries out

financial audits of entity's consolidated financial statements.

16. "Third-country auditor" means a natural person who carries out financial audits of the annual financial statements of a company incorporated in a third country, other than a person who is registered in a European Union Member State.

17. "Audit network" means the body of undertakings to which the registered auditor or audit firm belongs and which is aimed at cooperation, profit- or cost-sharing, or shares common ownership, control or management, common quality-control policies and procedures, a common business strategy, the use of a common brand-name or a significant part of professional resources.

18. "Auditing profession" means the profession of registered auditors with regard to providing, directly or through an audit firm, financial audit services, related services, or any other similar services.

19. "Audit engagement" means a financial audit engagement.

20. "Third-country audit firm" means an entity, regardless of its legal form, which carries out financial audits of the annual financial statements of a company incorporated in a third country, other than an entity which is registered as an audit firm in a European Union Member State.

21. "Experience in the field of financial audit" means the experience in the fields of accounting, financial reporting and auditing.

22. "Principal activity" means the activity of a business entity where total net sales revenue derived from this activity accounts for more than 50 percent of total net sales revenue for the reporting period.

23. "Responsible auditor" means the auditor:

a) designated by an audit firm as leading and being primary responsible for carrying out the financial audit on behalf of the audit firm, or

b) in the case of a group audit, designated by the audit firm as leading and being primary responsible for carrying out the financial audit of group financial statements and the auditor designated as leading and being primary responsible for carrying out the financial audit of the financial statements of the material subsidiaries, or

c) signing the audit report.

24. "Entity" is the term within the meaning provided in Art. 2 of the Accountancy Act.

25. "Repeated" means a violation conducted within one year of the entry into force of a penalty decision under which the offender is penalized for a violation of the same kind.

26. "Public-interest entity" is the term within the meaning provided in § 1, p. 22 of the Additional Provisions of the Accountancy Act.

27. "Applicable financial reporting framework" means the financial reporting framework adopted by the entity in the preparation of the financial statements that is acceptable in view of the nature of the entity and the objective of the financial statements, or that is required by law or regulation. The applicable financial reporting framework determines the form and content of the financial statements.

28. "Applicable basis of accounting" means the accounting standards being the framework for the preparation of the annual financial statements in accordance with Chapter Four of the Accountancy Act.

29. "Professional year" means a period of 12 months in pursuing professional activities by registered auditors, commencing on 1 July and ending on 30 June of the following year.

30. "Professional skepticism" means the conduct involving a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence.

31. "Professional activities of an ICPA member" mean the activities with regard to the provision of services requiring accounting or related skills, carried out by ICPA members, including financial audit engagements, engagements to review financial information, assurance engagements other than audits or reviews, engagements to perform agreed upon procedures, and compilation engagements.

32. "Professional activities of a registered auditor" mean the activities with regard to statutory financial audit and related services.

33. "Professional judgement" means the competent, adequate and relevant application of the undergone practical training, knowledge, and experience of the registered auditor in line with auditing standards, ethical requirements and the applicable basis of

accounting in making decisions when performing financial audits.

34. "Investigation" means the performance of a set of procedures for reviewing the work of registered auditors aimed at detecting and assessing inadequate execution of statutory financial audit and related services engagements against the requirements of the applicable auditing standards and legal provisions.

35. "Reasonable assurance" means a high level of assurance expressed positively in the audit report as an assurance that the audited information is free from material omissions, errors or deficiencies.

36. "Registered auditor" means a natural person or an audit firm entered into the register under Art. 20 that is entitled to sign audit reports with an opinion on the financial statements.

37. "European Union Member State registered auditor" means a natural person or an audit firm that has been granted an authorization in a European Union Member State to sign audit reports with an opinion on entities' annual financial statements.

38. "Management" means the persons managing and representing the audited entity.

39. "Management position" means a position involving performance of functions of management of and control over structural units directly relevant to entity's principal subject of activity.

40. "Related services" mean:

a) audits of financial statements of public-interest entities prepared in accordance with special purpose frameworks for regulatory or supervisory purposes;

b) public-interest entities assurance engagements intended for a wide range of users other than audits or reviews of historical financial information;

c) assurance engagements on Greenhouse Gas Statements.

41. "Related parties" is the term within the meaning provided in § 1, p. 3 of the Additional Provisions of the Tax and Social Security Procedure Code.

