



# Members' Handbook

*The following English text is for information purposes only and is not legally binding.  
The legally binding text is in the Greek language.*

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*This Members' Handbook includes all changes made up to September 2013*

**1.101****Memorandum of Association  
of The Institute of Certified Public Accountants of Cyprus  
(Company limited by guarantee)**

1. The name of the company (hereinafter called "the Institute") is:  
THE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF CYPRUS
  2. The objects for which the Institute is established are:
    - (1) (a) To provide an organisational structure for the accountants, to support and promote the position and interests of the accounting profession and to protect its reputation as well as professional ethics in its ranks, and also to exercise professional supervision on the Members of the Institute, to prepare and enact rules for compliance on any matter concerning the exercise of the said profession.
    - (b) To apply for registration and to be registered as a Body of Accountants which shall be recognised and shall function in accordance with the provisions of the Companies Law, Cap. 113 (or any amendment, consolidation or replacement of this Law) and particularly those of sections 155C and 155D of this Law and to be vested with all the powers and rights and to have all the obligations of such a Body and to set up Committees, to enact and issue any Regulations, Orders or Directives and to draw up and keep Registers, and to take any action for the attainment of the objects and the conduct of the business of the Institute, either on the basis of the above Law or of another Law or on the Memorandum or the Articles of Association of the Institute.
  - (2) (a) To study all matters which affect the interests of the accounting profession and to suggest and keep up with legislative or other measures affecting the profession and, if need be, to submit to the House of Representatives or the Communal Chambers or to other Authorities, reports, requests and petitions and to send to them delegations in connection with such legislative or other measures depending on the case.
  - (b) More specifically but without prejudice to the generality of the above provisions and for the purpose of protecting and promoting the accounting profession, to promote the enactment of special legislation regulating the profession and prohibiting its exercise by persons not registered in a special register, list or record, such registration being allowed only for persons possessing the formal and other qualifications specifically defined in the law and under conditions, restrictions and in accordance with formalities specified in such law.
- (3) To provide appropriate means for testing the qualifications of the candidates for admission as Members of the Institute, either through examinations in theory and practice or by any other practical ways.
- (4) To organise conferences and meetings for reading or announcing dissertations and lectures and the acquisition and dissemination, by other appropriate means, of useful information connected with the profession, and to encourage the best methods of book keeping, costing and accounting.
- (5) To encourage the study of accounting and to grant for this purpose scholarships and to award a prize or prizes or to offer other rewards and distinctions under such terms and conditions as may be determined from time to time.

- (6) (a) To employ employees or other staff and to secure services of any kind and to pay for these purposes any remuneration or other benefit and to grant pensions, bonuses or other benefits or insurance premiums.
- (b) To establish and manage Provident, Health, Pension Funds or other Funds or Schemes.
- (7) To purchase, take on lease, or in exchange or to rent or otherwise acquire and keep or dispose, any buildings which are used as Institute or College or as lecture halls or reading room or any other property, immovable or movable, for the promotion of the above objects or any of them.
- (8) To borrow, raise or find any amounts of money which the Institute may need, under such conditions as may be considered advantageous specifically through mortgaging or encumbering of the whole or part of the property of the Institute.
- (9) To establish a library for use by Members and registered students and to gather, classify, collate and publish information in furtherance of the Members of the Institute.
- (10) To make donations or contributions for national, public, educational or charitable purposes.
- (11) To print and publish any newspapers, magazines, books or publications which the Institute may consider desirable for the promotion of its objects.
- (12) To carry out any other lawful act that is incidental, relevant or contributing to the attainment of the above objects or any of them.

Provided that the Institute shall not support with its property any object or any effort to impose on its Members or on others compliance or to force its Members or others to compliance with any regulation, restriction or condition which, if they were objects of the Institute, would render it a Trade Union.

3. The income and property of the Institute, wheresoever derived, shall be applied solely towards the promotion of the objects of Institute as set forth in this Memorandum of Association and no portion thereof shall be paid or transferred, indirectly or directly by way of dividend, gift, distribution, bonus or otherwise howsoever by way of profit, to the Members of the Institute. Provided that nothing included herein shall prevent the payment, in good faith, of reasonable and proper remuneration to any official or servant of the Institute or to any Member of the Institute in return for any services actually rendered to the Institute, nor prevent the payment of interest at the legal rate on for money lent or reasonable and proper rent for premises demised or let by any Member to the Institute, but so that no member of the Council of the Institute shall be appointed to any salaried office of the Institute or any office of the Institute paid by fees, and no remuneration or other benefit in money or money's worth shall be given by the Institute to any member of such Council or governing body except repayment of out-of-pocket expenses and interest at the rate aforesaid on money lent, or reasonable and proper rent for premises demised or let to the Institute. Provided that nothing of what is stated above may be taken as precluding any payment to any legal person of which a member of the Council happens to be also a member or shareholder participating by a percentage of less than one hundredth in the capital of the said legal person, and regarding such payment the Members shall not be liable to any obligation to render any account to the Institute about any dividend of profits they may receive.
4. No addition to, amendment or variation in the provisions of the articles of association and the regulations in force may be effected without their prior approval by the Minister of Commerce, Industry and Tourism of the Republic of Cyprus.

5. The third and fourth paragraphs of this Memorandum of Association contain conditions on which a licence may be granted by the Minister of Commerce, Industry and Tourism to the Institute in pursuance of section 20 of the Companies Law, Cap. 113.
6. The liability of the Members is limited.
7. Each Member of the Institute undertakes to contribute to the Assets of the Institute, in the event of the same being wound up while he is a Member, or within one year after he ceases to be a Member, for payment of the debts and liabilities of the Institute contracted before he ceases to be a Member, and for settlement of the costs and expenses of winding-up, and for the adjustment of the rights of such Members among themselves, of the amount that may be required in this way not exceeding seventeen euros and nine cents (€17,09).
8. In case of winding-up or dissolution of the Institute or due to any reason there remains after the satisfaction of all its debts and liabilities any property it shall not be paid to or distributed among the Members of the Institute, but shall be assigned or transferred to some other institution or institutions the members of which will prohibit the distribution of their income and property among its members pursuant to provisions not less binding from those provided by the above clause 3 of this Memorandum of Association. The institution or institutions to which the property will be assigned or transferred have to be determined by the Members of the Institute on or before the time of its dissolution and in case the total or partial implementation of this provision shall be impossible, the property of the Institute thus remaining shall be assigned or transferred to the benefit of some charitable cause.
9. True accounts shall be kept of the amounts of money which the Institute shall collect and spend and the objects regarding which such receipts and expenditures are made, of all the sales and purchases of goods made by the Institute and of its property, credits and liabilities, and such accounts shall be available for inspection by the Members, subject to such reasonable restrictions regarding the time and the manner of such inspection as may be imposed from time to time in accordance with the regulations or institutions of the Institute. At least once every year the accounts of the Institute shall be examined and the correctness of the income and expenditure account as well as of the balance sheet shall be verified by one or more duly qualified Auditor or Auditors.

WE, whose names and addresses are subscribed below, are desirous of being formed into a company in pursuance of this Memorandum of Association.

## 1.102

### Articles of Association of The Institute of Certified Public Accountants of Cyprus (Company limited by guarantee)

#### Interpretation

1. In these Articles of Association except where a different meaning results from the context:

"Certified Public Accountant" shall mean a registered accountant pursuant to the provisions of these Articles of Association.

"Council" shall mean the directors of the Institute for the time being.

"Firm" means a Member or non member of the Institute, which happens to be an audit firm.

"Institute" or "Company" means this company that is The Institute of Certified Public Accountants of Cyprus.

"Law" means the Companies Law, Cap. 113, or any law which substitutes or amends it.

"President" means the President of the Institute.

"Register" means the Register which is kept in accordance with the provisions of these Articles of Association.

"Registered office" shall mean the registered office of the Institute as it shall be defined or approved from time to time by the Council.

"Republic" means the Republic of Cyprus.

"Seal" means the common seal of the Institute.

"Secretary" means any person who shall be appointed to carry out the duties of the secretary of the Institute and shall include an assistant secretary and a person jointly appointed with another person as secretary.

"statutory audit firm" means the audit firm (company or partnership or any other legal person) which has obtained a practising certificate.

"statutory auditor" means the auditor (natural person) who has obtained a practising certificate.

"The present Regulations" or "these Regulations" means these Articles of Association and includes possible amendments to them.

Unless an intention to the contrary is stated, phrases referred to in writing shall be construed as including references to printing, lithography, photography and other modes of representing or reproducing words in visual form.

Unless the context otherwise requires, words or expressions contained in these Articles of Association shall bear the same meaning as in the Law.

## Members

2. The number of the Members with which the Institute has been registered were 100 but the Council may from time to time approve an increase in the number of Members.
3. (a) Members of the Institute may be registered the natural and legal persons that are eligible to be registered in accordance with the Regulations for the Maintenance of Register issued by the Council.  
(b) A Member of the Institute ceases to be a Member in the instances which are defined in the Regulations for the Maintenance of Register issued by the Council.

## Titles of Members

4. (1) Every Member of the Institute shall be eligible to use the following titles as designations belonging to the Institute:
  - (a) Title which shall apply to all the Members:  
Certified Public Accountant (Abbreviation: "CPA")
  - (b) The Members who are statutory auditors may add to the above title the phrase "and Registered Auditor".

Provided that, in the case of statutory audit firms, the above titles shall be expressed in the plural.

- (2) Every person with the submission of his application to become a Member of the Institute, shall be deemed to undertake an obligation that, when admitted as Member of the Institute and while he is a Member of the Institute he shall duly comply with the present Regulations and the rules, institutions, regulations and terms of the Institute in force from time to time and that he will not use the titles referred to in sub-paragraph (1) above or any other similar designation indicating the status as Member of the Institute, except only while being a Member of the Institute.

## General Meeting

5. The Institute shall in each year hold a general meeting which shall constitute its annual general meeting in addition to other meetings which may be held during the same year and shall specify this meeting as such in the notices calling it, and the general meetings should not be more than fifteen months apart from each other.
6. All the general meetings except the annual general meetings shall be called extraordinary general meetings.
7. The Council may, whenever it thinks fit, convene an extraordinary general meeting and extraordinary general meetings shall also be convened on following such requisition, or in default may be convened by such requisitionists, as provided by section 126 of the Law. If at any time there is not in the Republic a sufficient number of members of the Council capable of acting to form a quorum, any member of the Council or any two Members of the Institute may convene an extraordinary general meeting in the same manner as nearly as possible as that in which meetings may be convened by the Council.

**Notices of general meetings**

8. An annual general meeting and a meeting called for the passing of a special resolution shall be called by a prior written notice of at least twenty one days, and a meeting of the Institute other than an annual general meeting or a meeting for the passing of a special resolution, shall be called by a written notice of at least fourteen days. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the type, the day and the hour of the meeting and, in case of special business the general nature of this business, and shall be given in the manner stated below or in such other manner, if any, as may be specified by the Institute at general meeting to the persons who, according to the Articles of Association of the Institute, are entitled to receive such notices from the Institute.

Provided that a meeting of the Institute, notwithstanding the that it is called by a shorter notice than the one specified in these Articles of Association, be deemed to have been duly called, if it is so agreed:

- (a) in the case of a meeting called as annual general meeting by all the Members entitled to attend and to vote thereat, and
- (b) in the case of any other meeting, by a majority in number of the Members having a right to attend and vote at it, being a majority together holding not less than ninety five percent of all the Members who have a right to vote at this meeting.
9. The accidental omission to give a notice of a meeting or the non-receipt of a notice of a meeting, by any person entitled to receive notice shall not invalidate the proceedings at this meeting.

**Proceedings at general meetings**

10. Every business that is transacted at an extraordinary general meeting shall be deemed special, and also all that is transacted at an annual general meeting with the exception of the examination of the accounts, the balance sheet and the reports of the Council and auditors, the election of Council members in the place of those retiring and the appointment of, and the fixing of the remuneration of, the auditors.
11. No business shall be transacted at a general meeting unless there is a quorum at the time the meeting proceeds to business. Except where it is otherwise provided by these Articles of Association, 50 Members present in person or by proxy and having a right to vote shall be a quorum.
12. If within half an hour from the time appointed for the holding of the meeting a quorum is not present, the meeting, if convened upon the requisition of Members, shall be dissolved and in any other case it shall stand adjourned to the same day in the next week, at the same time and place the directors may determine, and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for its holding, the Members who are present, either in person or by proxy, and having the right to vote shall be a quorum.
13. The President shall preside at every general meeting of the Institute and if there is no such President or cannot preside or if the President is not present at any general meeting within fifteen minutes from the time appointed, then if the Vice-President happens to be present he presides, if not, then the eldest present Council member presides if he accepts, otherwise the next eldest present Council member.
14. If, at any meeting, no director is willing to act as president, or if no director is present within fifteen minutes after the time appointed for holding the meeting, the members present shall choose one of them to preside the meeting.

15. The president may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting) adjourn the meeting from time to time and from place to place but no business shall be transacted at any adjourned meeting, other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for thirty days or more notice of the adjourned meeting shall be given as in the original meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.
16. At every general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is demanded (before or on the declaration of the result of the show of hands):
  - (a) by the president; or
  - (b) by at least three Members present in person or by proxy; or
  - (c) by any Member or Members present in person or by proxy and representing not less than one-tenth of the total number of the votes of all the Members having the right to vote at the meeting.

Unless a poll is demanded in this manner, a declaration by the president that a resolution has on a show of hands been carried or carried unanimously or by a particular majority, or lost and an entry to that effect in the book containing the minutes of the proceedings of the Institute, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution. A demand for poll may be withdrawn.

17. Except as provided in Regulation 19, if a poll is duly demanded, it shall be taken in such a manner as the president directs and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.
18. If there is equality of votes, whether on a show of hands or on a poll, the president of the meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a second or casting vote.
19. If a poll is demanded for the election of the president or on a question of adjournment of the meeting, the poll shall be taken forthwith. If a poll is demanded on any other question it shall be taken at a time that the president of the meeting shall fix, and any business other than the business for which a poll has been demanded, may be proceeded with pending the taking of the poll.

#### **Vote of Members**

20. Every Member shall have one vote, with the exception of statutory audit firms which shall have no vote.
21. No Member shall be entitled to vote at a general meeting unless all the amounts which have become due by him/her to the Institute have been paid.
22. In case of poll, the votes shall be given either personally or by proxy.
23. No Member shall be able to act as proxy for more than two Members.
24. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing. The proxy must be a Member of the Institute and satisfy the provisions of Regulation 21.



25. The instrument appointing a proxy as well as any other power of attorney, if any, under it is signed, or a notarially certified copy of that power or authority shall be deposited at the Registered Office of the Institute or at such other place within the Republic that is specified for this purpose in the notice convening the meeting, not later than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote.

26. An instrument appointing a proxy shall be drawn up in the following manner or in a form nearest to it, which is allowed by the circumstances:

«ICPAC

I ..... Registration No ....., from ..... Member of the above Institute hereby appoint ..... Registration No ..... from ..... or in his/her absence ..... Registration No ..... as my proxy in order to vote for me on my behalf at the [Annual / Extraordinary depending on the case] General Meeting of the Institute to be held on the..... day of ..... 20... and at any adjournment thereof.

Signed today the ..... day of ..... 20...»

27. When it is desired to afford Members an opportunity of voting for or against a resolution, the instrument appointing a proxy shall be in accordance with the following or nearest to it form which is allowed by the circumstances:

«ICPAC

I ..... Registration No..... from ..... Member of the above Institute hereby appoint ..... Registration No ..... from ..... or in his/her absence ..... Registration No ..... as my proxy in order to vote for me on my behalf at the (Annual or Extraordinary, depending on the case) General Meeting of the Institute to be held on the ..... day of ..... 20..., and at any adjournment thereof.

Signed today the ..... day of ..... 20...»

This proxy should be used in connection with resolutions referred to below as follows:

Resolution No.1 \*for \*against

Resolution No.2 \*for \*against

\* Strike out whichever is not desired.

Unless different instructions are given, the proxy must vote at will or abstain.

28. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

**Council**

29. The Institute shall be managed by a Council consisting, unless otherwise decided by an ordinary resolution of the General Meeting of the Institute, of twelve members at least four of whom shall be practising Members and at least four non-practicing.

Provided that in no case can at the same time be members of the same Council more than two Members belonging to the same Firm in the capacity of partner, shareholder or employee of that Firm.

30. The remuneration of the members of the Council shall be determined from time to time by the Institute in general meeting. Such remuneration shall be deemed to accrue from day to day.

**Borrowing powers**

31. The Council may exercise all the powers of the Institute to borrow money and to charge or mortgage the whole or part of the assets of the Institute and other securities whether outright or as security for any debt obligation or liability of the Institute or of any third party.

**Powers and duties of the Council**

32. The Council manages the affairs of the Institute and may pay all expenses incurred in promoting the Institute and may exercise all the powers of the Institute which are not required by the Law or by these Articles of Association to be exercised by the Institute in general meeting, but subject to all the provisions of the Law and these Articles of Association and the provisions of any Regulations which are not inconsistent with the above provisions, which may be prescribed by the Institute in general meeting but no Regulation made by the Institute in general meeting shall invalidate any prior act of the Council which would have been valid if that Regulation had not been made.
33. The Council may from time to time and at any time, by power of attorney, appoint any company, firm or person or body of persons whether nominated directly or indirectly by the Council to be the attorney or attorneys of the Institute for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Council under these regulations) and for such period and subject to such conditions as they think fit and any such powers of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Council may think fit and may also authorise any such attorneys to delegate all or any of the powers, authorisation and discretions vested in him.
34. All cheques promissory notes, bank cheques, bills of exchange and other negotiable instruments and all the receipts for money paid to the Institute must be signed, issued, accepted, endorsed or otherwise executed, depending on the case, in such manner as the Council may decide from time to time.
35. The Council shall cause minutes to be kept in books provided for:
- (a) all the appointments of officials made by the Council
  - (b) the names of the members of the Council who are present at each meeting of the Council and at any committee of the Council
  - (c) all the resolutions and proceedings at all the meetings of the Institute and of the Council and of the committees of the Council and every Council member who is present at a meeting of the Council or a committee of directors shall sign his name in the book kept for this purpose, if this is expressly provided in any law.

**Disqualification of Council members**

36. The office of Council member shall be vacated when the Council member:
- (a) without the consent of the Institute in general meeting holds any other remunerative office in the Institute; or
  - (b) becomes bankrupt or makes any arrangement or composition with his creditors generally; or
  - (c) is prevented from being a member of the Council by reason of any order made under section 180 of the Law; or
  - (d) becomes of unsound mind; or
  - (e) resigns his office by notice in writing to the Institute; or

- (f) has been convicted for a disgraceful criminal offence or an offence which involves dishonesty; or
- (g) is absent from three consecutive regular meetings of the Council without this being due to sickness or compulsory absence due to a military obligation; or
- (h) is deprived of his capacity as member of the Council either temporarily or permanently; or
- (i) has, directly or indirectly, an interest in any agreement with the Institute and fails to declare the nature of his interest in the manner required by section 191 of the Law.

A member of the Council who has an interest in any agreement or in any matter which arises from such agreement must not vote and if he votes his vote shall not count.

### **Election of Council members by rotation**

- 37. At the annual general meeting of the Institute every member of the Council who has completed three years term in office from his last election to the Council shall retire from office. Nevertheless, the President shall not be subject to retirement if the expiration of his three-year term in office coincides with the end of the first year of his two-year term as President in spite of the fact that this may entail finally in extension of his period of office in Council beyond the twelve years which are provided by Regulation 38.
- 38. A member of the Council who is retiring shall be eligible for re-election but a member of the Council who has served for four consecutive three-year terms in office (i.e. 12 years) shall not be eligible for re-election unless a year has elapsed from the day of his immediately previous retirement from the Council. Exceptionally, members of the Council who have completed four consecutive three-year terms in office at the time of the amendment of the Articles of Association on 24 November 2010 will be eligible for re-election, after the end of the four consecutive three-year terms in office.
- 39. Every Member of the Institute shall be eligible to vote only up to so many candidates as the vacant positions in the Council. The candidates shall be ranked in a declining sequence based on the number of votes that they have received, and in the Council are elected those that have received the most votes, depending on the vacant positions. In case of equality of votes, a draw shall take place.
- 40. The Institute at the meeting at which a member of the Council retires in aforesaid manner may fill the vacated office by electing a person thereto, and in default the retiring member of the Council shall if offering himself for re-election, be deemed to have been re-elected, unless at such meeting it is expressly resolved not to fill such vacated office or unless a resolution for the re-election of such member of the Council shall have been put to the meeting and lost.
- 41. The Council may decide as to the manner and the time limit of the poll for the election of the Council members.
- 42. A Member may be nominated as candidate for election to Council either (a) by the Council or (b) by a Member of the Institute. Each nomination must be given in writing, shall specify the name of the candidate and shall be signed by the Member making the nomination or (in the case of a nomination by the Council) by the Secretary. A member of the Council who is retiring pursuant to Regulations 37 and 44 of the Articles of Association and intends to seek re-election shall be exempt from nomination, but shall give written notice to the Secretary of his intention so to offer himself. There shall be appended to each nomination a declaration, signed by the candidate, of his willingness to be elected a member of the Council and to each nomination and each notice of intention to seek re-election a declaration signed by the candidate stating as to whether he is a practising or non-practising Member as well as a brief curriculum vitae. Each nomination, each notice of intention to

seek re-election and each document required to be appended thereto shall be in such form as may from time to time be prescribed by the Council and shall be delivered to the Secretary not less than 25 days and not more than 45 days before the date appointed to call the meeting.

43. The Institute may, from time to time, by an ordinary resolution, increase or reduce the number of the members of the Council and may also determine in what rotation the increased or reduced number is to go out of office.
44. The Council shall have power at any time and from time to time to appoint any Member of the Institute as member of the Council to fill a casual vacancy so that the total number of the members of the Council shall not exceed the number fixed by these Articles of Association. Any member of the Council so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election but shall not be taken into account in determining the members of the Council who are to retire by rotation at such meeting.
45. The Institute may by ordinary resolution of which special notice has been given in accordance with section 136 of the Law, remove any member of the Council before the expiration of his period of office notwithstanding anything in these regulations or in any agreement between the Institute and such member of the Council. Such a removal shall be without prejudice to any claim such member of the Council may have for damages for breach of any contract of service between him and the Institute.
46. The Institute may by ordinary resolution appoint another person in the place of a member of the Council removed from office under the immediately preceding Regulation and without prejudice to the powers of the members of the Council under Regulation 44, the Institute in general meeting may appoint any Member of the Institute as member of the Council to fill a casual vacancy. The person appointed in the above manner shall be subject to retirement in the same manner as if he had become a member of the Council on the day on which the member of the Council in whose place he is appointed, was last elected a member of the Council.

### **Proceedings of Council**

47. The members of the Council may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising Matters at any meeting shall be decided by majority of votes. In case of an equality of votes the President shall have a second or casting vote. A Council meeting may be convened by order of the President or by written application of two members of the Council addressed to the Secretary.
48. The quorum necessary for the transaction of the business of the Council may be fixed by the members of the Council and unless so fixed shall be seven.
49. The continuing members of the Council may act notwithstanding any vacancy in their body, but, if and so long as their number is reduced below the number fixed by or pursuant to these Articles of Association as the necessary quorum of members of the Council, the continuing members or member of the Council may act for the purpose of increasing the number of the members of the Council to that number, or of summoning a general meeting of the Institute, but for no other purpose.
50. (a) Immediately after the election of the Council, the new Council meets and elects the President of the Institute (unless the existing President is in the second year of his term in office) and the Vice-President of the Institute.
  - (b) (i) The term in office of the President is for two consecutive annual periods and no re-election is allowed of the same person as President (he shall be eligible, however, as mere member of the Council) except after the lapse of one year after the end of the

immediately previous two-year term on office not counting the extension of the two-year term in office based on sub-paragraph (iii) below.

- (ii) No elected Vice-President will be eligible for election to the same office for a third consecutive year.
- (iii) The periods of terms in office of the President and Vice-President of the Institute are extended up to the completion of the business of the General Meeting which is convened immediately after the end of the period of their term in office.
- (iv) The President presides the business of the Council and if there is no such President or cannot preside or if the President is not present at any meeting within fifteen minutes from the time appointed, then if the Vice-President happens to be present he presides, if not, then the eldest present Council member presides if he accepts, otherwise the next eldest present Council member.

- 51. The members of the Council may delegate any of their powers to committees consisting of such member or members of their body or Members of the Institute as they think fit. Any committee so formed shall, in the exercise of the powers so delegated, conform to any Regulations that may be imposed on it by the Council. The members of the committees may receive such remuneration or allowance or both, as the Council may approve.
- 52. The Council appoints the chairman of the meetings of every committee. Every committee may elect a vice-chairman of its meetings. If the chairman is not present at any meeting within fifteen minutes from the time appointed, then if the vice-chairman happens to be present he presides, if not, then the members present may choose one of their number to be chairman of the meeting.
- 53. A committee may meet and adjourn as it thinks proper. Questions arising at any meeting shall be determined by a majority of votes of the members present, and in the case of an equality of votes the chairman shall have a second or casting vote.
- 54. All acts done by any meeting of the Council or Committee of the Council or by any person acting as a member of the Council shall notwithstanding that it be afterwards discovered that there was some defect in the appointment of the said member of the Council or person acting, as aforesaid, or that they or any of them were disqualified be valid as if every such person had been duly appointed and was qualified to be member of the Council.
- 55. A written decision or a decision approved by letter, telex, telegram, fax or e-mail by each one of the members of the Council of the Institute shall be valid and effective as if it had been taken at a meeting of the Council duly convened and held and when it is signed it may consist of various documents each one of which shall be signed by one or more of the above mentioned persons.

#### **Secretary and executive secretariat**

- 56.
  - (1) The Secretary shall be appointed by the Council for such term and at such remuneration and upon such conditions as it may think fit and a secretary so appointed may be removed by it.
  - (2) The Council is entitled to employ either permanent or temporary clerical or other staff necessary for the conduct of the business of the Institute and to pay to them a salary, pensions, bonuses or any other benefits allowed under the law.
- 57. A provision of the Law or of these Articles of Association, requiring or authorising a thing to be done by or to a member of the Council and the Secretary shall not be satisfied by its being done by or to the same person acting both as member of the Council and as, or in place of, the Secretary.

### **The Seal**

58. The members of the Council shall provide for the safe custody of the Seal which shall only be used by the authority of the Council or of a committee of the Council authorised by the Council in that behalf, and every instrument to which the seal shall be affixed shall be signed by a member of the Council and endorsed by the Secretary or by a second member of the Council or by some other person appointed by the members of the Council for the purpose.

### **Accounts**

59. The members of the Council shall cause proper books of account to be kept with respect to:
- (a) All sums of money received and expended by the Institute and the matters in respect of which the receipt and expenditure takes place;
  - (b) all the sales and purchases of goods by the Institute; and
  - (c) the assets and liabilities of the Institute.

Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Institute's affairs and to explain its transactions.

60. The books of account shall be kept at the registered office of the Institute, or, subject to section 141(3) of the Law, at such other place or places as the Council may think fit and shall always be open to the inspection of the Council.
61. The members of the Council shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Institute or any of them, shall be open to the inspection of Members not being members of the Council, and no Member (not being a member of the Council) shall have any right of inspecting any account or book or document of the Institute except as conferred by statute or authorised by the members of the Council or by the Institute in general meeting.
62. The members of the Council shall cause abidance by the provisions of the Law sections 142, 144 and 151 of the Law, that such profit and loss accounts, balance sheets and reports, as they are referred to in the said sections, are prepared.
63. A copy of every balance sheet (including every document required by law to be annexed thereto) which is to be laid before the Institute in general meeting, together with a copy of the auditors' report, shall not be less than twenty-one days before the of for the meeting, be sent to every Member of the Institute.

Provided that this article shall not require a copy of those documents to be sent to any person of whose address the Institute is not aware.

### **Audit**

64. Auditors shall be appointed and their duties regulated in accordance with the provisions of the Law.

Provided that no person who served as member of the Council in the previous six years, may be appointed auditor of the Institute.

**Notices**

65. A notice may be given by the Institute to any Member either personally or by sending it by post to him or to his registered address, or (if he has no registered address in the Republic) to the address, if any, within the Republic supplied by him to the Institute for giving of notice to him. When a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the notice, and to have been effected in the case of a notice of a meeting at the expiration of twenty four hours after the letter containing the same is posted, and in any other case at the time at which the letter would be delivered in the ordinary course of the post.
66. Notice of every general meeting shall be given in any manner, hereinafter authorised to:
- (a) every Member except those Members who (having no registered address within the Republic) have not supplied to the Institute an address within the Republic for the giving of notice to them, and
  - (b) the auditor for the time being of the Institute.

No other person shall be entitled to receive notices of general meetings.

**Resources of the Institute**

67. The resources of the Institute shall be derived from:
- (a) Registration, re-registration, annual membership and annual practising fees, as defined in Regulation 67A below.
  - (b) Donations, bequests and state or other subsidies.
  - (c) Income from organisation of seminars, lectures etc.
  - (d) Income from sale of books, printed material and generally publications of the Institute.
  - (e) Interest income on deposits or investments.
  - (f) Fines imposed on Members.
  - (g) Income from the exploitation of its movable or immovable property in any way.
  - (h) Income from examinations.
  - (i) Other income.
- 67A (1) Each Member must pay a registration fee on admission as Member of the Institute. In addition:
- (a) for as long as he remains a Member of the Institute, he must pay an annual membership subscription to the Institute; and
  - (b) for as long as he remains a Member holding a practising certificate, he must pay the equivalent annual practising fee.
- (2) The registration fee is payable on admission to membership and annual membership fees and annual practising fees are payable on 1 January each year, unless the Council decides otherwise.
- (3) The Council may, at its discretion, establish, amend, suspend or waive payment of the

registration fee or re-registration or the annual membership fee or the annual practising fee payable by any applicant for registration as a Member or by any Member on such terms and time where it considers it appropriate, depending on the needs or financial situation of the Institute

### **Application of resources**

68. The income and property of the Institute, no matter where they come from, shall be used exclusively for the promotion of the objects of the Institute, as these are set out in the Memorandum of Association of the Institute, these Articles of Association, the Orders, the Directives and the Regulations issued pursuant to it.

### **Regulations, Orders and Directives of the Council**

69. (1) The Council may issue Regulations, Orders and Directives for the regulation of any matter susceptible of regulation or is necessary to be regulated for the purpose of better implementation of the provisions of the Memorandum of Association of the Institute, the Law, of any law and these Articles Association.
- (2) Without prejudice to the generality of sub-paragraph (1), the Regulations, Orders or Directives issued by the Council may regulate all or any of the following matters:
- (a) the establishment, procedure, qualifications, fees, fines and other related matters regarding the Register, the Procedures and the Committees provided for in Article 51 of these Articles of Association,
  - (b) the regulation of the procedure of the meetings of the Council,
  - (c) the forms and procedure of submission and examination of applications provided for in these Articles of Association,
  - (d) the forms of the certificates, confirmations and annual licences issued by the Council,
  - (e) the fixing of various fees or charges provided for in these Articles of Association or which constitute remuneration for any service provided by the Council,
  - (f) the code of ethics which should be observed by Certified Public Accountants as well as the procedure of trial of disciplinary offences,
  - (g) the details concerning the conduct of any examinations provided for in these Articles of Association and the implementation of educational programmes or schemes or training in matters of accounting or auditing work,
  - (h) the establishment and implementation of any measures or standards intended to maintain or improve the level of accounting and auditing work in the Republic,
  - (i) the determination, making more specific or describing the various jobs of accounting or auditing nature that may be performed by Certified Public Accountants,
  - (j) the carrying out of quality control of the accounting and auditing work that is performed by a Certified Public Accountants,
  - (k) the establishment, regulation, operation and management of any fund for the provision of pensions, bonuses, medical-pharmaceutical treatment or other benefits to Certified Public Accountants including the employment of staff considered necessary for the operation of the said fund, as well as the fixing of the various contributions to the fund,



- (1) the regulation of any other matter supplementary or incidental to the above mentioned, which shall contribute to the more effective implementation of the provisions of these Articles of Association, or the smooth operation of the Institute.

## 1.103 Maintenance of Register

### Register of Certified Public Accountants

1. (1) The Council has to maintain a Register which shall include the names and addresses of the persons that have been registered on the basis of these Regulations as well as any other particulars which the Council may deem necessary to include in it, taking into account the following:
  - (a) In the case of the statutory auditors and the statutory audit firms the Register must contain at least the information required by the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009.
  - (b) In the case of Members who are engaged in the provision of administrative services, the Register must contain at least the information required by the Regulation of Undertakings Providing Administrative Services and Related Issues Law of 2012.
- (2) The Register may be kept in any form the Council may decide for the better implementation of these Regulations including the electronic form.
- (3) The Council shall always keep the Register up to date and for this purpose shall make all possible amendments regarding the names, the addresses or any other particulars which concern the persons registered in it.
- (4) The Council may sell or otherwise make available the names and addresses of Members under such terms as the Council may determine, provided that they comply with the legislation for the Protection of Personal Data.

### Application for Registration

2. (1) Every person who wishes to be registered shall submit a relevant application to the Council, accompanied by the necessary documents supporting the application, as well as the appropriate amount of money fixed by the Council as registration fee.
- (2) The application referred to in sub-paragraph (1) shall be submitted in a form determined by the Council itself.
- (3) The Council shall examine the application and decide whether to proceed with the registration of the applicant within two months from the date of submission of the application, unless further particulars are called for by the Council, in which case the period for the taking of the relevant decision by the Council shall be extended for one more month after the date on which the particulars were called for.

### Registration and Registration Certificate

3. (1) In the case where the Council decides that the person who applied for registration satisfies all the registration conditions referred to in these Regulations, then it proceeds with the registration and issues to him a Registration Certificate in the form approved from time to time by the Council.
- (2) The Registration Certificate shall constitute prima facie evidence that the person named in it is a certified public accountant or statutory audit firm, depending on the case.

- (3) If for any reason the Council strikes off from the Register a person to whom a Registration Certificate has been issued, then the person concerned shall be notified in writing about this action of the Council and shall be called upon to return to the Council the Certificate within a period specified in the notice.

### **Qualifications for Registration**

#### **4. (1) *Individuals***

Every person may be registered if he satisfies the Council that he meets any of the following conditions:

- (a) He has attained university entrance or equivalent level, possesses the prescribed practical experience and has passed the prescribed examinations of professional competence.
- (b) He is a member of at least one of the bodies of Professional Accountants referred to in the First Schedule to these Regulations.
- (c) He is a member of at least one of the Bodies of Professional Accountants referred to in the Second Schedule of these Regulations or is a member of any other Body of Professional Accountants which is recognised as equivalent to the above Bodies, according to paragraph 6 of these Regulations.
- (d) A person who does not meet the conditions of sub-paragraph (1)(a) above may be Registered if that person proves that:
  - (i) He has for a period of fifteen years engaged in professional activities which have enabled him to acquire sufficient experience in the fields of finance, law and accountancy and has passed the prescribed examinations of professional competence; or
  - (ii) He has for a period of seven years, engaged in professional activities in the fields referred to in sub-paragraph (i) above, has undergone the prescribed practical experience and has passed the prescribed examinations of professional competence.
- (e) A person who possesses the qualifications provided by section 155(1)(a) of the Companies Law, Cap 113, prior to the entry into force of the Companies (Amendment) Law of 2001, No. 76(I)/2001, on 4 May 2001.
- (f) A person to whom a licence has been granted by the Council of Ministers under section 155(1)(b) of the Companies Law, Cap.113, prior to the entry into force of the Companies (Amendment) Law of 2001, No. 76(I)/2001, on 4 May 2001.
- (g) A person to whom a licence has been granted by the Minister of Commerce, Industry and Tourism under section 23 of the Companies (Amendment)(No.2) Law of 2003, No.167(I)/2003, i.e. up to 30 April 2004.
- (h) He is of good character and suitable person to be registered in the Register.

#### **(2) *Firms***

- (a) It is an accounting company so long as the conditions of paragraph 8 of Regulation 1.201 "Practising the accounting profession" are satisfied.
- (b) It is an audit office so long as the conditions of paragraph 10(2) of Regulation 1.201 "Practising the accounting profession" are satisfied.

- (3) For the purpose of sub-paragraph (1) above, unless a different meaning arises from the context, the required practical experience is as specified in the Regulations 1.106 "Required Practical Experience".

### **Striking off from the Register**

5. The Council may strike off from the Register the name of a person registered in it in any of the following cases:
  - (a) If it establishes that the registration was a result of an error regarding the existence of the required qualifications for the registration,
  - (b) Due to death,
  - (c) Due to bankruptcy,
  - (d) If the penalty of expulsion which is provided in the Regulation 1.108 "Disciplinary Procedure" is imposed,
  - (e) In the case of an audit firm, when such firm ceases to meet the conditions of the definition of the term "statutory audit firm",
  - (f) When he fails to pay on time his subscription or any other amount due to the Institute following a thirty days warning by a registered letter,
  - (g) Due to mental incapacity.
  - (h) If he does not satisfy the obligation for continuous professional development as provided in Regulation 1.109.

### **Recognition of professional bodies**

6. The Council may recognise any Organisation or Body of Professional Accountants as equivalent to the Bodies of Professional Accountants referred to in the First and Second Schedule of these Regulations. For this purpose the Council may adopt special criteria on the basis of which it will be ensured that the recognised Bodies shall be of a high professional standard.