42. "Close links" is the term within the meaning provided in Article 4, paragraph 1(38) of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential

requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ, L 176/1 of 27 June 2013).

43. “Contingent fee” means audit engagement fee calculated on a predetermined basis relating to the outcome of a transaction or the results of the work performed. A fee is not regarded as being contingent where established by a court or by another competent authority.

44. “Financial instruments” is the term within the meaning provided in Art. 3 of the Markets in Financial Instruments Act.

45. “Wide range of users” mean unlimited number of persons other than the management of the audited entity and/or the specific users of financial information indicated in the agreement for the relevant service.

§ 2. (1) This Act implements the requirements of:

1. Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC;

2. Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014 amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts;

3. Article 35 of Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ, L 182/19 of 29 June 2013).

(2) This Act provides for implementing measures for Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC.

TRANSITIONAL AND FINAL PROVISIONS

§ 3. This Act shall repeal the Independent Financial Audit Act (Promulgated, SG, No 101 of 2001; amended, No 91 of 2002, No 96 of 2004, No 77 and 105 of 2005, No 30, 33, 62 and 105 of 2006, No 67 of 2008, No 95 of 2009, No 54 of 2010, No 99 of 2011, No 38, 60 and 102 of 2012, No 15 of 2013 and No 61 and 95 of 2015).

§ 4. The Chairperson and the Members of the Commission for Public Oversight of Registered Auditors shall continue to exercise their powers until the term of office for which they have been elected expires.

§ 5. For audits of financial statements of public-interest entities and audits of financial statements under the Insurance Code, the Social Insurance Code and the Credit Institutions Act, for reporting periods ending on 31 December 2016, the repealed Independent Financial Audit Act shall apply.

§ 6. (1) A public-interest entity which, until and including 16 June 2014, has accepted a statutory financial audit engagement with a registered auditor that has been providing, as at that date, statutory financial audit services to this entity in the course of 20 or more consecutive years, shall not accept or continue a statutory financial audit engagement with this auditor as of 17 June 2020.

(2) A public-interest entity which, until and including 16 June 2014, has accepted a statutory financial audit engagement with a registered auditor that has been providing, as at that date, statutory financial audit services to this entity in the course of 11 or more, but less than 20, consecutive years, shall not accept or continue a statutory financial audit engagement with this auditor as of 17 June 2023.

(3) A public-interest entity which, until and including 17 June 2016, has accepted a statutory financial audit engagement with a registered auditor that has been providing, as at and including 16 June 2014, statutory financial audit services to this entity in the course of less than 11 consecutive years, may accept or continue statutory financial audit engagements with this auditor until reaching the maximum duration referred to in Art. 65.

§ 7. (1) Within a period of 6 months after entry into force of this Act, the Commission for Public Oversight of Registered Auditors and the Institute of Certified Public Accountants shall put their respective activities in line with the requirements of this Act.

(2) Within a period of three months after entry into force of this Act, the Institute of Certified Public Accountants shall put in line with the requirements thereof registered auditors' professional seals.

§ 8. Within a period of 6 months after entry into force of this Act:

1. public-interest entities shall set up an audit committee and shall adopt rules of procedure for its activities in accordance with Art. 107, paragraph 7;

2. the Registry Agency shall bring its activities in line with the requirements of this Act.

§ 9. The pronouncements of the Commission for Public Oversight of Registered Auditors and the Institute of Certified Public Accountants issued before the entry into force of this Act shall remain effective, insofar as they do not contradict the provisions thereof.

§ 10. Administrative and penal proceedings, inspections and investigations, pending before the coming into force of this Act, shall be finalized under the procedures provided for in the repealed Independent Financial Audit Act.

§ 11. In the Insurance Code (Promulgated, SG, No 102 of 2015; supplemented, No 62 of 2016) the following amendments and supplements are made:

1. In Art. 101:

a) paragraph 1 is amended as follows:

“(1) The annual financial statements of an insurer, respectively reinsurer, insurance holding company or mixed-activity financial holding company with a registered office in the Republic of Bulgaria, their consolidated financial statements, where applicable, as well as the annual statistics, reports and schedules referred to in Art. 126, paragraph 1 shall be jointly audited and certified by two audit firm which are registered auditors under the Independent Financial Audit Act. Where the insurer has no right of access to the Single Market under Art. 16, the audit and certification shall be carried out by one audit firm.”;

b) Paragraph 3 is amended as follows:

“(3) An audit firm where the registered auditors who will perform the certification on behalf of the audit firm have been deprived of the legal capacity as an auditor in the Republic of Bulgaria or in another Member State or does not meet the criteria referred to in Art. 101a, paragraph 3, may not be the auditor under paragraph 1.”;

c) paragraph 4 is repealed.