**First Schedule**

**Paragraph 4(1)(b)  
Regulations for the Maintenance of the Register**

**Recognised Bodies of Professional Accountants of the European Union**

S/N	Country	Title of Auditor	Professional Organisation (Note.1)
1	Austria	Wirtschaftstreuhänder	Kammer der Wirtschaftstreuhänder (KWT)
2	Belgium	Revisueur d'Entreprises	Institut des Reviseurs d'Entreprises (IRE)
3	Bulgaria	Certified Public Accountant	Institute of Certified Public Accountants in Bulgaria
4	Czech Republic	Auditor	Chamber of Auditors of the Czech Republic [Komora Auditoru Ceske Republiky (KACR)]
5	Denmark	Statsautoriseret Revisor	Foreningen af Statsautoriserede Revisorer
6	Estonia	Auditor	Estonian Board of Auditors (Audiitorkogu)
7	Finland	KHT – tilintarkastaja	KHT – Yhdistys Föreningen CGR
8	France	Commissaire aux Comptes	Compagnie Nationale des Commissaires aux Comptes (CNCC)
9	Germany	Wirtschaftsprüfer	Institut der Wirtschaftsprüfer (IDW)
10	Great Britain	Chartered Accountant Chartered Accountant Chartered Certified Accountant International Accountant Chartered Management Accountant	The Institute of Chartered Accountants in England & Wales (ICAEW) Institute of Chartered Accountants in Scotland (ICAS) Association of Chartered Certified Accountants (ACCA) The Association of International Accountants (AIA) (Note.2) Chartered Institute of Management Accountants (CIMA) (Note 3)
11	Greece	Ορκωτός Ελεγκτής	Σώμα Ορκωτών Ελεγκτών Λογιστών (ΣΟΕΛ)
12	Hungary	Registered Auditor	Chamber of Hungarian Auditors [Magyar Könyvvizsgálói Kamara (MKVK)]
13	Ireland	Chartered Accountant Certified Public Accountant  Incorporated Public Accountant	Institute of Chartered Accountants in Ireland (ICAI) Institute of Certified Public Accountants in Ireland (CPA Ireland) The Institute of Incorporated Public Accountants (IIPA) (Note 4)
14	Italy	Dottore Commercialista	Consiglio Nazionale dei Dottori Commercialisti (CNDC)
15	Latvia	Certified Auditor	Latvian Association of Certified Auditors [Latvijas Zvērinātu Revidentu Asociācija (LZRA)]
16	Lithuania	Certified Auditor	Lithuanian Chamber of Auditors [Lietuvos Auditorių Rūmai (LAR)]
17	Luxembourg	Revisueur d'Enterprises	Institut des Reviseurs d'Enterprises (IRE)
18	Malta	Certified Public Accountant	The Malta Institute of Accountants (MIA)
19	Netherlands	Registeraccountant	Koninklijk Nederlands Instituut van Registeraccountants (NIVRA)
20	Poland	Statutory Auditor	National Chamber of Statutory Auditors [Krajowa Izba Biegłych Rewidentów (KIBR)]
21	Portugal	Revisor Oficial de Contas	Ordem dos Revisores Oficiais de Contas (OROC)
22	Romania	Auditor	Corpul Expertilor Contabili si Contabilitor Autorizati din Romania (CECCAR)
23	Slovak Republic	Certified Auditor	Slovak Chamber of Auditors [Slovenska Komora Auditorov (SKAU)]
24	Slovenia	Certified Auditor	Slovenian Institute of Auditors [Slovenski Institut za Revizijo (SIZR)]
25	Spain	Censor Jurado de Cuentas	Instituto de Censores Jurados de Cuentas de España (ICJCE)
26	Sweden	Auktoriserad revisor	FAR SRS (Svenska Revisorsamfundet)

**Notes** 1 There are additional requirements for a practising certificate for the members of all professional organisations and those interested must apply to ICPAC for the details.

- 2 On condition that this recognition applies only to persons who acquire the capacity of the A.I.A. member after having passed all the prescribed examinations which lead to the title A.I.A. on or after June 1991 and after satisfying the specific requirements regarding the accounting professional experience.
- 3 Persons who become members of CIMA after 31 July 2011 must first pass the professional examinations of ICPAC in the following subjects before becoming Members of ICPAC:  
 P1 Professional Accountant or P4 Advanced Financial Management  
 P2 Corporate Reporting  
 P3 Business Analysis
4. On the condition that the member of IIPA is entitled to become a registered auditor in Ireland.

## Second Annex

### Paragraph 4(1)(c) Regulations for the Maintenance of the Register

#### Other Countries

S/N	Country	Title of Auditor	Professional Organisation (Note 1)
1	Australia	Chartered Accountant Certified Practising Accountant	Institute of Chartered Accountants in Australia Australian Society of Certified Practising Accountants (Note 2)
2	Canada	Chartered Accountant	The Canadian Institute of Chartered Accountants
3	New Zealand	Chartered Accountant	New Zealand Society of Accountants
4	South Africa	Chartered Accountant	The South African Institute of Chartered Accountants
5	USA	Certified Public Accountant	The American Institute of Certified Public Accountants (Note 3)
6	Zimbabwe	Chartered Accountant (Zimbabwe)	The Institute of Chartered Accountants of Zimbabwe

- Notes**
- 1 There are additional requirements for a practising certificate for the members of all professional organisations and those interested must apply to ICPAC for the details.
  - 2 Provided he/she is a member of the ASCPA for at least five years.
  - 3 On the condition that they meet the criteria regarding the auditing/accounting experience as follows:
    - (a) They have a three year accounting/auditing experience acquired under the supervision of a person who has been granted a registration certificate by the Institute; or
    - (b) they have a three year accounting/auditing experience acquired in full time employment by a recognized approved accounting firm.

## 1.104

### Examinations of professional competence

1. The professional examinations aim at establishing, on the one hand, the required theoretical and practical knowledge in the relevant fields, and, on the other, the ability to implement this knowledge during the performance of the accounting and auditing work.
2. Without prejudice to the general powers of the Council, the Council may delegate to third parties the conduct of the professional examinations provided that they possess the appropriate know-how and ability.
3. The knowledge of the students is tested in the following subjects:

#### **Fundamentals**

##### *Knowledge*

- F1 Accountant in Business
- F2 Management Accounting
- F3 Financial Accounting

##### *Skills*

- F4 Corporate and Business Law\*
- F5 Performance Management
- F6 Taxation\*
- F7 Financial Reporting
- F8 Audit and Assurance
- F9 Financial Management

#### **Professional**

##### *Essentials*

- P1 Professional Accountant
- P2 Corporate Reporting
- P3 Business Analysis

##### *Options (2 out of 4)*

- P4 Advanced Financial Management
- P5 Advanced Performance Management
- P6 Advanced Taxation\*
- P7 Advanced Audit and Assurance

\* The students have the opportunity to take the tests F4, F6 and P6 based on the Cyprus legislation. The students who opt for the tests F4 and F6 based on the Cyprus legislation are exempt from the aptitude test referred to in paragraph 5 below for the purpose of obtaining a practising certificate.

4. All students are also required to complete the Professional Ethics module, the objects of which is to develop ethical knowledge, sensitivity and judgement which can be applied in the tests but also in the working place. There is no test for this module and, as a result, the students cannot fail on this subject. There is a series of individual tests to be completed.

5. A person who is member of at least one of the Bodies of Certified Public Accountants referred to in the First and the Second Schedule of the Regulations 1.103 "Maintenance of Register" or is a member of any other Organisation or Body of Certified Public Accountants in accordance with the said Regulations, shall take the aptitude test only for the purpose of obtaining a practicing certificate. This test, which is carried out twice a year (June and December), shall include subjects F4 and F6 based on the Cyprus legislation.

***Clarifications***

- (a) Graduates of the University of Cyprus who obtain from ACCA exemption from the tests F4 and F6 on the basis of certain criteria will be considered as satisfying the above aptitude test. The same will apply and to the members of the Institute of Chartered Accountants in England and Wales who are graduates of the University of Cyprus and could have obtained exemption from the tests F4 and F6.
- (b) Persons who are not members of bodies of accountants recognized by the Institute up to 2 October 2001 (e.g. Certified Public Accountant of Greece) must take the aptitude test because they did not have any vested right on 2 October 2001.

***Transitional provisions***

- (a) In connection with the **aptitude test** in the subjects of corporate law and taxation law of Cyprus, it was decided that the persons who will be successful in the examinations for the Joint Scheme ACCA/ICPAC up to and including the examination of December 2004, and the persons who will acquire the two years' post-qualification experience by 30 June 2007 will be exempt from the requirement to take the aptitude test.
- (b) Persons who have passed the test P6 Advanced Taxation of the United Kingdom legislation of the examination period June and December 2004 will be exempt from the requirement to pass the Cyprus test for the purposes of the practicing certificate.
- (c) The above transitional provision does not apply to instances of non-residents of Cyprus.

6. The students for the purposes of paragraph 4(1)(a) or (d) of the Regulations for the Maintenance of Register (1.103) shall be registered as Student Accountants with the Institute following an application in the appropriate approved form.
7. The students have to complete a program of theoretical tuition approved by the Council.
8. The examinations are carried out twice a year, in June and in December. Other than the tests of the "knowledge" Part (F1, F2 and F3) which are for duration of two hours for every subject, the rest of the tests are for duration of three hours for each subject.
9. Computer-based exams are available for the subjects F1, F2 and F3 and the students can sit for them instead of the paper-based exams of June and December. In addition they can get the results of these exams immediately with the completion of every exam.
10. The students can sit in exams up to four subjects in every six-month cycle including the computer-based exams, provided they sit the exams in sequence. The six-month cycles have been determined as follows:
- June cycle: 1 February – 31 July, including the paper based exams of June
  - December cycle: 1 August – 31 January, including the paper-based exams of December.



11. Every student has ten years to complete all the exams from the date of his registration as student. After the end of the ten years if he has not completed the exams, the student is truck off from the examining process.
12. The pass mark for every subject is 50%.
13. The students who with the completion of the exams and the required practical experience wish to obtain a practising certificate, it is necessary to pass the exam P7 Advance Audit and Assurance.

*Transitional Provision*

*Persons who had the qualifications for appointment as company auditors under the legislation in force prior to 4 May 2001 and the persons who obtained their professional qualification during the period from 4 May 2001 until 1 October 2001 will be exempt from this condition.*

14. Persons who possess related academic and professional qualification may, following an application by them, be exempt from the exams in the subjects of the Fundamental Part. No exemptions are granted from the exams in the subjects of the Professional Part.

## **1.105 Student Accountants**

### **Registration of Student Accountants**

1. Every person who wishes to be registered as certified public accountant in accordance with paragraph 4(1)(a) of the Regulation 1.103 "Maintenance of Register" should first be registered in the Register of Student Accountants which is maintained by the Council after submitting an application in a form specified by the Council and after paying the prescribed fee.
2. A person who has successfully completed the professional examinations in accordance with the Regulation 1.104 "Examinations of Professional Competence" shall be transferred to the Register of Student Accountants until the submission and approval of his application for registration in the Register in accordance with paragraph 4(1)(a) of the Regulation 1.103 "Maintenance of a Register".
3. A person who has successfully completed the professional examinations of recognised accountancy bodies, such as the ACCA and CPA-USA, may be registered in the Register of Student Accountants until obtaining the required practical experience and the submission and approval of his application for registration in the Register of Certified Public Accountants in accordance with paragraph 2(1) of the Regulation 1.103 "Maintenance of Register".

## 1.106 Required practical experience

### 1. Practical experience for admission to membership

- (1) A person who wishes to be enrolled in the Register of Members in accordance with paragraph 4(1)(a) or paragraph 4(1)(d)(ii) of the Regulation 1.103 “Maintenance of Register” should gain at least three years of practical experience under the supervision of a person to whom a practising certificate has been granted and provided he/she has been enrolled in the Institute as a Student Accountant.
- (2) The practical experience shall have to do with the following main categories of technical work: Accounting, Auditing, Taxation, Financial Management, Corporate Law and Information Technology.

### 2. Practical experience for practising the profession

- (1) In order to obtain the certificate of practising the accounting profession as well as the provision of administrative services, the conditions of paragraph 6 of the Regulation 1.201 “Practising the accounting profession” must be satisfied.
- (2) In order to obtain the certificate of practising the accounting and auditing profession, the conditions of paragraph 9 of the Regulation 1.201 “Practising the accounting profession” must be satisfied.

## 1.107

### Professional ethics

#### Short title

1. These Regulations shall be cited as the Ethics Regulations for Certified Public Accountants, Student Accountants and Graduate Accountants.

#### Interpretation

2. In these Regulations, unless a different meaning arises from the context the various terms and definitions have the same meaning given to them in article 2 of the Articles of Association, and "Articles of Association" means the Articles of Association of the Institute of Certified Public Accountants of Cyprus.

"Member" means a certified public accountant or Student Accountant or Graduate Accountant and shall include also a statutory audit firm.

#### Object

3. (1) The basic objects of these Regulations are the safeguarding of the quality and transparency of the services provided by certified public accountants, the protection of both the ethical and professional standing of the Institute of Certified Public Accountants of Cyprus and its Members, and the lawful rights of every client or third party who uses, obligatorily or optionally, the services of a certified public accountant.
- (2) For the accomplishment of the above objects it is essential for every Member of the Institute to comply with the following principles and rules in parallel with his specific obligations that emanate from other provisions of the Articles of Association, the Regulations and Directives of the Institute as well as from specific provisions of these Regulations.

#### *Fundamental principles*

- (3) In every case the Member is obliged:
  - (a) To behave with dignity towards all the persons with whom he gets in touch during his professional activities (including his clients and colleagues Members of the Institute).
  - (b) Not to undertake any business assigned to him unless he is certain that all the conditions and procedures provided by the Law, these Regulations, the Decisions and Directives of the Council have been complied with.
  - (c) To observe carefully all the rules which safeguard his independence vis-à-vis his clients.
  - (d) Not to use his capacity as Member for the furtherance of private interests of himself or of a person close to him.
  - (e) Not to refuse and not to postpone or abandon any work assigned to him without a good reason.
  - (f) Not to provide inaccurate or misleading particulars and information to clients and third parties as well as to the institutional and authorised organs of the Institute.
  - (g) Not to discredit, threaten, insult or blackmail clients, colleagues or organs of the Institute.

- (h) Not to compete in an unfair manner with other Members of the Institute and not to seek the attraction or maintenance of work by non transparent means.
- (i) To protect the reputation of the Institute and of its organs, as well as of the Decisions and Directives of the Council and not to suppress any breach of these Regulations that has come to his knowledge.

#### **Integrity, objectivity and independence**

- 4. (1) Every Member is obliged always to carry out the accounting or auditing work in a manner which is objective and independent from any influence of the client.
- (2) A Member who cannot be independent so as to give an honest and impartial opinion is obliged not to accept the engagement or to withdraw from the engagement assigned to him if the existing or tailored conditions undermine his independence, objectivity and confidence in him of third parties or his relations with colleagues Members of the Institute.
- (3) Every Member is obliged to comply with the following rules so as to ensure his independence and objectivity:
  - (a) Not to decide himself on matters of client's responsibility. In addition he should avoid expressing his judgement on business options or decisions of the client.
  - (b) To keep an impartial attitude on conflicting views of clients or other interested parties, expressing without unnecessary characterisations the objective findings and suggestions which are based on his diligent work.

#### **Confidentiality**

- 5. (1) Every Member is obliged to keep the professional secrecy and not to reveal facts or information acquired in the carrying out of his accounting or auditing work, unless there is such obligation by law, the professional standards and the Directives issued by the Council including these Regulations.
- (2) It is prohibited to a Member to make use, in any manner, for his own benefit or the benefit of third parties, of facts and information acquired in the carrying out of his accounting or auditing work unless the disclosure of facts and information is a matter of principle or for the defence of his positions before the Council or the Disciplinary Committee of the Institute.
- (3) The Member is obliged to keep the professional secrecy even after the completion of the provision of his professional services to any natural or legal person.
- (4) Every Member is obliged to remind his employees of the duty to keep the professional secrecy and to ensure as far as possible that his employees will keep it.

#### **Changes to a professional appointment**

- 6. (1) When a Member ("proposed accountant") is approached for the first time by a prospective client he should explain his professional duty to communicate with his colleague ("existing accountant") if he is asked to act or is proposed for the appointment.
- (2) If the proposed accountant is proposed for appointment he should ask the client to inform the existing accountant about the proposed change and at the same time to ask the client to give the latter written approval to discuss the affairs of the client with the proposed accountant.

- (3) The proposed accountant should subsequently communicate in writing with the existing accountant, asking for information which may influence his decision on whether he should accept the appointment or not.
- (4) If the client does not give or refuses to give to the existing accountant approval to discuss his affairs with the proposed accountant the existing accountant should mention this to the proposed accountant who should not accept the proposed appointment.
- (5) The existing accountant should reply without delay to the communication from the proposed accountant. If there are no matters which the proposed accountant should bear in mind, the existing accountant should write to confirm this. If, however, there are such matters, he should inform the proposed accountant about those factors which, in his opinion, the existing accountant may explain orally and the proposed accountant should be ready to cooperate with the existing accountant if the latter so wishes and each one should keep his own minutes of such discussions.
- (6) If in the reply of the existing accountant a question of conflicting views arises between the client and himself, the proposed accountant should discuss the matter with the client and satisfy himself that the client's view may be acceptable as a reasonable explanation or otherwise not to accept the proposed appointment.
- (7) In case the existing accountant does not respond within a reasonable time, the proposed accountant should communicate with the existing accountant, by other means, for example by telephone or by fax or by e-mail. If these efforts fail as well and in case where the proposed accountant has no reason to believe in the existence of adverse circumstances regarding the change in the professional appointment, he should send a final registered letter stating that if he does not receive a reply within a fixed period he will assume that there are no matters of which should be aware.
- (8) If the proposed accountant is satisfied that he may act on behalf of the client and decides to accept the proposed appointment, he should communicate his decision to the client.
- (9) In cases where, even though the Member has been informed about the matters which constitute a source of disagreement between the existing accountant and the client, he decides to accept the proposed appointment he should be ready, if called upon to prove to the Institute that he has adequately examined all the above matters.
- (10) The existence of unpaid fees does not constitute by itself a reason for which the proposed accountant should not accept a proposal for candidature.
- (11) The proposed accountant has to handle with confidentially any information given to him by the existing accountant.
- (12) A Member who is called upon to accept a proposal for appointment in case of death of another accountant has to try to get information from the administrators of the estate of the deceased accountant or from other appropriate source.
- (13) The accountant who is replaced has to transfer immediately to the client or to his replacement after the latter has been duly appointed, all the books and documents of the client he has in his possession unless he exercises the right of lien for unpaid fees.
- (14) Transfer of information:
  - In order to ensure continuity of treatment of a client's affairs, the former accountant shall promptly provide the new accountant with all reasonable transfer information that the new accountant requests, free of charge.

- All reasonable transfer information shall be provided even where there are unpaid fees.
  - “Reasonable transfer information” is defined as:
    - (a) a copy of the last set of accounts formally approved by the client; and
    - (b) a detailed trial balance that is in agreement with the accounts referred to in (a) above.
  - Any information in addition to the reasonable transfer information, as defined above, is provided purely at the discretion of the former accountant, who may render a charge to the person requesting the information.
- (15) A Member who is asked to undertake accounting or auditing work, recurring or not, which is additional to the work already being carried out by another Member, has to inform the other Member about the work assigned to him unless the client gives reasons which will convince the Member that the other Member should not be informed.

### Consultancy

7. (1) If a Member obtains advice from another Member (consultant) on a consultancy basis on behalf of a client, the consultant should not, without the consent of the Member, accept from that client within three years from the completion of the consultancy work, any work carried out by the Member during the period the consultant was appointed for the first time regarding the affairs of the said client.
- (2) The same applies also in the case when the Member recommends one of his clients to the consultant for the consultancy purposes.

### Fees

8. (1) The Member shall be entitled to charge for his services:
- (a) such fees as he has agreed with his client, or
  - (b) fees calculated in accordance with any agreement with his client, or
  - (c) in the absence of any agreement, fees calculated by reference to the practices of the profession.
- (2) In cases where the basis of the fees has not been agreed with the client, the Member shall charge a fee which is fair and reasonable, bearing in mind:
- (a) the seniority and professional expertise of the persons necessarily engaged on the work;
  - (b) the time expended by each,
  - (c) the degree of risk and responsibility which the work entails;
  - (d) the urgency and importance of the work to the client together with any expenses which have been reasonably incurred.
- (3) The Member has to inform the client in writing before the commencement of any engagement about the basis on which the fees he intends to charge the said client for his services will be calculated, and, in case it is requested and it is practical, the level of fees which may be charged for any work.

- (4) The Member should, at first opportunity, discuss and explain the basis on which the fee will be calculated and, where practical, the estimated initial amount of fees. The agreed arrangements shall be confirmed in writing, usually in a letter of engagement including confirmation of any estimate, proposal or other indication, and where the basis of the future fees is different from that of the initial fee, the basis on which such fee will be charged. In cases where there is no letter of engagement the Member should confirm the initial discussion in writing to his client, as soon as this is practical.
- (5) Proposals for fees should be made only after proper study of the nature of the business of the client, the complexity of his business and the work which will be done.
- (6) The fact that a Member has proposed a fee lower than that of another colleague of his is not inappropriate provided that due care is taken to ensure that the client fully understands the services covered by the fee and the basis of which the fee will be fixed, both for the current and the future years.
- (7) The Member who undertakes work after submitting a tender about fee levels which he has reasons to believe that they are significantly lower than those proposed by others, should bear in mind that his objectivity may appear to be threatened. In such a case the Member should ensure that his work complies with the Auditing Standards and Directives and Audit Regulations and in particular the quality control procedures.
- (8) Every Member has to provide, either on the invoice of charging the fee or subsequently, in response to a request, and without further charge, such details as are reasonable for the client to understand the basis on which the fee billed has been prepared.
- (9) In cases where the fee charged exceeds, without prior agreement, the proposal or estimate or indication of the fee given by a Member by an amount greater than a reasonable amount, the Member should be ready to provide the client with a full and detailed explanation about the excess amount and take steps to resolve quickly any doubt which may arise.
- (10) The Member whose fees have not been paid has a right to withhold certain books and documents of a client on which he has worked by exercising the right to lien and may refuse to give information to the client or to the successor Member until the said fees are paid. However, the Member who acts in this manner should be ready to take reasonable steps to resolve any doubts connected with the amount of the said fees.
- (11) Fees should not be charged as a percentage ratio of the economic content of the service provided or in relation to the outcome of the case:

Provided that in bankruptcies, liquidations, receiverships, administrations, voluntary arrangements and similar work the fee may be based, under a law or tradition, on a percentage of the receipts or a percentage of distribution. Consequently it may not be possible to negotiate the amount of fees in advance.
- (12) In certain cases, such as advice for acquisition of management, securing business capital, commissioning market research or sales, the fee cannot realistically be charged other than on a contingency basis. Any other requirement in certain cases would deprive prospective clients from professional assistance, for example where the ability of the client to pay depends on the success or failure of the project.
- (13) In cases where the work is subject to a fee on a contingency basis, percentage or other similar basis, the capacity under which the Member has worked and the basis of his fee should be made clear on any document prepared by the Member in anticipation that a third party may rely on it.



- (14) The fees of the statutory auditor shall not:
  - (a) be influenced or determined by the provision of additional services to the audited entity;
  - (b) be conditional on the happening of any form of future events.

### **Advertisement and publicity**

9.
  - (1) A Member may seek publicity for his services in any manner consistent with the dignity of the profession and he should not present an image which is incompatible with that of a professional who is committed to high moral and technical standards.
  - (2) The advertisements of a Member should comply with the legislation in force from time to time and be compatible with clarity, honesty and truthfulness.
  - (3) An advertisement should be clearly identified as such.
  - (4) The foregoing provisions apply equally to letterhead papers, invoices and similar documents of a Member.
  - (5) If reference is made to advertising material for fees, regarding the basis on which the fees are calculated, or to hourly or other percentage charges, the greatest possible care should be taken to ensure that such reference shall not be misleading as to the accurate extent of the services and time commitment which the reference aims to cover. The Members should not make comparisons in such advertising materials between their fees and the fees of other Members.
  - (6) The danger of a misleading impression being given is particularly noticeable when limitations in space restrict the quantity of information that can be given. For this reason it will be rarely appropriate to include information about fees in brief advertisements.
  - (7) A Member may provide free advice with reference to which the levels of fees may be discussed.
  - (8) Advertising material may contain any actual situation the correctness of which the Member can justify, but should not make disproportionate references or disproportionate comparisons with the services of others.
  - (9) Special care is needed regarding claims about size or quality. For example, it is not possible for someone to know whether the claim "the largest firm" in a sector refers to the number of the partners or staff, the number of offices or the amount of the income. A claim that one is "the best" accountant is subjective and cannot be proved.
  - (10) A Member should not under any circumstances promote or seek to promote his services, or the services of another Member in such manner and to such an extent as to cause nuisance to a prospective client.
  - (11) Regarding accounting or auditing work a Member should not make an unsolicited personal visit or a telephone call to a person who is not a client for the purpose of undertaking professional work from the non client.

- (12) Advertising or technical material may be sent to non clients by post or other means, subject to sub-paragraph (14) below. Such distribution should not, in the case of accounting or auditing work, be followed by a personal visit or a telephone call except following a special invitation by the recipient.
- (13) The same restrictions apply also to direct mailing of other advertising or technical material.
- (14) Unsolicited advertising or technical material should not be sent to a non client by fax or other electronic means.
- (15) A Member may send a letter recommending his firm and the extent of his services to another professional consultant such as a lawyer or a banker, which can be followed by a telephone call or visit. Such telephone call or visit should not be made with regard to accounting or auditing requirement or other requirements of the professional consultant.
- (16) A Member should not give or offer any commission or fee to a third party who is not an employee of the Member.

### **Names and letterhead paper**

10. (1) Subject to the regulations below, a Member may practice the profession under any name or title he deems appropriate.
- (2) The name of a firm should be consistent with the dignity of the profession in the sense that it should not present an image incompatible with that of a Member committed to high moral and technical standards.
- (3) The name of a firm should not be misleading.
- (4) It will be misleading for a firm with a very few offices to describe itself as "international" on the basis alone that one of them is abroad or for a sole practitioner to add to his name "& Co". Similarly, it will be misleading for a sole practitioner to add the letters "& Associates" to the name of his office unless formal arrangements have been agreed with two or more Members.
- (5) The name of a firm would be misleading if in all circumstances there would be a real danger of being confused with the name of another firm even if justified claims could be raised about the name.
- (6) It is a tradition in the profession to practice it under the name of a firm which is based on the names of the former or existing members of the firm or under that of a firm with which it has merged or co-operates. The name of the firm which emerges in this manner usually conforms to this general rule.
- (7) The right to use the title "Certified Public Accountant" belongs to accountants in the Register which is kept in accordance with the Articles of Association.
- (8) A Member shall be entitled to use his title on his letterhead paper, in advertisements and generally. He may also include in the letterhead paper a list of the services he wishes in particular to offer. However, he should not include any list of services in the general description of his title (for example "Certified Public Accountant" and "Taxation Consultant").
- (9) The description "Certified Public Accountant(s)" or "Registered Auditor(s)" shall not form part of the name of the audit firm.

- (10) The letterhead paper of a Member should conform to the Partnerships and Business Names Law where appropriate.
- (11) It should be clear from the letterhead paper of a Member whether a person named on it is a partner, sole practitioner, or in the case of a company, is a member of the Board of Directors.
- (12) No person named on the letterhead paper of a Member should be described with a title, description or academic or professional titles to which he is not entitled.

### **Second opinions**

11. (1) When the opinion of a Member is sought in the application of accounting standards or principles in special circumstances or transactions, either completed or under study, of an entity with which the Member has no continuous professional relationship for the provision of accounting or auditing work, he should be alert to the possibility of his opinion creating excessive pressure on his judgment and objectivity. Consequently, he should seek to minimise the risk of giving inappropriate guidance by ensuring that he has access to all the relevant information.
- (2) When the opinion of a Member is sought on an accounting treatment by or on behalf of a company or entity which is not an existing audit client, there is the danger that the opinion he expresses may be based on insufficient evidence and that the opinion may be difficult to be changed if further facts come to light. Consequently, it is important that the Member whose opinion is sought in such cases, to establish the circumstances in which his advice is sought and all the other available facts connected with the formation of a professional judgement. For this purpose he should communicate with the existing auditor in order to give him the opportunity to bring to his knowledge any pertinent facts and should be prepared, provided the client permits it, to give a copy of his opinion to the existing auditor. If the company or the entity which seeks the opinion does not give permission to the Member to communicate with the existing auditor then the Member should refuse to act.
- (3) The above do not apply in cases where, pursuant to litigation, expert testimony and assistance, opinions are given to another Member and to his clients jointly.
- (4) A Member who gives an opinion on the application of accounting standards or principles relating to hypothetical situations and not based on specific facts or circumstances of a particular organisation shall ensure that the nature of the opinion is made clear.

### **Code of professional ethics**

12. Every Member is obliged to follow the Code of Ethics for Professional Accountants of the International Federation of Accountants (Code) as this is issued and revised from time to time. In case of any difference between the Code and the present Regulations the Code will prevail.

## 1.108

### Disciplinary procedure

#### Short title

1. These Regulations shall be cited as the Disciplinary Procedure Regulations of 2013 which repeal and replace the Regulations in force until now.

#### Definition

2. (1) In these Regulations unless the context otherwise requires:
  - “accounting firm” or “auditing firm” means a company to which a practising certificate has been granted by the Institute.
  - “Committee” means the First Instance Panel of the Disciplinary Committee as defined in paragraph 4.
  - “Complaint” includes grievance.
  - “Council” means the Council of the Institute.
  - “Disciplinary Committee” means the body which is appointed by the Council for the purpose of examining and hearing disciplinary offences both in First Instance (First Instance Panel) and Second Instance (Appeal Panel).
  - “Investigator” means the person who is appointed by the Council for the purpose referred to in paragraph 6.
  - “Member” means a Member of the Institute whether a natural or legal person.
  - “practising certificate” has the meaning assigned to it in Regulation 1.201 “Practising the accounting profession”.
  - “Prosecutor” means the person who is appointed by the Council with powers and duties as defined in paragraph 5.
- (2) For the meaning of other words and phrases used not specifically defined in these Regulations, recourse may be had to the Interpretation Law, Cap.1, for their definition and for rules of construction of laws.

#### Disciplinary offences

3. Every Member of the Institute or Student Accountant or Graduate Accountant is subject to disciplinary control in the following instances:
  - (a) If, in the course of carrying out his professional duties or otherwise, has been guilty of misconduct. For the purpose of this paragraph misconduct includes, but is not confined to, any act or omission which brings discredit, or is likely to bring discredit, to the individual or relevant accounting/auditing firm or to the Institute or the accounting/auditing profession. The following shall be conclusive proof of misconduct:

- (i) The fact that before a competent Court in Cyprus or elsewhere a Member or Student Accountant or Graduate Accountant pleaded guilty or been found guilty of any offence discreditable to him or the relevant accounting/auditing firm or the Institute or the profession of accountant/auditor.
  - (ii) The fact that in a civil case before a competent Court in Cyprus or elsewhere, a Member or Student Accountant or Graduate Accountant has been found to have acted fraudulently or dishonestly.
- (b) If, in connection with his professional duties he has conducted his accounting/auditing work erroneously, inadequately or incompetently. In considering the conduct alleged (which may consist of one or more acts or omissions), regard may be had to the following:
- (i) Whether an act or omission, which of itself may not amount to misconduct, has taken place on more than one occasion, such that together the acts or omissions may amount to misconduct.
  - (ii) Whether the acts or omissions have amounted to or involved dishonesty on the part of the individual or relevant firm in question.
  - (iii) The nature, extent or degree of a breach of any code of practice, ethical or technical, adopted by the Council, and to any regulation affecting Members, relevant accounting/auditing firms or registered students laid down or approved by the Council.
- (c) If he has violated the law or the Regulations or the Code of Ethics which refer to his professional status and his obligations which emanate from it, or has failed to comply with any directive issued under the law or the Regulations.
- (d) If he has been disciplined by another professional body or pursuant to some other disciplinary process.
- (e) If he has made an assignment for the benefit of creditors, or has made an arrangement for the payment of a composition to creditors, or has had an interim order made by the court in respect of him, or is a partner or director of an accounting/auditing firm which has made such an assignment or composition or been wound up as an unregistered company, or entered into voluntary arrangement, administration or liquidation, in each case where applicable under the Companies Law or other similar or analogous event has occurred in relation to him under applicable legislation.
- (f) If he has failed to satisfy a judgment debt without reasonable excuse for a period of two months (and the fact that he did not have sufficient funds to discharge the debt shall not be a reasonable excuse for this purpose) whether or not the debt remains outstanding at the time of the bringing of the disciplinary proceedings hereunder.

### **Disciplinary Committee**

4. (1) The Disciplinary Committee exercises disciplinary control of first and second instance on every Member or Student Accountant or Graduate Accountant.
- (2) The Disciplinary Committee shall consist of fifteen members including the Chairman and Vice-Chairman who shall be appointed by the Council of the Institute for a three year term with eligibility for re-appointment.

- (3) The Disciplinary Committee shall consist of seven Members of the Institute and of another eight non-Members of the Institute.
- (4) The Council appoints the Chairman and Vice-Chairman of the Committee who should be lawyers possessing qualifications for appointment as members of the Supreme Court without any time limitation regarding age. The same qualifications must be possessed by at least one of the other Committee members who is not a Member of the Institute.
- (5) In case of absence or impediment of the Committee Chairman the eldest of the Committee members with legal qualifications non-Member of the Institute acts as Chairman.
- (6) The Disciplinary Committee convenes at the Institute's premises and the Council is obliged to provide to it all the required facilities (financial and other) for the satisfactory execution of its duties.
- (7) The competence of the Committee is exercised as follows:

***A. First Instance (Committee)***

The First Instance competence is exercised by a Panel of the Disciplinary Committee consisting of five members as follows:

- The Vice-Chairman who will chair the Panel;
- Two members from the Members of the Institute; and
- Two members from non-Members of the Institute one of whom to be a lawyer.

***B. Second Instance (Appeal Panel)***

The Second Instance competence is exercised by a Panel of the Disciplinary Committee consisting of five members as follows:

- The Chairman of the Committee;
- Two members from the Members of the Institute; and
- Two members from non-Members of the Institute one of whom to be a lawyer

Provided that the Appeal Panel consists of members different from those of the First Instance Panel.

- (8) Subject to the provisions of sub-paragraph (9) below, the presence of all Panel members of the Disciplinary Committee at all meeting is necessary during the examination of a complaint.
- (9) In the case where a Panel member is unable to be present at a specific fixed meeting due to personal impediment, the Chairman may, if he considers it expedient, carry out the trial despite the member's absence:

Provided that in no case it is allowed to carry out the meeting with less than three members.

Provided, further, that the decision is delivered by majority of the initial Panel members after the member or members who did not attend any meeting were duly informed for all that have been said and presented at it.

**Prosecutor**

5. (1) The Council appoints a Prosecutor for the purpose of supervising the Investigator and controlling the legal procedures. Specifically, the Council refers to the Prosecutor, every complaint that is submitted to it, for executing among others the duties listed below:
  - (a) Preliminary examination of complaints.
  - (b) Referral of complaints to an Investigator if he considers that the complaint is prima facie valid.
  - (c) Informing the Council for his decisions in connection with the complaints.
  - (d) Study of statements, witnessing material and the report of the Investigator after the completion of the investigation assigned to him and then to decide whether the investigation proves prima facie a case or the referral to the Committee is not justified or the case is outside the competence of the Committee. In the first instance the referral is forwarded to the Committee while in the other two instances he is recommending to the Council its rejection.
  - (e) Preparation of the indictment.
  - (f) Presenting the case before the Committee.
  - (g) Examination and cross-examination of witnesses and generally the handling of the case before the Committee.
  - (h) Preparation and presentation of appeals before the Appeal Panel.
  - (i) Providing advices and guidance to the Investigators and to the Council about the work of the Disciplinary Committee.
  - (j) Examination of objections that the accused may submit as revealed by the evidence before the Investigator and deciding the method of handling the case including obtaining supplementary and additional evidence.
  - (k) The execution of any other duties assigned to him by the Regulations or by the Council if it so directs.
- (2) The Prosecutor must be a lawyer holding the qualifications for appointment as a judge of the Supreme Court, without any time limitation regarding age.

**Investigator**

6. (1) The Council appoints an Investigator for the purpose of carrying out investigation in cases where the Prosecutor considers that the complaint is prima facie valid and believes that the investigation should be performed by an Investigator.
- (2) The Investigator should be either a lawyer who has the qualifications for appointment as a judge of the District Court, without any time limitation as to the age, or a certified public accountant who is a Member of the Institute.
- (3) The Council may, in exceptional cases, appoint the Prosecutor to act also as Investigator.

(4) *Duties*

Among the duties of the Investigators are:

- (a) Obtaining statements from witnesses including the accused and witnesses indicated by him.
  - (b) Administering oath or obtaining solemn declarations of truth from witnesses.
  - (c) The collection of evidence of any nature and the preparation of true copies accompanied by a relevant confirmation of their authenticity.
  - (d) The preparation of a report on the findings from the investigation including his impressions from the witnesses in the cases where there are contradictory allegations.
- (5) The Investigators may consult the Prosecutors and resort to persons with expertise on any special matter that may arise.

**Members of the Disciplinary Committee, Prosecutors and Investigators**

7. (1) *Not eligible for appointment*

Members of the Council cannot be appointed as members of the Disciplinary Committee or as Prosecutors or as Investigators.

(2) *Conflict of interests*

A member of the Disciplinary Committee or a Prosecutor or an Investigator cannot be selected/appointed if he is involved in the complaint under examination.

(3) *Compensation*

- (a) The members of the Disciplinary Committee are paid such a compensation or allowance or both as the Council may approve.
- (b) The Council pays the Prosecutors and Investigators a compensation that may be agreed between the Prosecutors and the Investigators and the Council or which the Council may approve as reasonable based on the time spent and the degree of responsibility involved or on any other basis considered fair and reasonable under the circumstances.