2. Art. 101a is created:

“Approval of auditors

Art. 101a. (1) Insurers, reinsurers, insurance holding companies and mixed-activity financial holding companies with a registered office in

the Republic of Bulgaria shall appoint the auditors referred to in Art. 101, paragraph 1, after having agreed in advance the appointment with the Financial Supervision Commission.

(2) The criteria for agreeing auditor appointment under paragraph 1 shall be adopted by the Commission in consultation with the Commission for Public Oversight of Registered Auditors.

(3) Where the Financial Supervision Commission has not objected within a 14-day period as of the date of the request for agreement, the proposal for auditor appointment shall be considered as agreed.”

3. Throughout Art. 103, the words “audit enterprise” are replaced by “the auditors under Art. 101, paragraph 1”.

4. In Art. 125, paragraph 3 is created:

“(3) The management body of an insurance holding company or a mixed-activity financial holding company with registered office in the Republic of Bulgaria which heads a group shall prepare and submit to the Commission the financial statements of the entity, as well as the consolidated financial statements, audited in accordance with Art. 101, paragraph 1, not later than 20 weeks after the financial year end.”

5. In Art. 126, paragraph 3, the words “the specialized audit enterprise under Art. 101” are replaced by “the auditors under Art. 101, paragraph 1”.

6. In Art. 587, paragraph 3:

a) in p. 1, the words “the audit enterprise” are replaced by “the auditors under Art. 101, paragraph 1”;

b) in p. 10, the words “audit enterprise” are replaced by “registered auditors under the Independent Financial Audit Act”.

7. In Art. 599, paragraphs 3 and 4, the words “the audit enterprise” are replaced by “the auditors under Art. 101, paragraph 1”.

§ 12.In the Social Insurance Code (promulgated, SG, No 110 of 1999; Decision No 5 of the Constitutional Court of 2000 - No 55 of 2000; amended, No 64 of 2000, No 1, 35 and 41 of 2001, No 1, 10, 45, 74, 112, 119 and 120 of 2002, No 8, 42, 67, 95, 112 and 114 of 2003, No 12, 21, 38, 52, 53, 69, 70, 112 and 115 of 2004, No 38, 39, 76, 102, 103, 104 and 105 of 2005, No 17, 30, 34, 56, 57, 59, 68, 76, 80, 82, 95, 102 and 105 of 2006, No 41, 52, 53, 64, 77, 97, 100, 109 and 113 of 2007, No 33, 43, 67, 69, 89, 102 and 109 of 2008, No 23, 25, 35,

41, 42, 93, 95, 99 and 103 of 2009, No 16, 19, 43, 49, 58, 59, 88, 97, 98 and 100 of 2010; Decision No 7 of the Constitutional Court of 2011 – No 45 of 2011; amended, No 60, 77 and 100 of 2011, No 7, 21, 38, 40, 44, 58, 81, 89, 94 and 99 of 2012, No 15, 20, 70, 98, 104, 106, 109 and 111 of 2013, No 1, 18, 27, 35, 53 and 107 of 2014, No 12, 14, 22, 54, 61, 79, 95, 98 and 102 of 2015 and No 62 of 2016) the following amendments and supplements are made:

1. In Art. 187:

a) in paragraph 1, the words “by two registered auditors or by a specialized audit enterprise” are replaced by “jointly by two audit firms which are registered auditors under the Independent Financial Audit Act”;

b) in paragraph 2, the words “and the specialized audit firms” are deleted.

2. Art. 187a is created:

“Auditor selection and appointment

Art. 187a. (1) Pension companies shall appoint the auditors referred to in Art. 187, paragraph 1, after having agreed in advance the appointment with the Financial Supervision Commission.

(2) The criteria for agreeing auditor appointment under paragraph 1 shall be adopted by the Financial Supervision Commission in consultation with the Commission for Public Oversight of Registered Auditors.

(3) Where the Financial Supervision Commission has not objected within a 14-day period as of the date of the request for agreement, the proposal for auditor appointment shall be considered as agreed.”

§ 13.In the Credit Institutions Act (promulgated, SG, No 59 of 2006; amended, No 105 of 2006, No 52, 59 and 109 of 2007, No 69 of 2008, No 23, 24, 44, 93 and 95 of 2009, No 94 and 101 of 2010, No 77 and 105 of 2011, No 38 and 44 of 2012, No 52, 70 and 109 of 2013, No 22, 27, 35 and 53 of 2014, No 14, 22, 50, 62 and 94 of 2015 and No 33, 59, 62 and 81 of 2016) the following amendments and supplements are made:

1. In Art. 71, paragraph 1(7), the word “auditor” is replaced by “auditors”.

2. In Art. 76:

a) in paragraph 1, the words “by a specialized audit enterprise

which is a registered auditor” are replaced by “jointly by two audit firms which are registered auditors”;

b) in paragraph 4, the word “auditor” is replaced by “auditors” and a second sentence is created: “The Bulgarian National Bank, in consultation with the Commission for Public Oversight of Registered Auditors, shall adopt criteria for agreeing the appointment.”;

c) in paragraph 6, the word “auditor” is replaced by “auditors”;

d) in paragraph 7, in the text preceding p. 1, the words “the auditor shall give” are replaced by “the auditors shall give” and the words “The auditor shall conduct a review and shall express” are replaced by “The auditors shall conduct a review and shall express”.

3. In Art. 77, paragraph 1(4), the words “the auditor to certify” are replaced by “the auditors to certify”.

4. In Art. 78, paragraph 1, the words “by a specialized audit enterprise which is a registered auditor” are replaced by “jointly by two audit firms which are registered auditors”.

§ 14. In the Accountancy Act (promulgated, SG, No 95 of 2015; amended, No 74 of 2016) the following amendments and supplements are made:

1. In Art. 38, paragraph 11 is created:

“(11) By 31 July of the current year, the Registry Agency shall provide in electronic form the National Revenue Agency with a list of the entities which have failed to publish their annual financial statements for the preceding year within the time limit referred to in paragraphs 1 and 2. The list should contain the name of the entity and its BULSTAT identification code. By 30 September of the current year, the National Revenue Agency shall undertake the necessary actions to carry out reviews and identify any violations under paragraphs 1 - 10.”

2. In Art. 74, paragraph 1, after the words “does not publish the financial statements”, the words “within the time limits referred to in Art. 38” are added.

3. In § 1(22) of the Additional Provisions, p “k” is amended as follows:

“k) Water and sewerage service operators within the meaning of Art. 2, paragraph 1 of the Water Supply and Sewerage Services Regulation Act which are medium and large entities.”

§ 15. In the Collective Investment Schemes and Other Undertakings for Collective Investments Act (promulgated, SG, No 77 of 2011; amended, No 21 of 2012, No 109 of 2013, No 27 of 2014, No 22 and 34 of 2015 and No 42 and 76 of 2016) the following amendments are made:

1. In Chapter Fourteen, in the heading of Section II, the word “independent” is replaced by “registered”.

2. In Art. 150:

a) in paragraph 1, in the text before p. 1, the words “independent auditor” are replaced by “registered auditor under the Independent Financial Audit Act”;

b) in paragraph 2, the words “the independent” is replaced by “the registered”;

c) in paragraph 3, the words “independent” and “the independent” are replaced respectively by “registered” and “the registered”.

3. In Art. 151, paragraph 1(3), the word “the independent” is replaced by “the registered”.

§ 16. In the Supplementary Supervision of Financial Conglomerates Act (promulgated, SG, No 59 of 2006; amended, No 52 of 2007, No 77 and 105 of 2011, No 70 of 2013, No 27 of 2014 and No 102 of 2015) the following amendments are made:

1. In Art. 19, paragraph 2, the words “independent auditor” are replaced by “registered auditor under the Independent Financial Audit Act”.

2. In Art. 20, paragraph 3(7), the word “independent” is replaced by “registered”.

§ 17. In the Payment Services and Payment Systems Act (promulgated, SG, No 23 of 2009; amended, No 24 and 87 of 2009, No 101 of 2010, No 105 of 2011, No 103 of 2012, No 57 and 102 of 2015 and No 59 of 2016), in Art. 23, paragraph 1, the words “specialized audit enterprise” are replaced by “audit firm”.