**Disciplinary sanctions**

8. (1) The Disciplinary Committee after completing the examination of the complaint which has been referred to it, may dismiss the complaint or, if it establishes the guilt of the accused, in whole or in part, it may impose any of the following sanctions or combination thereof, which under the circumstances are considered appropriate:

**A - *If the accused Member is a Certified Public Accountant***

- (a) Removal from the Register for a specific period or forever.
- (b) Withdrawal of the practising certificate.
- (c) Suspension of the practising certificate for such a period as the Disciplinary



Committee may consider expedient.

- (d) Allowing the practising certificate to remain in force under such terms and for such a period as the Disciplinary Committee may consider expedient.
- (e) Taking away the right to obtain a practising certificate.
- (f) Severe reprimand.
- (g) Reprimand.
- (h) A fine for an amount that the Disciplinary Committee may decide.

**B - *If the accused Member is an accounting/auditing firm***

- (a) Withdrawal of the practising certificate.
- (b) Suspension of the practising certificate for such a period as the Disciplinary Committee may consider expedient.
- (c) Allowing the practising certificate to remain in force under such terms and for such a period as the Disciplinary Committee may consider expedient.
- (d) Taking away the right to obtain a practising certificate.
- (e) Severe reprimand.
- (f) Reprimand.
- (g) A fine for an amount that the Disciplinary Committee may decide.

**C - *If the accused is a Student Accountant***

- (a) Removal from the Register for a specific period or forever.
- (b) Exclusion from examinations or part of the examinations, as it may be specified in the decision, except from examinations the result of which must have been notified to him before the delivery of the decision.
- (c) Suspension of the right to sit for professional examinations for such a period, which shall not exceed two years, as it may be specified in the decision.
- (d) Severe reprimand.
- (e) Reprimand.
- (f) A fine for an amount that the Disciplinary Committee may decide.

**D - *If the accused is a Graduate Accountant***

- (a) Removal from the Register for a specific period or forever.

- (b) Severe reprimand.
- (c) Reprimand.
- (d) A fine for an amount that the Disciplinary Committee may decide.

(2) ***Expenses***

Notwithstanding the imposition of any of the sanctions referred to in sub-paragraph (1) above the Committee may order the person who has been found guilty, to pay all or part of the costs of the disciplinary procedure.

**Special disciplinary offences and special sanctions**

9. (1) ***Definition***

For the purposes of this Regulation the following words and phrases have the meaning assigned to them in the paragraphs therein indicated:

“Committee” when used in a procedure taking place after the trial of the case for the purpose of executing a decision means a Special Panel of the Committee which is constituted pursuant to sub-paragraph (4)(b)(ii) below.

“prescribed sanctions” see sub-paragraph (2)(c) below.

“serious offence” see sub-paragraph (2)(b) below.

“Table” see sub-paragraph (5) below.

(2) ***Offences against the administration of justice***

- (a) A Member of the Institute who commits an act with regard to a complaint under investigation for a disciplinary offence, such act if committed with regard to a criminal procedure would constitute a criminal offence against the administration of justice under sections 110-126 of the Criminal Code, Cap.154, (see short titles of the these sections at the end of this sub-paragraph) commits a serious disciplinary offence which is punishable as provided below.
- (b) A serious disciplinary offence is punishable with a monetary sanction exceeding €1.000 or with a prescribed sanction.
- (c) Prescribed sanctions for the purpose of this Regulation, where such sanctions are imposable, are:
  - (i) Removal from the Register for a specific period.
  - (ii) Suspension of the practising certificate.
  - (iii) Allowing the practising certificate to remain in force under such terms and for such a period as the Disciplinary Committee may consider expedient.
  - (iv) In the case of a Student Accountant the exclusion or suspension of the right to sit for professional examinations.

***Table of short titles of the sections of the Criminal Code, Cap.154, for offences relating to the Administration of Justice***

*Section*

110	Perjury and subordination of perjury
111	Punishment of perjury
112	Evidence on charge of perjury
113	Contradictory statements by witnesses
114	Giving false information to police officers
115	Effecting public mischief
116	Fabricating evidence
117	False swearing
118	Inducing witnesses to give false or to withhold true testimony
119	Deceiving witnesses
120	Destroying evidence
121	Conspiracy to defeat justice and interference with witnesses
122	Deterrence of justice, etc., and interference with judicial proceedings
123	Compounding felonies
124	Compounding penal actions
125	Advertisements for stolen property
126	Corruptly taking a reward

**(3) *Conditional discharge***

The Committee may, instead of any other sanction, bind the accused with an amount of money for a specific period of time on condition that during that period he will not commit any or a specific disciplinary offence. If the accused violates the condition he is called upon by the Committee to pay the amount with which he is bound or part thereof within a specified time. If the accused does not comply, the amount which he is called upon to pay is converted into a sanction of removal from the Register for a period which corresponds to the amount fixed in the order according to the conversion table set out in sub-paragraph (5) below.

**(4) *Conditional suspended sentence***

- (a) If the Committee considers it expedient and as a fair treatment of the accused, taking into account the peculiarities of the case, may impose anyone of the prescribed sanctions ordering the suspension of its execution for a period which it may determine, on condition that during the period of suspension he will not commit any or a specific or a specific category disciplinary offence.
- (b) The Committee deals with violations of the conditions of suspended sentence either during the trial of the second offence the commitment of which resulted in the violation of the condition of suspension pursuant to sub-paragraph (i) below or on another date that the Committee may fix at the request of the Prosecutor pursuant to sub-paragraph (ii) below:
  - (i) In the case where the activation procedure of the suspended sentence is brought before the Committee which trials the offence committed in violation to the condition of suspension, the Committee deals with the two cases (first offence with suspended sentence and second offence during the period of suspension) as if they were two charges in the same indictment. The suspended sentence in the first case does not change, but it is taken into account in the imposition of the sentence for the subsequent offence, provided that in the case of imposition of a sentence of the same category that has been imposed in the previous case, it must be concurrent with the previous similar imposed sentence.

- (ii) In the case where the procedure of activation is attempted after the imposition of the sentence in the subsequently committed offence, the Prosecutor applies to the Council to constitute a Special Panel to deal with the application for activation of the suspended sentence. The application is supported by a copy of the convicting decision for the second offence and other evidence that the Special Panel may demand. The Special Panel is composed of the Vice-Chairman and an accountant member of the Disciplinary Committee.

The procedure followed subsequently is as follows:

If the Committee is satisfied that the condition for the suspension of the sentence has been violated, calls upon the accused to show cause why the sentence should not be activated. If the accused does not give adequate cause for the non activation of the sentence or does not give any cause at all, the Committee orders the activation of the sentence either for the entire period set out in the imposed sentence or for part thereof. The Committee has also the power to convert the sentence into a fine for any amount it may determine, using the conversion table set out in sub-paragraph (5) below. The decision of the Committee is communicated to the accused allowing reasonable time for the payment of the fine. If the Committee does not consider appropriate the conversion of the sentence into fine, it fixes a date for the activation of the sentence originally imposed.

- (iii) The fines are imposed cumulatively with power of the Committee to fix a date for payment, a mode of payment, time for payment and other facilities that it may consider fair in the circumstance.
- (c) The expenses for the activation of the suspended sentence or of the conditional discharge are borne by the accused and constitute part of the sentence.

(5) ***Table of converting monetary amount into period of prescribed sentence***

The following Table is used when a fine is converted into a period of prescribed sentence:

<i>Fine</i>	<i>@ Euro per day</i>	<i>Total days</i>
€	€	<i>(Example)</i>
0 - 600	15	€600 = 40 days
601 – 1.200	20	€1.200 = 70 days
1.201 – 2.400	30	€2.400 = 110 days
2.401 – 3.800	35	€3.800 = 150 days
Over 3.800	40	Maximum 200 days

**Referral of complaints for investigation**

10. (1) Every complaint that is referred to the Council under any form and every case decided by the Council's own initiative to be investigated is initially referred to a Prosecutor who examines it and:
- (a) if it considers that the complaint is unfounded or outside the Committee's competence, he prepares a report to the Council and recommends its rejection.
- (b) if it considers that the complaint is prima facie valid, he prepares a report to the Council with a recommendation:

- (i) to appoint an Investigator to carry out an investigation, and
- (ii) to appoint the First Instance Panel of the Disciplinary Committee for the trial of the case, if a trial is considered necessary.

The above-mentioned report of the Prosecutor is submitted to the Council through the General Manager of the Institute who, depending on the case, recommends an Investigator or the members that will constitute the Panel of the Disciplinary Committee for approval by the Council.

- (2) No member of the Council can take part in the discussion of a disciplinary case in which he or his accounting/auditing firm is involved in any capacity.

## **Investigation**

### **11. A – Preliminary investigation – Interviews**

- (1) The Investigator when receiving a complaint that is referred to him by the Prosecutor, before proceeding in taking statements he carries out a preliminary investigation to determine if there are the required conditions for setting aside the complaint, or if there is prima facie case for investigation. In the first instance he recommends the setting aside of the complaint. In the second instance he proceeds with the carrying out of the investigation by taking statements. For the purposes of this Regulation, Investigator includes Prosecutor if the investigation has been assigned to him by the Council.
- (2) The preliminary investigation is carried out with interviews arranged by the Investigator with the accused and other persons who may know something relating to the case.
- (3) The Investigator keeps a record (minutes) of interviews with reference to the responses and any replies of the accused about the complaint against him. In addition it is recorded the undertaking of responsibility on behalf of the accused to terminate any continuous offence, repentance and everything about the further handling of the case.
- (4) Refusal of the accused to answer to the complaint is interpreted for the purposes of the investigation as non admission of the complaint.
- (5) If there are all the conditions for setting aside the complaint the Investigator sends to the Prosecutor the record of the preliminary investigation with a fully reasoned report in which he is recommending the setting aside of the case. In the case where the Prosecutor disagrees with the recommendation the case is returned to the Investigator to carry out a full investigation.
- (6) Subsequently the Prosecutor, if he agrees with the Investigator's recommendation, or if he himself carried out the preliminary investigation and decided for the setting aside of the case, he refers the case with an accompanying note to the Council for a decision. If the Council accepts the recommendation it sets aside the case with full discharge of the accused or with the imposition of conditions that the Council may consider necessary pursuant to the provisions of paragraph 19(4) such as immediate termination of the offence, or non repetition of it within a fixed time. The Council may also reprimand the accused or warn him that in case of repetition of the offence or non termination of a continuous offence according to his own commitment, the offence that has been set aside will be referred to in a new complaint for the same or similar offence for the purpose of being taken into account in the assessment of punishment to be imposed for the new offence against him.

**B – Main investigation – Statements**

- (1) The main investigation is carried out by taking statements and the collection of evidential material.
- (2) The statements of witnesses are taken on oath or confirmed by solemn declaration of truth if the Investigator considers it expedient and required in the cases of witnesses including the accused the reliability of whom is likely to be contested. The said confirmation may be taken at any stage of the investigation or the trial of the complaint.
- (3) (a) The Investigator before proceeding with the taking of statement from the accused acts as follows:
  - (i) He informs the accused for his appointment, his powers and duties and the disciplinary procedure. The information will be as close as possible to the standard form set out below:

***Standard form of information by the Investigator to the accused***

*The Council of the Institute of Certified Public Accountants of Cyprus has appointed me as Investigator with a mandate to investigate a complaint that has been submitted against you for committing a disciplinary offence in violation of [explanation of violation] and specifically that [description of offence].*

*My duty is to investigate the complaint in order to ascertain if there is prima facie a basis for referral to the competent Committee for trial. Among my duties is the collection of all the related evidential material and the taking of statements from all those that may know anything about the complaint. The investigation and trial of the complaint is based on the Institute's Regulations the main pursuit of which is the speedy processing of the case with full transparency and with full safeguarding of your basic rights, such as legal representation and provision of every legitimate facility for the preparation and presentation of your defence.*

*Your statement will be obtained in writing / will be taped [explain method], will be confirmed on oath and will be presented as evidence before the Committee.*

- (ii) He warns the accused pursuant to paragraph 15(4) for his right not to incriminate himself and also to draw his attention to the consequences of non-disclosure of information on which he intends to present in his defence.
  - (b) The Investigator may record the statements of the witnesses that the accused wishes to call. The statement is taken in the presence of the accused, if he wishes, or his representative (in the case of legal person) and the Investigator keeps minutes with all the details (attendance, place, time, interventions etc).
- (4) **Statements of witnesses**
- (a) The statements of witnesses including the accused are taken in writing or by the use of electronic means and are signed by the witness. In the case of using tape recorder the person who handles the recorder records the time and the place where the statement is taken as well as the name and address of the witness. The taped statement is reduced to writing and the witness is called upon to sign it.

- (b) Statements taken in the above manner may be presented before the Committee and will be considered as statements by the witnesses unless the Committee wishes to call upon the witness for clarifications.
- (5) The Investigator may consult any person with specialised knowledge at any stage of the investigation.
- (6) ***Submission of report to the Prosecutor***

The Investigator after the completion of the investigation prepares a report in which he sets out his views. The report is submitted to the Prosecutor, unless the Investigator acts also as Prosecutor.
- (7) After the examination of the complaint by the Investigator and the receipt of his report, the Prosecutor decides whether:
  - (a) it requires further investigation; or
  - (b) it does not appear from the investigation that a disciplinary offence has been committed and prepares a report to the Council with a recommendation for its rejection; or
  - (c) it appears, prima facie, that a disciplinary offence has been committed and refers it to the Council asking for authorization to constitute the First Instance Panel of the Disciplinary Committee for the trial of the case.
- (8) The Prosecutor prepares the indictment in which the various charges are described and showing the date of the hearing that has been fixed by the Committee (fixed by the Secretariat of the Council in consultation with the Vice-Chairman of the Disciplinary Committee) at which the accused is called upon to appear before the Committee to answer to the charges.
- (9) ***Service of the indictment***
  - (a) At least three weeks prior to the hearing the indictment is served on the accused by letter and simultaneously by fax or e-mail through the Secretariat of the Council. The indictment is accompanied by all the evidential material, except copies of letters and documents exchanged between the Council and the complainant which are private and confidential.
  - (b) The service of the indictment or other document served by the Committee is considered to have been duly served:
    - (i) if it has been effected by personal service at least five days prior to the hearing of the case and with the presentation of a related confirmation on behalf of the person who has served it.
    - (ii) if it has been made by post or by fax at least ten days prior to the hearing it is deemed that the letter or the document was received by the accused at least five days prior to the hearing.
- (10) ***Supplementary statements***

A supplementary statement can be taken from the accused, at his request at least ten days prior to the date of the hearing of the case. The statement taken is delivered to the Prosecutor who may ask for further investigation of any matter which results from the supplementary statement.

All the additional evidential material is delivered to the Prosecutor who puts it before the Committee. The accused is provided with copies of such material.

### **Hearing procedure of complaints**

#### **12. (1) *When the accused does not appear***

In the case where the accused does not appear before the Committee on the date fixed in the indictment and the Committee is satisfied that the indictment was duly served on him, then it proceeds with the trial of the case in the absence of the accused with the presentation of the evidence which the Prosecutor possesses, and then the Committee imposes the sentence which in its opinion is appropriate:

Provided that if the Committee intends to impose a prescribed sanction as defined in paragraph 9(2)(c), it postpones the sentencing and fixes another date with directions for service on the accused a summons calling upon him to appear for the reading of the sentence. In case the accused does not appear again the Committee proceeds with sentencing the accused who is notified officially by letter as to the Committee's decision in which the reasons of the decision are set out.

#### **(2) *The accused appears***

In the case where the accused appears before the Committee on the date of the hearing the Prosecutor reads out to the accused the charges which are set out in the indictment and calls upon him to answer whether he admits the charges or not:

Provided that with the consent of the accused the charges which are set out in the indictment may be considered as duly read.

#### **(3) *When the accused admits the charges***

If the accused admits the charges then the Committee, relying on the facts as these are set out in the related report of the Prosecutor, verbal or written, and other facts that may be placed before it by the Prosecutor, proceeds with the sentencing of the accused after hearing anything that the accused may wish to state for the purpose of mitigating the sentence.

#### **(4) *When the accused does not admit the charges***

##### **(a) *Objections***

After the reading of the charge the accused may submit preliminary objections whereupon the provisions of paragraph 14 apply.

##### **(b) *Presentation of the case***

The Prosecutor presents the case before the Committee:

- (i) by brief reference to the facts,
- (ii) by presenting all the evidential material including the statements taken during the investigation both from the witnesses who testified in support of the accusation and the statements that have been taken at the request of the accused. The statement of the accused including a supplementary one is presented to the Committee.



The Committee then calls upon the accused:

- (i) to present his case, if he wishes, and to name the witnesses he would like to cross-examine.
- (ii) to indicate the evidence including allegations in statements for which he has objection as to their admissibility or intends to raise such an objection.

The Prosecutor then proceeds by naming the witnesses that the accused wishes to cross-examine and he may, if he wishes, express his views on the objections raised by the accused regarding the evidential material.

**(c) *The Chairman of the Committee gives directions as to the procedure***

Subsequently, the Chairman of the Committee manages the case in a manner that expedites the procedure by achieving greater convergence on legal and evidential differences. For this purpose he gives the necessary directions allowing adequate time to the parties for preparation. He is also determining the duration of every stage of the procedure.

**(d) *Hearing procedure***

**(i) *Cross-examination by the accused***

If the accused intends to cross-examine all or some of the witnesses he submits a request for the summoning of the witnesses named therein for purposes of cross-examination. The accused cross-examines the witnesses with the Prosecutor's right to re-examine them on matters that have arisen from the cross-examination.

**(ii) *Cross-examination by the Prosecutor***

The Prosecutor is entitled also to cross-examine the witnesses who have testified before the Investigator at the request of the accused as well as to cross-examine the accused if he testifies before the Committee.

**(iii) *Questions by the Committee***

The Committee (the Chairman or any member) may put questions to the witnesses who have testified before it including the accused provided that the questions are of a clarifying character and the cross-examination is not aggressive or unreasonably prolonged. In addition the questions put to the accused should not suggest guilt or aiming at the direct or indirect admission of guilt by him.

**(iv) *Additional witnesses***

Additional witnesses are called upon with the Committee's permission or by the Committee to testify on points that have arisen from the cross-examination of witnesses.

**(v) *Member witness refuses to reply***

In the case of a witness, Member of the Institute, who refuses to reply to any question put to him from any side and continues to refuse after an order of the Committee to reply to the question, commits a disciplinary offence and the provisions of paragraph 13 below are then applied.

(vi) ***Committee's options***

The Committee after a verbal application by the Prosecutor or at its own initiative having in mind all the evidential material presented before it as tested by the cross-examination:

- discharges the accused if it deems that any of the charges appearing in the indictment or any other accusation that could be added by amending the indictment.
- calls upon the accused for apology if it considers that, prima facie, has been proved a case. In this case the accused may, if he wishes, testify on oath or not make any statement at all.