§ 18. In the Film Industry Act (promulgated, SG, No 105 of 2003; amended, No 28, 94 and 105 of 2005, No 30, 34 and 80 of 2006, No 53 and 98 of 2007, No 42 and 74 of 2009, No 99 of 2010; Decision No 1 of the Constitutional Court of 2011 - No 31 of 2011; amended, No 82 of 2012 and No 15 and 68 of 2013), in Art. 26, paragraph 3, the words “independent financial auditor” are replaced by “registered auditor under the Independent Financial Audit Act”.

§ 19. In the Postal Services Act (promulgated, SG, No 64 of 2000; amended, No 112 of 2001, No 45 and 76 of 2002, No 26 of 2003, No 19, 88, 99 and 105 of 2005, No 34, 37, 80 and 86 of 2006, No 41, 53 and 109 of 2007, No 109 of 2008, No 35, 87 and 93 of 2009, No 101 and 102 of 2010, No 105 of 2011, No 38 of 2012, No 61 of 2014 and No 81 of 2016), the following amendments are made:

1. In Art. 29a, paragraph 3, the word “auditor” is replaced by “registered auditor under the Independent Financial Audit Act”.

2. In Art. 29b, paragraph 5, the word “independent” is replaced by “registered”.

§ 20. In the Bank Bankruptcy Act (promulgated, SG, No 92 of 2002; amended, No 67 of 2003, No 36 of 2004, No 31 and 105 of 2005, No 30, 34, 59 and 80 of 2006, No 53 and 59 of 2007, No 67 of 2008, No 105 of 2011, No 98 of 2014, No 22, 41, 50, 61, 62 and 94 of 2015 and No 33 of 2016), the following amendments are made:

1. In Art. 78, paragraph 1, the words “making the assessment under Art. 80, paragraph 1” are replaced by “inventory count completion and assessment under Art. 52, paragraph 1”.

2. In Art. 80, paragraph 7, the words “specialized audit enterprise” are replaced by “audit firm”.

§ 21. In the Forestry Act (promulgated, SG, No 19 of 2011; amended, No 43 of 2011, No 38, 60, 82 and 102 of 2012, No 15, 27, 66 and 109 of 2013, No 28, 53, 61 and 98 of 2014, No 60, 79 and 100 of 2015 and No 13, 15, 57 and 61 of 2016), the following amendments are made:

1. In Art. 170, paragraph 1(5), the words “or specialized audit enterprise” are deleted.

2. In Art. 172, paragraph 1(13), the words “or by a specialized audit enterprise” are deleted.

§ 22. In the Electronic Communications Act (promulgated, SG, No 41 of 2007; amended, No 109 of 2007, No 36, 43 and 69 of 2008, No 17, 35, 37 and 42 of 2009; Decision No 3 of the Constitutional Court of 2009 – No 45 of 2009; amended, No 82, 89 and 93 of 2009, No 12, 17, 27 and 97 of 2010, No 105 of 2011, No 38, 44 and 82 of 2012, No 15, 27, 28, 52, 66 and 70 of 2013, No 11, 53, 61 and 98 of 2014, No 14 of 2015; Decision No 2 of the Constitutional Court of 2015 – No 23 of 2015; amended, No 24, 29, 61 and 79 of 2015 and No 50 of 2016), the following amendments are made:

1. In Art. 172, paragraph 2, the words “independent auditor” are

replaced by “registered auditor under the Independent Financial Audit Act”.

2. In Art. 188, paragraph 4, the word “independent” is replaced by “registered”.

3. In Art. 222, paragraph 8, the word “independent” is replaced by “registered”.

§ 23. In the Excise Duty and Tax Warehouses Act (promulgated, SG, No 91 of 2005; amended, No 105 of 2005, No 30, 34, 63, 80, 81, 105 and 108 of 2006, No 31, 53, 108 and 109 of 2007, No 36 and 106 of 2008, No 6, 24, 44 and 95 of 2009, No 55 and 94 of 2010, No 19, 35, 82 and 99 of 2011, No 29, 54 and 94 of 2012, No 15, 101 and 109 of 2013, No 1 and 105 of 2014, No 30, 92 and 95 of 2015 and No 45 and 58 of 2016), in Art. 48, paragraph 2(18), the words “or specialized audit enterprise” are deleted.