(vii) ***Addresses***

After the completion of the examination of the witnesses and the accused if he has testified, the Prosecutor and the accused are called upon to address the Committee if they wish. The addresses are made verbally following the sequence that the Chairman of the Committee may define. The addresses may be submitted in writing if the peculiarities of the case so require. The addresses should touch upon all the disputed points of the case including the objections raised at any stage, about the admissibility or the relevance of the evidence of any nature.

(viii) ***Decision – Sentencing***

The Committee delivers its decision fully justified on all material points raised during the trial of the case.

In the case where the accused is found guilty on all or some of the charges or on other charge which is not more serious than any of the charges set out in the indictment, the Committee calls upon the accused if he has anything to add and if he wishes to say anything in mitigation of the sentence. After that the Committee proceeds with the sentencing of the accused.

(ix) ***The accused is notified in writing – Appeal form***

The accused is notified officially by letter for the Committee's decision, even if he was present during the delivery of the decision, in which the reasons of the decision are set out and a form of application for appeal is attached.

(e) ***Right of accused to be represented by a lawyer***

During the trial of the charges the accused may be represented by a lawyer and examine the witnesses who have testified against him.

(f) ***Additional powers of the Committee***

In addition to the foregoing, the Committee may carry out any act considered necessary for a full, effective and fair trial of complaints including among others the adjournment of the trial, the summoning of witnesses and other necessary acts.

(5) ***Finality of decisions***

The decisions of the Committee are final and conclusive after the expiration of the prescribed deadline of thirty days as defined in paragraphs 17(1)(c) and 17(2)(c) below for the purpose of filing an appeal.

**Summoning of witnesses – Refusal to comply**

13. (1) A Member of the Institute, including the accused, commits a disciplinary offence if, without reasonable cause refuses or fails to appear and/or testify before the Investigator/Prosecutor or before the Committee after having been served with summons of witness signed by the Vice-Chairman of the Committee.
- (2) Disciplinary offences committed pursuant to this Regulation are heard by the First Instance Panel of the Disciplinary Committee with different composition.
- (3) The filing of indictment pursuant to this Regulation is allowed after an order by the Chairman of the Panel before of which the witness refused to reply to a question put to him. The order for the filing of indictment is accompanied by the Committee's minutes which refer to that extract where it is recorded in detail the question put, the refusal of the witness to reply and all the facts pertaining to this part of the procedure. This extract duly certified as true and correct constitutes proof of the committed offence.
- (4) Conviction pursuant to this Regulation is final unless an appeal is lodged against the sentence only.

**Preliminary and other objections**

14. (1) The preliminary objections are raised after the reading of the charges and the Committee deals with them immediately after the submission or at any other stage that the Committee may consider appropriate, depending on the nature of the objection, the consequences in the continuation of the procedure and the time required for its trial.
- (2) The preliminary objections inter alia are as to:
- (a) legal points
  - (b) the Committee's competence
  - (c) previous conviction or acquittal on the same facts
  - (d) some serious irregularity in the indictment.
- (3) Other objections may be raised on:
- (a) mixed matters of law and facts
  - (b) evaluation and sufficiency of the evidence
  - (c) matters of admissibility and gravity of statements
  - (d) any other cause affecting the trial of the case.
- (4) Objections on legal points, on Committee's competence, on previous conviction or acquittal on the same facts and serious irregularity in the indictment, are examined and decided immediately after the reading of the charges. In these cases if the objection is accepted the procedure is terminated and the accused is discharged.

- (5) On mixed matters of law and facts, sufficiency and evaluation of evidence on the ground that from the evidence placed before the Committee none of the charges set out in the indictment has been proved the objection is raised immediately after the reading of the charges relying only on the evidence taken on behalf of the prosecution. At this stage the Committee may accept the objection and reject the case, or may amend to the indictment with the addition of charges that are prima facie proved by the evidence before it. After the amendment of the indictment, the accused is recharged.
- (6) Objections on matters of admissibility and evaluation of evidence are raised at any time, even if such evidence is already before the Committee, but are decided as part of the final decision unless in exceptional circumstances an immediate decision on the said points is considered necessary or is required by express legal provision.
- (7) In all the other cases the Committee may issue any direction it considers appropriate.

### **Rules of evidence**

15. (1) Generally the Committee is not bound by the rules of evidence pertaining to criminal cases and has the right to admit any kind of evidence which is relevant to the case provided the following are observed:
  - (a) The guilt of the accused must be proved beyond any reasonable doubt.
  - (b) The Committee should not rely on irrelevant evidence or evidence which is excluded either under Constitutional or legal provision.
  - (c) The Committee must not base a conviction on a single piece of evidence which is of inferior quality unless it is corroborated by evidence of indisputable value.
  - (d) A statement which is excluded, but placed before the Committee conditionally is ignored or rejected.
- (2) The Committee may admit conditionally the evidential material for which an objection has been raised by recording the objection. However if at a later stage the Committee, after hearing the grounds of the objection is persuaded that in fact the evidence which was conditionally admitted is irrelevant or without value, it either ignores or rejects such evidence.
- (3) The reliability of the witnesses is decided only after the cross-examination of the witness and comparison of his statement with the rest of the evidence before the Committee. Failure to cross-examine a witness, or contradict his evidence with other statement or evidence, is presumed as acceptance of the said evidence.
- (4) If a witness consciously and without reasonable cause fails to disclose facts or provide explanations promptly which are reasonably expected as natural reaction to a question or charge relating to the presence at a place, or time or possessing of a material evidence may affect negatively the reliability of the witness, including the accused, to whom his rights have been explained and in addition he was given the opportunity for a supplementary statement after having been served with the indictment.

### Contradictory statements

16. (1) In the case where the evidence which is presented for the first time to the Committee includes statements by witnesses who were called upon on behalf of the accused, the case proceeds to hearing if from the statements of the witnesses of the prosecution a prima facie case against the accused is established.
- (2) Conflicting facts may appear in the evidence secured between the statements of the witnesses who testified in favour of the complaint and the witnesses who testified on behalf of the accused including his own statement. In such a case the Investigator states in his report to the Prosecutor his views and impressions about the witnesses. Then there is an exchange of views between the Investigator and the Prosecutor and if they agree the Prosecutor takes the steps set out in sub-paragraphs (3) and (4) below. If they do not agree the provisions of sub-paragraph (5) below are applied.
- (3) The Prosecutor refers the case for trial if from the statements of the persons who testified in support of the complaint a conviction may be secured and it is up to the Committee to decide as to the reliability of the witnesses after their cross-examination and the presentation of all the evidential matters before it.
- (4) The Prosecutor does not refer the case to the Committee if by comparing the contradictory versions, the version of the accused and his witnesses are glaringly more probable in comparison with the evidence in support of the complaint.
- (5) If the Investigator and the Prosecutor do not agree whether the case must be referred to the Committee or not in connection with the instances mentioned in sub-paragraph (2) above, the case is referred to the Council for a decision. In such a case the Council:
  - (a) proceeds with the appointment of another Prosecutor to decide finally on the difference. The Council, depending on the nature of the case, appoints one or more consultants selected from the members of the Committee to assist the Prosecutor in his decision. The said Prosecutor and his consultants do not take part in the hearing of the case if it is finally decided to refer the case to the Committee for trial, or
  - (b) refers the case to the Committee for trial.

### Appeals

17. (1) *Appeal by the accused*
  - (a) An appeal against the decision of the First Instance Panel of the Disciplinary Committee is submitted by the appellant by handing written notice of appeal to the Prosecutor who presents it to the Chairman of the Disciplinary Committee (Chairman of the Appeal Panel)
  - (b) The Prosecutor sends within ten days from the receipt of the notice of appeal to the Chairman of the Appeal Panel all the documents, evidence and the record of the First Instance Panel together with the notice of appeal in order to fix a date for hearing the appeal and to authorise the Council in consultation with the Chairman of the Appeal Panel to proceed with the composition of the Second Instance Panel (Appeal Panel).

- (c) An appeal is exercised within thirty days from the delivery of the decision of the First Instance Panel or the serving of the decision to the appellant if he was not present during the delivery of the decision. The appeal may be against the conviction or against the sentence or against both.
- (d) An appeal lies where the findings or orders of the Committee were wrong or seriously affected in consequence of:
  - (i) error on matters of law, regulations or facts.
  - (ii) incorrect interpretation of laws, regulations, regulatory disciplinary or other provision applicable in the Republic.
  - (iii) rejection of a relevant or acceptance of irrelevant evidence or legally inadmissible evidence.
  - (iv) the orders or any of them issued by the Committee are disproportionate or unreasonable in comparison with the findings of facts.
  - (v) serious procedural irregularity which renders the fairness of the trial unreliable.
- (e) No appeal shall lie:
  - (i) against the sentence of reprimand or a severe reprimand or a fine not exceeding €200.
  - (ii) against an order for expenses only.
  - (iii) against conviction if the accused pleaded guilty before the First Instance Panel.
- (f) The Chairman of the Appeal Panel examines the grounds of appeal and decides whether more evidence is required for which the appellant is asked to submit in writing within a specified period. In the case where the appellant fails to comply with the request of the Chairman of the Appeal Panel, the appeal is dismissed and the decision of the First Instance Panel is confirmed.
- (g) The Chairman of the Appeal Panel fixes the appeal for consideration by the Appeal Panel if no additional grounds are required.
- (h) During the consideration of the appeal the Appeal Panel may examine the appeal:
  - (i) on the basis of the grounds submitted by the appellant,
  - (ii) on written or oral addresses of the appellant if the Appeal Panel would consider it appropriate.
  - (iii) in very exceptional cases on the examination of witnesses who testified at the First Instance Panel.
  - (iv) on the examination of additional witnesses that the Appeal Panel may consider appropriate to call.

- (i) The Appeal Panel may, after the consideration of the appeal:
  - (i) dismiss it; or
  - (ii) allow it wholly or partly and in such a case revoke all or some of the sanctions imposed by the First Instance Panel or it may order their replacement by others; or
  - (iii) impose a lower or stricter sentence, if an appeal is exercised against the sentence; or
  - (iv) revoke the conviction and convict the appellant for any other offence that is established by the facts and the evidence that have been laid before the First Instance Panel and impose a sentence.
- (j) The Appeal Panel may, in dismissing an appeal, may impose sanctions if it forms the opinion that the grounds of the appeal were totally unfounded.

(2) *Appeal by the Council*

- (a) An appeal against a decision of the First Instance Panel may be exercised by the Council with leave from the Chairman of the Appeal Panel.
- (b) Leave is granted if there is in the opinion of the Chairman reasonable chance of success.
- (c) The notice of appeal is submitted to the Chairman of the Appeal Panel within thirty days from the date of the delivery of the decision.
- (d) The appeal is allowed only:
  - (i) against sentence on the ground that it is clearly inadequate.
  - (ii) against acquittal on the ground that the decision was based on incorrect interpretation of law or regulation.
- (e) In the case where the Chairman of the Appeal Panel does not allow the filing of the appeal, the decision of the Committee becomes final. If however the application for leave is granted the Chairman fixes a date of hearing and the appeal is filed within ten days from the date of granting the leave for appeal.
- (f) The Prosecutor serves on the accused a copy of the notice of appeal and the grounds on which it is based at least three weeks prior to the date of the hearing.
- (g) The Appeal Panel regulates the procedure.
- (h) The Appeal Panel, after having considered the appeal, it may:
  - (i) dismiss it, or
  - (ii) impose a lower or stricter sentence, if an appeal is exercised against the imposed sentence; or
  - (iii) reverse the acquittal and convict the accused for the offence originally charged or any other offence established from the facts. After that the Appeal Panel decides about the appropriate sentence.

Provided that the sentencing is made in the presence of the accused to whom an opportunity is given to address in mitigation. The reservation in paragraph 12(1) applies also in the case of appeal by the Council.

- (3) The examination of witnesses is allowed in exceptional cases only if this is necessary for the proper of administration of justice.
- (4) The filing of an appeal does not suspend any sentence imposed unless the Appeal Panel may decide otherwise considering an application made for this purpose by the appellant. The Appeal Panel may, in suspending the sentence may impose such conditions it may deem appropriate.
- (5) Unless otherwise provided, every provision relating to First Instance procedure applies also, *mutatis mutandis*, to appeals.
- (6) The accused is notified officially by letter for the decision of the Appeal Panel, even if he was present during the delivery of the decision, in which the reasons of the decision are set out.
- (7) The decisions of the Appeal Panel are final.

#### **Publication of the decision of the Disciplinary Committee**

18. The Disciplinary Committee may publish in newspapers and periodicals it may consider appropriate such details as may be considered necessary for any finding or decision of the Disciplinary Committee. Except in exceptional cases where the Disciplinary Committee orders otherwise, the publication may mention the name of the person that was found guilty.

#### **Council, prerogatives and other powers**

19. (1) The Council as the highest authority for the monitoring of the correct practice of the profession by the Members of the Institute has the power, in exceptional cases and in the best interests of the Institute on the one hand and on the other hand without being detrimental to the prestige of the Disciplinary Committee, to proceed with the actions referred to in sub-paragraphs (2), (3) and (4) below.
  - (2) *Prerogative of pardon*
    - (a) The prerogative of pardon is exercised in relation to the sanctions of:
      - Removal from the Register,
      - Withdrawal of the practising certificate,
      - Suspension of the practising certificate,
      - Taking away the right to obtain a practising certificate.
    - (b) The pardon is either absolute or conditional and is exercised in cases where the facts arising after the conviction render the conviction or the sentence unfair or disproportionate to the new facts.
    - (c) Before pardoning, the views of the Chairman of the First Instance Panel are obtained.
    - (d) The decisions for pardoning are published if the Council considers it appropriate.



(3) ***Suspension of disciplinary proceedings***

If in any disciplinary proceedings an unforeseen difficulty appears which may result to dismissal of the case and the acquittal of the accused, the Council may, after an application by the Prosecutor, issue an order to the Committee with which to suspend the prosecution. The Committee after receiving the order dismisses the case and discharges the accused without affecting in any way the Council's right to bring back the case when the obstacle is removed, with the filing of new indictment.

(4) ***Setting aside the complaint***

(a) The setting aside of a complaint is exercised in the case where the conditions referred to below exist. This power is exercised by the Council following a recommendation by the Prosecutor.

(b) The power is exercised in the cases where:

- (i) The offence is not of a serious nature.
- (ii) The interests of third parties are not affected.
- (iii) The accused:
  - Admits having committed the offence.
  - Expresses his repentance, and to terminate the offence if it is continuous or not to repeat it.

(c) The Council when receiving a recommendation from the Prosecutor for setting aside the complaint either rejects the recommendation or accepts it. In the latter case it discharges fully the accused or discharges him conditionally. The conditions that the Council may impose are to terminate the continuation of the offence at a date that the Council may fix or to warn the accused that if he commits another disciplinary offence within a specified time the committing of the first offence will be referred to during the trial of the second offence to be taken into account in determining the sentence. The Council may also reprimand the accused if it considers it appropriate.

### **Certificates**

20. In the case of a removal of a Member from the Register or suspension of the practising certificate or withdrawal of the practising certificate any certificate the said Member possesses shall be returned to the Council.

### **Re-registration**

21. Any Member, who has been removed from the Register under these Regulations, may, following an application to the Council and the payment of the prescribed fee, the level of which shall be determined from time to time by the Council, be re-registered in the Register under such terms and conditions as the Council may consider expedient.

### **Member's resignation does not affect the pending disciplinary procedure**

22. The tendering of resignation by a Member against whom a disciplinary procedure is pending does not create an obstacle for the continuation of the procedure unless the Committee taking into account all the surrounding facts of the case, including the seriousness of the offence, the statement of the accused, the prescribed sanction and others about the safeguarding and credibility of the Committee, decides differently.

**Transitional provisions**

23. (1) These Regulations apply in relation to complaints that have not yet been referred to the Committee for trial.
- (2) Pending cases before the Disciplinary Committee are heard according to the existing Regulations unless with the recommendation of the Prosecutor and the consent of the Committee or the Appeal Panel it is considered that the case could be heard by following the new Regulations.

**Entry into force**

24. These Regulations enter into force as from 1 March 2013.

## 1.109 Continuing Professional Development (CPD)

### Obligations of Members for obtaining CPD

1. All Members must obtain CPD, and be able to demonstrate that they have obtained CPD, in accordance with this regulation 1.109.

### Ways for obtaining CPD

2. A Member may obtain CPD in one of the following ways:
  - (1) with an employer who holds approved CPD employer status from the Institute;
  - (2) by following the unit scheme set out in paragraphs 4 to 7 below; or
  - (3) by following the CPD scheme of another International Federation of Accountants (IFAC) body of which he is also a member, provided that the scheme complies with the CPD requirements of IFAC.

### Annual declaration for CPD

3. By no later than 1 January each year, all Members must submit to the Institute an annual CPD declaration in the prescribed form which has been properly completed and signed. Failure to comply with this regulation may lead to removal from the Register of Members in accordance with paragraphs 8 to 10 below.

### Units required

4.
  - (1) Members must obtain at least 40 units per calendar year of acceptable CPD learning activities which are relevant to their work. One unit is equal to one hour spent on an acceptable CPD learning activity.
  - (2) At least 21 units must be verifiable units. A unit will be verifiable if the Member can prove that he or she was involved in an acceptable CPD learning activity. A unit will be non-verifiable if the Member is unable to prove that the CPD learning activity has taken place.
  - (3) Members may carry forward a credit of up to 21 verifiable units from one year to the next.
  - (4) Members must obtain their CPD units in areas relevant to their work and must comply with sub-paragraphs (5) and (6) below.
  - (5) All Members, regardless of their role, must:
    - (a) maintain competence in professional ethics; and
    - (b) keep their business and finance knowledge up to date.
  - (6) All Members holding practising certificates must:
    - (a) maintain competence in the specialised areas of their practice; and
    - (b) obtain an appropriate proportion of CPD units in those areas.
  - (7) Where a Member works for 880 hours or less over the course of a calendar year, he need not comply with the requirements of sub-paragraphs (1) and (2) above provided that he can

demonstrate that he has undertaken CPD relevant and sufficient for his role, save that he must obtain at least 19 units of non-verifiable CPD. This regulation does not apply to a Member who:

- (a) undertakes audit or other regulated work;
- (b) is involved in the preparation or presentation of financial statements of listed or other public interest entities; or
- (c) is a non-executive director of a listed entity.

### **Records**

5. (1) Individuals subject to this regulation shall maintain records of both verifiable and non-verifiable CPD units obtained, and of the relevance of those units to their role. In the case of verifiable units, the records shall include proof that the individual was involved in an acceptable CPD learning activity.
- (2) Such records shall be retained for three years and shall be subject to examination and verification by the Institute and shall be provided to the Institute upon their being requested in writing. Such records shall be provided within the deadline specified in the request, which shall be no sooner than seven days after the date of the request. Failure to comply with this regulation may lead to removal from the Register of Members in accordance with paragraphs 8 to 10 below.

### **Guidance**

6. Before planning their CPD programmes, Members should consult the detailed guidance issued by the Institute from time to time regarding subject areas and the types of CPD learning activity that will be acceptable.

### **Waiver and variations**

7. (1) Subject to sub-paragraphs (2) and (3) below, the Council may waive, vary or suspend the requirements of this regulation at any time to adapt them to an individual's requirements as the Council, in its absolute discretion, thinks fit.
- (2) Any waivers or variations granted will be in respect of one calendar year only.
- (3) Waivers or variations in respect of non-verifiable CPD units will only be granted in exceptional circumstances.
- (4) Members who have been granted waivers are nevertheless required to comply with paragraph 3 above.
- (5) Members must comply with the conditions of any variation granted pursuant to sub-paragraph (1) above. Failure to do so may lead to removal from the Register of Members in accordance with regulations 8 to 10 below.

### **Removal of Member for non-compliance with CPD regulations**

8. Subject to paragraphs 9 and 10 below a Member shall be removed from the Register of Members if he has breached the requirements of paragraphs 3, 5(2) or 7(5) and such breach is not rectified within three months after the breach occurred.
9. The Council may in its absolute discretion, either on its own volition or on the application of the individual concerned, suspend the operation of paragraph 8 above where it is of the opinion it is reasonable to do so.

10. Paragraph 8 above shall not apply to an individual where a complaint in respect of him or of a relevant firm in relation to which he is a specified person has been received by the Institute until such time as the complaint is finally disposed of and all applicable appeal periods have expired.

## 1.201

### Practising the accounting profession

#### Short title

1. These Regulations shall be cited as the Regulations for Practising the Accounting Profession 2012 which abolish and replace the existing Regulations in force.

#### Interpretation

2. In these Regulations unless a different meaning arises from the context:

“accounting firm” or “accounting office” means partnership or company limited that carries on public practice, other than audit work, and meets the conditions of paragraph 8.

“approval” has the same meaning as the word “certificate”

“audit firm” or “audit office” means partnership or company limited that carries on public practice including audit work and meets the conditions of paragraph 10.

“Council” means the Council of the Institute.

“firm” means accounting or auditing company.

“practising certificate” means any of the certificates which are referred to in paragraph 3 below. The certificate for the provision of administrative services includes trust services.

“public practice” has the meaning assigned to it in paragraph 4.

“Republic” means the Republic of Cyprus.

“statutory auditor” and “statutory audit firm” have the meaning assigned to them in the Institute’s Articles of Association 1.102.

#### Practising certificates

3. Every Member of the Institute performing work under the definition of “public practice” or who is a partner/director of a firm which undertakes public practice is required to hold a practising certificate of the Institute. The Institute issues the following certificates:

##### *To individuals*

- Practising certificate.
- Practising certificate and audit qualification.
- Certificate for the provision of administrative services.

##### *To firms*

- Practising certificate.
- Auditing certificate.
- Certificate for the provision of administrative services.

Provided that a Member who works for a Member who practises the accounting profession or for an accounting/auditing office shall not be regarded as practising the accounting profession because of his employment. However, in the case where a Member appoints an employed Member as a responsible person, then this person is regarded as practising the accounting profession. "Responsible" means an employed Member who can sign opinions and reports on behalf of the Member.

Provided, further, that a Member is considered to be practising the accounting profession if he is a principal in an accounting/auditing office, irrespective of his responsibilities. "Principal" means a Member who is a partner, shareholder of a limited company or director, irrespective of the Member's role as principal of the office.

### **Definition of public practice**

4. "Public practice" means:
- (a) accepting an appointment as an auditor; and/or
  - (b) signing or producing any accounts or report or certificate or tax return concerning any person's financial affairs, whether an individual sole trader or company, in circumstances where reliance is likely to be placed on such accounts or report or certificate or tax return by any other person (the "third party"), or doing any other thing which may lead the third party to believe that the accounts or report or certificate or tax return concerning the financial affairs of such a person have been prepared, approved or reviewed by the practitioner; and/or
  - (c) holding oneself or itself out, or allowing oneself or itself to be held out, as being available to undertake the activities referred to above (and allowing oneself to be known as a, or a firm of, "Certified Public Accountants", "Chartered Certified Accountants", "Chartered Accountants", "Certified Accountants", "Accountants" or "Auditors" or any similar description or designation for any such description in the context of the practitioner's business shall be regarded as an example of such a holding out); and/or
  - (d) holding oneself out, or allowing oneself to be held out, as a sole proprietor, partner or director of a firm where public practice is carried on.

It is clarified that the activities referred to in sub-paragraph (b) above include the provision of:

- (i) tax planning and tax consultancy;
- (ii) business consultancy;
- (iii) administrative services; and
- (iv) trust services.

### **Work that is not considered public practice**

5. (1) ***Book-keeping services***

Book-keeping services do not constitute public practice. This includes:

- (i) The preparation of accounting records to trial balance stage.
- (ii) Maintaining clients' records in respect of payroll and employment taxes.
- (iii) Maintaining basic records for VAT.

- (2) ***Honorary public practice work***

Honorary work that is provided to friends, family or charities does not constitute public practice provided that all of the following conditions are met:

- (a) No fee is payable or other material benefit receivable in respect of the work performed.
- (b) The gross income of the entity for the year prior to the year in question does not exceed €100.000.
- (c) The aggregate of such gross income with such gross income of any other entity in respect of which the Member has relied upon this regulation in the calendar year in question does not exceed €200.000.
- (d) Any third parties are made aware that the activity has been carried out by an Honorary Auditor.
- (e) The Member does not hold himself out, or allow himself to be held out, as a sole proprietor, partner or director of a firm where public practice is carried on.

### Required experience to obtain a practising certificate

6. (1) In order to obtain a practising certificate, a person who has been enrolled in the Register of Members in accordance with paragraph 4(1)(a), (b), (c) and (d) of Regulation 1.103 **must be a member of a recognised body of accountants for at least two years** and satisfies the following conditions:
- (a) Has completed **three years of practical experience**, working either as employee or sub-contractor under the supervision of a suitably experienced Member or any other person having in the opinion of the Council adequate qualifications.
  - (b) At least two years of the practical experience referred to in sub-paragraph (a) above, have been completed after the individual's admission to membership of a recognised body of accountants. It is clarified that the remaining period of experience may be completed before or after or partly before or partly after the individual's admission to membership of a recognised body of accountants:  
  
*It is provided that, persons who had the qualifications for appointment as company auditors under the legislation in force prior to 4 May 2001 and the persons who obtained their professional qualification during the period from 4 May 2001 until 1 October 2001 will be exempt from this condition.*
  - (c) Has passed the examinations F4 Cyprus Corporate and Business Law and F6 Cyprus Taxation, if he has not been successful in any other examination, at the discretion of the Council, of an equivalent standard:  
  
*It is provided that, the clarifications and transitional provisions referred to in paragraph 5 of the Regulation 1.104 "Examinations of professional competence" will apply for this condition.*
- (2) A person who has been enrolled in the Register of Members in accordance with paragraph 4(1)(e), (f) or (g) of Regulation 1.103 shall be regarded as satisfying the criteria of practical experience for the purpose of obtaining a practising certificate.

### Ongoing conditions for holding a practising certificate

7. (1) ***Fit and proper status***

The Institute issues practising certificates only to applicants who are 'fit and proper' persons. In determining whether a person is fit and proper, the Institute will examine, among other



things, if he was convicted of a criminal offence, being subject of a disciplinary order or was in breach of the Institute's Regulations.

(2) ***Professional indemnity insurance***

- (a) Every holder of a practising certificate working as a sole practitioner or every accounting firm must take such measures and make such arrangements in order to ensure that he or it is in a position to meet the requirements for damages against him/it emanating from negligence in the carrying out of the accounting work.
- (b) The measures or the arrangements referred to in sub-paragraph (1) may be achieved by professional indemnity insurance the minimum limit of which shall be €85.000 or the equivalent amount of 10% of the annual professional fees, whichever is the higher, for every claim. Provided that the Council may revise the minimum limits at its discretion.

(3) ***Continuity of practice***

The requirement for the continuity of practice is described in paragraph 16 below.

(4) ***Notification***

Holders of practicing certificates or accounting firms must notify the Institute immediately, in writing, for any events such as changes in names, addresses, cessation of activities etc.

(5) ***Continuing professional development***

All Members are required to comply with the Regulation 1.109 "Continuing professional development (CPD)".

(6) ***Conduct***

Holders of practising certificates must comply with the Regulation 1.107 "Professional ethics".

(7) ***Monitoring***

The holders of practising certificates must co-operate with the Council in its monitoring and enforcement of Regulation 1.202 "Quality assurance" with regard to the ***ICPAC Quality Checked system***.

**Accounting firm**

8. An accounting firm containing holders of practising certificates may describe itself as firm of "Certified Public Accountants" or, where applicable, "Chartered Accountants" or "Chartered Certified Accountants" only where:
- (a) at least 50% of the partners (or directors in the case of a company) are Members of the Institute who hold practising certificate, and
  - (b) the partners and directors noted in sub-paragraph (a) above control the majority of the voting rights under the firm's partnership agreements or articles of association.

### Practising certificate and audit qualification

9. (1) Member who intends to undertake audit work in Cyprus must apply to the Institute for a practising certificate and audit qualification. To obtain this certificate the individual must hold or satisfy the criteria for a practising certificate referred to in paragraph 6(1) above, and satisfy the following conditions:

(a) Has completed **three years of practical experience**, working either as employee or sub-contractor in an audit firm in Cyprus or in an office of a person to whom a practising certificate and audit qualification has been granted under the law of a European Union member state.

(b) At least two years of the practical experience, referred to in sub-paragraph (a) above, have been completed after the individual's admission to membership of a recognised body of accountants. It is clarified that the remaining period of experience may be completed before or after or partly before or partly after the individual's admission to membership of a recognised body of accountants:

*It is provided that, persons who had the qualifications for appointment as company auditors under the legislation in force prior to 4 May 2001 and the persons who obtained their professional qualification during the period from 4 May 2001 until 1 October 2001 will be exempt from this condition as well as the condition (c) below.*

(c) At least one year out of the two years of practical experience, referred to in sub-paragraph (b) above, must be in audit work, which must be at least six months in statutory audit of companies and the remaining six months in other audit work where the provisions of auditing standards are applied and an audit opinion is provided.

(d) Has passed the examinations F4 Cyprus Corporate and Business Law and F6 Cyprus Taxation, if he has not been successful in any other examination, at the discretion of the Council, of an equivalent standard:

*It is provided that the clarifications and transitional provisions referred to in paragraph 5 of the Regulation 1.104 "Examinations of professional competence" will apply for this condition.*

(e) Has passed the examination P7 Advanced Audit and Assurance of the Joint Examination Scheme ACCA/ICPAC, in the event that the specific paper was not selected during the normal course of the studies.

*It is provided that, persons who had the qualifications for appointment as company auditors under the legislation in force prior to 4 May 2001 and the persons who obtained their professional qualification during the period from 4 May 2001 until 1 October 2001 will be exempt from this condition as well as the condition (c) above.*

(2) A person who has been enrolled in the Register of Members in accordance with paragraph 4(1)(e), (f) or (g) of Regulation 1.103 "Maintenance of Register" shall be regarded as satisfying the criteria of practical experience for the purpose of obtaining a practising certificate and audit qualification.

(3) In exceptional circumstances, the requirements of this Regulation may be waived, varied or suspended at the direction of Council in its absolute discretion. Council may impose such alternative requirements as it thinks fit, which may include without limitation a requirement to pass any test of competence and/or examinations.

### The firm's auditing certificate

- 10 (1) An audit firm (or even a sole practitioner) that holds, or intends to hold, audit appointments needs to obtain registration from a recognised body of accountants in accordance with the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009.

The Institute is the only body of accountants in Cyprus that has been recognised by the Council of Ministers. Accordingly the Institute registers audit firms through the mechanism of a firm's auditing certificate.

- (2) In order to obtain a firm's auditing certificate the following conditions must be satisfied:
- (i) the natural persons who carry out statutory audits on behalf of the audit firm have obtained an approval in the Republic;
  - (ii) the majority of the voting rights of the partners or of the shareholders of the audit firm, as the case may be, is held by audit firms to which approval to carry out statutory audits has been granted or by statutory auditors;
  - (iii) the seventy-five per cent (75%) of the general partners, in case of a partnership, or of the members of the board of directors, in case of a company, are statutory auditors:

Provided that, if the general partners, in case of a partnership, or the members of the board of directors, in case of a company, are not more than two, then one of them should be a statutory auditor.

- (3) *Sole practitioners*

A Member who holds a practising certificate and audit qualification and who wishes to carry out audit work must, in addition, hold a firm's auditing certificate. This applies even if the sole practice trades in the practising certificate holder's name. Only a firm (including any sole proprietor practising in his own name) holding a firm's auditing certificate will be able to describe itself as "Registered Auditors" and will have its details placed on the Register of Statutory Auditors in the Republic.

### Ongoing conditions for holding a practising certificate and audit qualification and firm's auditing certificate

11. (1) *Fit and proper status*

Every partner or director must be a fit and proper person in order that the firm may hold an auditing certificate. In determining whether a person is fit and proper the Institute will examine, among other things, if he was convicted of a criminal offence, being subject of a disciplinary order or was in breach of the Institute's Regulations.

- (2) *Required control of audit firms*

The conditions for granting a firm's auditing certificate, referred to in paragraph 10(2) above, must be maintained throughout the period that the audit firm holds an auditing certificate.

(3) ***Professional indemnity insurance***

- (a) Every audit firm is required to take measures and to make such arrangements in order to ensure that it is in a position to meet the requirements for damages against it emanating from negligence in the carrying out of the accounting and auditing work.
- (b) The measures or the arrangements referred to in sub-paragraph (a) may be achieved by professional indemnity insurance the minimum limit of which shall be €85.000 or the equivalent amount of 10% of the annual professional fees, whichever is the higher, for every claim Provided that the Council may revise the minimum limits at its discretion.

(4) ***Continuity of practice***

The requirement for continuity of practice is described in paragraph 16 below.

(5) ***Notification***

The Institute is required to maintain a Register of Certified Public Accountants in accordance with Regulation 1.103 “Maintenance of Register”. In order for the Institute to be able to maintain an up to date Register, the audit offices must notify the Institute immediately, in writing, for any changes or events.

(6) ***Continuing professional development***

All Members are required to comply with Regulation 1.109 “Continuing professional development (CPD)”.

(7) ***Conduct of public practice***

All partners/directors and other persons responsible for audit work must comply with Regulation 1.107 “Professional ethics”, especially in connection with the proper conduct of public practice, integrity and independence.

(8) ***Technical standards***

All partners/directors and other persons responsible for audit work must comply with the International Standards on Auditing.

(9) ***Monitoring***

The holders of practising certificates must co-operate with the Council in its monitoring and enforcement of Regulation 1.202 “Quality assurance”.

(10) ***Descriptions***

A firm holding an auditing certificate may include the description “Registered Auditors” on its business stationery.

**Certificate for the provision of administrative services**

12. Members that are engaged in the provision of administrative services are required to apply and obtain a separate certificate from the Institute provided that they satisfy the qualifications for obtaining a practising certificate (according to the provisions referred to in paragraphs 6 and 8 above) or already hold the said certificate.

**The Firm's certificate for the provision of administrative services**

13. The Institute may issue a practising certificate for the provision of administrative services to firms provided that:
- (a) at least 50% of the partners (or directors in the case of a company) are Members of the Institute who hold practising certificate for administrative services, and
  - (b) the partners and directors noted in sub-paragraph (a) above control the majority of the voting rights under the firm's partnership agreements or articles of association.

It is further noted that, the Institute may issue a practising certificate for the provision of administrative services to companies which are wholly owned by companies which satisfy the condition (b).

**Ongoing conditions for holders of certificates for the provision of administrative services**

14. (1) For the holders of certificates for the provision of administrative services, the same ongoing conditions apply as those for the holders of practising certificate, referred to in paragraph 7 above.
- (2) In addition, the Institute will maintain a separate register for the holders of certificates for the provision of administrative services, pursuant to the relevant legislation. The holders of this certificate must notify the Institute immediately, in writing, for any events such as changes in names, addresses, cessation of activities etc.

**Renewal of certificates**

15. (1) All practising certificates, of any category, are renewable annually, after the submission of an application on a form specified by the Council and the payment of the prescribed fee.
- (2) Every practising certificate issued shall expire on the 31st of December of the year for which it has been issued unless it is suspended following a disciplinary prosecution of its holder.
- (3) A Member who fails to submit properly completed form for the renewal of the practising certificate and pay the renewal fee up to 31 March of the year for which the fee is payable or prior to the expiration of the three months after it has become payable, ceases to be eligible for such certificate unless the Council decides otherwise.
- (4) The issue of the practising certificate shall be subject to the terms or conditions which are specified in these Regulations regarding the ongoing conditions.

**Anti-money laundering**

16. Holders of practising certificates must comply with the requirements of the relevant money laundering legislation and with the related Directive issued by the Institute to the Members

**Continuity of practice**

17. (1) **Individuals**
- (a) A holder of a practising certificate must enter into and keep in force for all of the period during which a certificate is held a written agreement with another practising accountant or firm (the 'nominee'), providing for the nominee, or nominees if more

that one, to be responsible for the individual's practice in the event of his death or incapacity.

- (b) The nominee or nominees must:
  - (i) be based in the same country as the individual; and
  - (ii) hold an equivalent qualification and be authorised to carry on the individual's work for which they have undertaken to be responsible.
- (c) Where the individual's practice is based in more than one country, he must comply with this regulation in respect of each country in which he is based, but may appoint different nominees in respect of different countries.

(2) ***Firms***

- (a) A firm must make provision for the continuity of its practice in the event of its dissolution, winding-up or liquidation, or the death or incapacity of an individual holder of a practising certificate who is a partner, director or member of the firm, by providing for another practising accountant or firm (the 'nominee' or nominees' if more than one) to be responsible for the firm's practice in those circumstances.
- (b) Such provision may be made in the partnership agreement (where the firm is a partnership) or in the Memorandum and Articles of Association (where the firm is a company) or by entering into and keeping in force for all of the period during which a practising certificate is held a written agreement with another firm.
- (c) The nominee or nominees must:
  - (i) be based in the same country as the firm; and
  - (ii) hold an equivalent qualification and be authorised to carry on the firm's work for which they have undertaken to be responsible.
- (d) An individual holder of a practising certificate who is the sole director and shareholder of his firm may not provide nominee services to his firm.
- (e) Where the firm's practice is based in more than one country, it must comply with this regulation in respect of each country in which it is based and may appoint different nominees in respect of different countries.

(3) ***Exception for individuals***

An individual holder of a practising certificate who does not carry on public practice on his own account shall not have to comply with sub-paragraph (1) above provided any firms of which he is a partner, director or member and for whom he works has complied with sub-paragraph (2) above.

**Entry into force**

18. These Regulations enter into force on 1 January 2013.

## 1.202

### Quality assurance

#### Short title and presentation

1. (1) These Regulations shall be cited as the Quality Assurance Regulations of 2013 which repeal and replace the Regulations in force until now.
- (2) These Regulations consist of two Parts:
  - Part A – Regulated activities.
  - Part B – Non-regulated activities.
- (3) The Annex which accompanies these Regulations does not constitute part of these Regulations but it is presented only for guidance purposes.