§ 24. In the Water Act (promulgated, SG, No 67 of 1999; amended, No 81 of 2000, No 34, 41 and 108 of 2001, No 47, 74 and 91 of 2002, No 42, 69, 84 and 107 of 2003, No 6 and 70 of 2004, No 18, 77 and 94 of 2005, No 29, 30, 36, 65, 66, 105 and 108 of 2006, No 22 and 59 of 2007, No 36, 52 and 70 of 2008, No 12, 32, 35, 47, 82, 93, 95 and 103 of 2009, No 61 and 98 of 2010, No 19, 28, 35 and 80 of 2011, No 45, 77 and 82 of 2012, No 66 and 103 of 2013, No 26, 49, 53 and 98 of 2014, No 12, 14, 17, 58, 61, 95 and 101 of 2015 and No 15, 51 and 52 of 2016), in § 46, paragraph 2 of the Transitional and Final Provisions, the word “auditor” is replaced by “registered auditor under the Independent Financial Audit Act”.

§ 25. In the Value Added Tax Act (promulgated, SG, No 63 of 2006; amended, No 86, 105 and 108 of 2006; Decision No 7 of the Constitutional Court of 2007 – No 37 of 2007; amended, No 41, 52, 59, 108 and 113 of 2007, No 106 of 2008, No 12, 23, 74 and 95 of 2009, No 94 and 100 of 2010, No 19, 77 and 99 of 2011, No 54, 94 and 103 of 2012, No 23, 30, 68, 98, 101, 104 and 109 of 2013, No 1, 105 and 107 of 2014, No 41, 79, 94 and 95 of 2015 and No 58, 60, 74 and 88 of 2016), in Art. 166, paragraph 3(2), the words “or specialized audit enterprise” are deleted.

§ 26. In the Financial Management and Control in the Public Sector Act (promulgated, SG, No 21 of 2006; amended, No 42 of 2009, No 54 of 2010, No 98 of 2011, No 15 of 2013 and No 43 of 2016), in Art. 16, paragraphs 2 and 3 are amended as follows:

“(2) In carrying out the tasks under this Act, the Minister of Finance shall be assisted by the staff of a unit at the special administration of the Ministry of Finance which shall be directly

subordinate to the Minister.

(3) The staff under paragraph 2 shall have completed higher education and shall have acquired a Master's degree and at least three-year practical experience in the field of internal control, internal or external audit."

§ 27. In the Public Sector Internal Audit Act (promulgated, SG, No 27 of 2006; amended, No 64 and 102 of 2006, No 43, 69, 71 and 110 of 2008, No 42, 44, 78, 80, 82 and 99 of 2009, No 54 of 2010, No 8 and 98 of 2011, No 50 of 2012, No 15 of 2013, No 101 of 2015 and No 43 and 51 of 2016), the following amendments and supplements are made:

1. In Art. 12, paragraph 1, a third sentence is created: "Internal audit at the Ministry of Finance may be carried out by internal auditors within the unit referred to in Art. 16, paragraph 2 of the Financial Management and Control in the Public Sector Act, and in such a case, the head of this unit shall also be a head of the internal audit at the Ministry of Finance and shall have to meet the requirements laid down in Art. 21, paragraphs 1 and 2."

2. In Art. 14, paragraph 1, the words "paragraph 1" are replaced by "paragraph 2".

3. In Art. 47, paragraphs 2 and 3 are amended as follows:

"(2) In carrying out the tasks under this Act, the Minister of Finance shall be assisted by the staff at the unit referred to in Art. 16, paragraph 2 of the Financial Management and Control in the Public Sector Act.

(3) The staff under paragraph 2 shall have to meet the requirements laid down in Art. 21, paragraph 1."

§ 28. In the Civil Aviation Act (promulgated, SG, No 94 of 1972; amended and supplemented, No 30 of 1990, No 16 of 1997, No 85 of 1998, No 12 of 2000, No 34 and 111 of 2001, No 52 and 70 of 2004, No 88 and 102 of 2005, No 30, 36, 37, 105 and 108 of 2006, No 10, 41 and 109 of 2007, No 36, 66 and 67 of 2008, No 35, 47, 82 and 102 of 2009, No 63, 73 and 94 of 2010, No 41, 81 and 99 of 2011, No 38, 60 and 82 of 2012, No 15 and 66 of 2013, No 12, 53 and 98 of 2014, No 28 and 89 of 2015 and No 15 of 2016), in Art. 48, the word "independent" is deleted.

This Act was adopted by the 43rd National Assembly on 15 November 2016 and is sealed with the official stamp of the National Assembly.

President of the National Assembly: **Tsetska Tsacheva**

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