#### Introduction

2. (1) The objective of the quality assurance system is to monitor compliance with the professional standards, codes and regulations adopted by the Institute and to provide an opportunity for practising Members and firms to receive, through monitoring visits and reviews, independent guidance on practice and professional matters.
- (2) The monitoring process focuses on firms' compliance with their continuing obligations and the standard of their work. The ongoing conditions for holding a practising certificate are set out in Regulation 1.201 "Practising the accounting profession". More specifically:
  - The primary focus of a visit to an auditing firm is the standard of audit work carried out by the firm and client files are examined.
  - Visits to firms of holders of practising certificates who do not have an audit qualification focus on adherence to "best practice" standards.
  - Visits to firms of holders of certificates for the provision of administrative services focus on compliance with the Regulation of Enterprises Providing Administrative Services and Related Issues Law, as amended or replaced from time to time.
  - Visits to firms of holders of practising certificates of any category also focus on compliance with the Prevention and Suppression of Money Laundering Activities Law and with the related Directive issued by the Institute, as amended or replaced from time to time.
- (3) In cases where the outcome of an audit monitoring visit is unsatisfactory the Institute's policy is designed to:
  - Adopt a constructive approach to non-compliance, with a focus on assisting firms to make necessary improvements.
  - Warn and supervise non-compliant firms to ensure they make the necessary improvements and revisit them on a timely basis to assess their progress.
  - Take firm regulatory action on firms that fail to make the necessary improvements.

- Protect the public and clients from non-compliant firms.
- Demonstrate compliance with the requirements of the EU Statutory Audit Directive.

### Interpretation

3. (1) In these Regulations unless the context otherwise requires:

“Administration Officer” means the officer of the Institute with responsibility for the administration of the Monitoring Unit.

“Auditors’ Law” means the Law providing for statutory audits of annual and consolidated accounts by statutory auditors and statutory audit firms (L.42(I)/2009), as amended or replaced from time to time.

“Code of Ethics” means the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants, as amended or replaced from time to time.

“Compliance Officer” means the Monitoring Unit official who conducts monitoring visits and reviews to firms.

“Council” means the Council of the Institute.

“firm” means a sole practice, partnership or corporate body.

“General Manager” means the General Manager of the Institute.

“*ICPAC Quality Checked*” means the quality assurance scheme which is described in paragraph 14.

“Institute” means the Institute of Certified Public Accountants of Cyprus.

“Monitoring Unit” means the body which is described in paragraph 4.

“PIE” means Public Interest Entity as defined in section 2 of the Auditors’ Law.

“practising certificate” has the meaning assigned to it in paragraph 2 of Regulation 1.201 “Practising the accounting profession”.

“principal” has the meaning assigned to it in the second proviso to paragraph 3 of Regulation 1.201 “Practising the accounting profession”.

“Regulatory Committee” means the body which is appointed by the Council for the purpose of examining unsatisfactory outcomes from monitoring visits.

- (2) For the meaning of other words and phrases used not specifically defined in these Regulations, recourse may be had to the Interpretation Law, Cap.1, for their definition and for rules of construction of laws.
- (3) Reference to Laws or Regulations covers the amendments and replacements to them from time to time with new Laws or Regulations.



## **Part A – Regulated activities**

### **Monitoring Unit**

4. (1) The Monitoring Unit is established by the Council for the purpose of undertaking the monitoring visits and reviews to firms. It produces reports which may concern the issue, removal and placing conditions on practising certificates.
- (2) The Monitoring Unit is composed of qualified accountants with significant public practice experience who can therefore offer frank and relevant advice regarding practice issues as well as carrying out their monitoring function.
- (3) Without prejudice to the general powers of the Council, the Council may delegate to third parties the conduct of the monitoring visits provided that they possess the appropriate know-how and ability.

### **Monitoring requirements**

5. (1) Members and firms holding a practising certificate shall be subject to monitoring by the Institute in accordance with these Regulations.
- (2) For the purposes of sub-paragraph (1) above, Members and firms must supply the Monitoring Unit with all the information necessary to enable it to complete its monitoring process and quality assurance programme efficiently.
- (3) Members and firms subject to these Regulations shall co-operate with the Monitoring Unit in its monitoring and with the Institute in the enforcement of compliance with these Regulations and other regulations and directives of the Institute.
- (4) Members and firms subject to these Regulations shall maintain proper books and records at all times to facilitate the proper performance of their duties.
- (5) The requirements of this paragraph shall apply to Members and firms for as long as they hold a practising certificate, and for a period of five years after they cease to do so for any reason.
- (6) A Member or firm holding a practising certificate but not carrying out audit will still be subject to monitoring in relation to its public practice and administrative services under applicable legislation and/or standards, regulations, directives and codes adopted by the Institute. While there are no specific legislative requirements for these certificate holders to be monitored for certain public practice services, the Council believes it to be desirable that such practitioners are monitored, from the point of view of protecting the interests of clients and the public, and to assist certificate holders to develop their practices.

### **Frequency of visits**

6. (1) Members and firms holding a practising certificate are subject to a monitoring visit at such intervals as may be determined from time to time by the Council. The standard cycle of monitoring visits is six years but in the case of firms with PIE audits it is three years.
- (2) The monitoring cycle is risk based and the interval between audit monitoring visits varies between two and six years. Low risk firms will normally be re-visited within six years (three years for firms with PIE audits), medium risk firms within two to four years and high risk firms within one to two years. The most important risk factors are the outcomes of previous visits and

the type of audit assignments firms have. Firms with PIE audit clients are considered to be high risk.

- (3) Newly registered firms will normally be regarded as medium risk and visited for the first time within four years of their initial registration. Risk is assessed after every monitoring visit and may be revised between visits if the Institute receives new information, for example if a firm takes on a PIE. The next monitoring visit may then be brought forward.
- (4) The monitoring cycle for firms providing administrative services and non-audit services to monitor compliance with the Regulation of Enterprises Providing Administrative Services and Related Issues Law, as amended or replaced from time to time and with the Prevention and Suppression of Money Laundering Activities Law, as amended or replaced from time to time, and with the related Directive issued by the Institute, will be three years.

### **Cost of monitoring visits**

#### 7. (1) *Standard cycle visits*

The firms which undergo visits based on the standard cycle, referred to in paragraph 6(1) above, are not required to contribute to the cost of the visits. These are covered from the annual practising certificate fees.

#### (2) *Early follow-up visits*

The firms which undergo early follow-up visits are ordered to contribute to the cost of such visits.

### **Regulatory Committee**

8. (1) The Regulatory Committee deals with the unsatisfactory outcomes of the monitoring visits. Its purpose is not necessarily to discipline the failing firm for any past wrongdoing but to take action for the future to protect the public and maintain the reputation of the profession by ensuring satisfactory standards of practice. In carrying out these roles, the Committee is maintaining public confidence in the profession.
- (2) The Council shall appoint the Regulatory Committee, composed of five members including the Chairman, of known standing and character and knowledgeable in the areas relevant to statutory audit.
- (3) Members of the Council as well as staff of the Institute cannot be appointed members of the Regulatory Committee.
- (4) Members of the Regulatory Committee cannot be appointed as members of the Disciplinary Committee.
- (5) The Regulatory Committee shall consist of three non-practitioners Members of the Institute and two non-Members of the Institute.
- (6) For the purposes of sub-paragraph (5) above, “non-practitioner” shall mean a natural person who, for at least three years before his appointment as member of the Regulatory Committee, has not carried out statutory audits, has not held voting rights in an audit firm, has not been a member of the board of directors or of the management body of an audit firm and has not been employed by or otherwise associated with an audit firm.

- (7) The members of the Regulatory Committee can serve up to a period of three years which can be renewed for a further period of three years and then it should be ensured that all members are not stood down at the same time.
- (8) In case of absence or impediment of the Committee Chairman the eldest of the Committee acts as Chairman.
- (9) The Regulatory Committee convenes at the Institute's premises and the Council is obliged to provide to it all the required facilities for the satisfactory execution of its duties.
- (10) Subject to the provisions of sub-paragraph (11) below, the presence of all Committee members at all meetings is necessary during the examination of a referral.
- (11) In the case where a Committee member is unable to be present at a specific fixed meeting due to personal impediment, the Chairman may, if he considers it expedient, carry out the examination despite the member's absence:  
  
Provided that in no case it is allowed to carry out the meeting with less than three members of whom the two must be Members of the Institute.
- (12) A member of the Regulatory Committee shall declare prior to the commencement of the examination procedure the existence of any conflict of interest and abstain from the procedure.
- (13) The members of the Regulatory Committee are paid such a compensation or allowance or both as the Council may approve.

#### **Regulatory action taken by the Regulatory Committee**

9. (1) The Regulatory Committee considers referrals on the basis of the report and recommendations of the Compliance Officer together with the firm's written representations.
- (2) After an examination of a referral, the Regulatory Committee may give to the representative of the referred firm the opportunity to appear before it and to submit oral or written representations.
- (3) The Regulatory Committee after completing the examination of the case referred to it and taking into account the guidance in the attached Annex, it may make any of the following orders or combination thereof which under the circumstances are considered appropriate:
  - (a) To instruct the firm's principals to undergo additional training or Continuing Professional Development.
  - (b) To demand the undertaking by the firm to adopt new systems or to employ appropriately qualified staff.
  - (c) To require the firm to take actions that are necessary to resolve breaches of the Code of Ethics, Cyprus legislation and the Regulations applied by the Institute.
  - (d) To require the firm to take whatever action is considered appropriate in the circumstances.
  - (e) To require early follow-up monitoring visits in order to check progress. Firms shall be required to contribute towards the cost of such visits.

- (f) To impose 'hot reviews' by a training company or another audit firm approved by the Institute prior to audit reports being signed.
  - (g) To prohibit the firm taking on further audit clients until deficiencies are rectified.
  - (h) To restrict the firm from undertaking certain types of audits (e.g. high risk PIE audits).
  - (i) To suspend the firm's and its principals' practising certificates for such period as the Regulatory Committee might consider appropriate.
  - (j) To withdraw the firm's and its principals' practising certificates.
  - (k) To refer to the Council any instance of willful non-compliance with the instructions or the measures imposed by the Regulatory Committee. Then the Council will follow the procedure laid down in Regulation 1.108 "Disciplinary procedure".
- (4) The Regulatory Committee shall be careful to ensure that firms in similar circumstances with similar monitoring histories are treated consistently.
  - (5) The decisions of the Regulatory Committee are final.

### **Publicity**

- 10. (1) Where the Regulatory Committee has withdrawn or suspended a practising certificate pursuant to these regulations, the decision shall, as soon as it has become effective, be published in such a manner as it thinks fit and, unless in exceptional circumstances the Regulatory Committee otherwise directs, in such publication the relevant person shall be named and the decision made stated.
- (2) The normal order for publicity is that a press release be issued to the Institute's website and the "Accountancy Cyprus" journal referring to the individual or firm by name.
- (3) However, the Regulatory Committee has complete discretion to decide where the press release should be issued.

### **Annual summary results of monitoring visits**

- 11. The summary results of monitoring visits shall be submitted annually to the Public Oversight Board.

### **Certificates**

- 12. (1) A Member or firm whose practising certificate was suspended or withdrawn shall return the practising certificate in his/its possession to the Council.
- (2) A Member or firm whose audit qualification was suspended or withdrawn may still be entitled to hold a practising certificate only (i.e. without audit qualification).

**Re-application for a practising certificate**

13. A Member or firm whose practising certificate was suspended or withdrawn may re-apply to the Council for a new certificate. The Council will take into account the particular facts of each case and specifically the improvements he/it has made to his/its work.

**Part B – Non-regulated activities*****ICPAC Quality Checked*****14. (1) *Description of the scheme***

The *ICPAC Quality Checked* is a quality assurance scheme to help firms to enhance the value of the services they offer to their clients by applying “best practice” standards. The *ICPAC Quality Checked* reviews are carried out by Monitoring Unit.

**(2) *Frequency of visits***

The *ICPAC Quality Checked* reviews are carried out alongside monitoring visits, where possible. Otherwise they will be conducted as standalone visits on a six year cycle basis.

**(3) *Mandatory visits***

The visits are mandatory to all Members and firms holding a practising certificate, but the reviews are consultative and focus on helping firms to identify weaknesses in their systems. The Compliance Officer will help to identify any weaknesses in the firm's quality controls and recommend procedures which are generally considered to be best practice taking into account the size and structure of the firm. Firms will not be obliged to adopt these recommendations but *ICPAC Quality Checked* will only be awarded to firms that put best practice procedures in place.

**(4) *Award of ICPAC Quality Checked certificate***

Once a firm has put best practice procedures in place, it may be re-assessed and, if it meets the required standard of excellence, the Monitoring Unit will advise the General Manager accordingly and the General Manager will award the firm with the *ICPAC Quality Checked* certificate. The successful firm may display the certificate and include the *ICPAC Quality Checked* logo on its letterhead and in promotional literature, to demonstrate to clients and others that the firm applies best practice standards.

A condition precedent, for a firm with audit registration to qualify for the *ICPAC Quality Checked* certificate, is that it must have a satisfactory outcome in its compliance with auditing standards.

**(5) *Maintaining the Standard of the ICPAC Quality Checked award***

- (a) Once a firm has been awarded the *ICPAC Quality Checked* certificate it must maintain the standard of quality controls. This will be monitored by visits to the firm approximately every six years.
- (b) If the firm's circumstances change between visits it is required to notify the Institute in writing, as soon as any of the following occur:

- The firm has had a complaint against it resulting in disciplinary action being taken by Institute or any other professional body.
  - The firm has changed its name or address.
  - The firm has merged with another firm.
  - The firm has taken over another firm including the existing staff of that firm.
  - There have been changes in the circumstances of the firm and the firm is not sure how this might affect *ICPAC Quality Checked*.
- (c) The requirement to notify the Institute is incorporated in the following five principles which form the basis for *ICPAC Quality Checked*:
- (i) Firms should be aware of and comply with all their statutory and regulatory obligations. This includes compliance with the Institute's Rules of Professional Conduct and statutory obligations such as health and safety and employment legislation. Members should ensure that non-Member partners and staff conduct the firm's business in accordance with the fundamental principles in the Code of Ethics. Where firm's work is subject to statutory monitoring, the firm also needs to have satisfied the monitoring process.
  - (ii) Firms should clearly identify all clients' needs. This will include existing and new clients and will involve re-assessing the services it provides to continuing clients on an ongoing basis as well as establishing services required by new clients. It may also involve declining to act for a client for ethical reasons or where the services required are beyond the firm's resources.
  - (iii) Firms should maintain and document paper-based or electronic systems for ensuring timely and accurate fulfilment of client requirements.
  - (iv) Firms should ensure partners and staff maintain up to date technical knowledge and skills, provide suitable training and development for staff and exercise appropriate supervision.
  - (v) Firms should communicate effectively with clients, tax authorities and other statutory authorities, the Institute and other regulators. This includes providing clients with sufficient, timely and accurate information to meet their needs and informing clients of obligations or opportunities they may have been unaware of. It covers any advertising or promotion undertaken by the firm and all information they are required to supply to the Institute, tax or other statutory authorities or other regulators whether on their own or on clients' behalf.
- (d) Failure to uphold the principles in sub-paragraph (c) above may result in the firm's *ICPAC Quality Checked* certificate being removed.
- (e) To maintain the standard of quality controls the firm is expected to apply best practice procedures to all types of work including any new types of work that may not have been subject to review at the last visit. To keep the quality control procedures up to date the firm should carry out an annual review of its procedures.

### Entry into force

15. These Regulations enter into force as from 1<sup>st</sup> October 2013.

**Annex**

*[This Annex does not constitute part of Regulation 1.202 “Quality assurance” but it is presented only for guidance purposes on the procedure that is generally followed at monitoring visits and reviews of firms]*

**Monitoring visit procedure****1. Selection of firms for a monitoring visit**

- The Monitoring Unit, based on the criteria set out in paragraph 6 of Regulation 1.202 “Quality assurance”, selects firms to be visited on a random basis.
- Once a firm is selected, it is informed by the Administration Officer by letter that an audit monitoring visit and an *ICPAC Quality Checked* review will be carried out to it by the Monitoring Unit in the near future. In his letter he explains what the visit and review entail and asks for a Pre-Visit Questionnaire to be completed and returned within two weeks.
- A mutually convenient appointment is agreed between the Monitoring Unit and the firm selected some two to eight weeks in advance. Visits are sometimes arranged at shorter notice with the firm’s agreement, or where the circumstances suggest that an earlier visit is required.

**2. Duration of the visit**

The duration of the visit depends on the number of offices, partners and clients of the firm. It is estimated that visits to sole practitioners’ firms can be completed by one Compliance Officer within a day, although this excludes the planning, travelling and reporting time involved.

**3. Information and documents to be made available**

Once the visit has been arranged, the firm is sent an information sheet explaining what the visit is likely to entail and setting out the information that the firm should make available during the visit. The information and documents required for inspection are as follows:

**(1) *Practice management material***

- Copies of professional stationery (for all offices) and fee note paper.
- Partnership agreement (if any).
- Firm's accounts for the last two financial years and the period to date (if not available, confirmation of total income from other sources, e.g. VAT returns).
- Professional indemnity insurance:
  - current schedule of cover
  - latest proposal form
  - latest policy
  - details of claims notified or pending.
- Office copies of fee notes issued in the last twelve months to date and latest aged listing of client debtors.

**(2) *Audit related material***

- List of audit clients detailing name, status (private company, listed company, public sector organisation, partnership, sole trader), activities, turnover, fees and partner

responsible (if this has not been provided with the Pre-Visit Questionnaire, referred to in paragraph 1 above).

- Signed statements from principals/staff relating to independence, confidentiality, fitness and propriety (if any).
- Any audit manual, standard audit programmes, checklists etc, in use.
- Details of any audit software used.
- Audit and other files (including permanent, tax and correspondence) relating to audit clients.
- Continuity of practice agreement (where required).
- Continuing professional development records for all Institute practising certificate holders.
- Bank account records (e.g. cash book) and bank statements for all office and client bank accounts.

#### 4. Phases of the visit

##### (1) *An initial interview with the principals*

Ideally the initial interview is held with all the partners. During the interview, the Compliance Officer completes a standard programme, detailing factual information about the firm and its partners, staff and clients. Checks are also made during the interview that the firm is complying with the continuing obligations attached to the practising certificates held by the firm. The interview also concentrates on the quality controls that the firm uses to ensure that work is carried out in accordance with statutory and professional requirements. This covers issues such as staff recruitment, references and appraisals, training, procedures for assessing new clients, identification of possible threats to independence and conflicts of interest. It also includes an examination of the firm's procedures for complying with audit requirements, involving a detailed review of planning and review arrangements, the use of audit programmes, the firm's audit approach and the recording of adequate documentation to support the audit conclusion.

##### (2) *A detailed inspection of the files for a sample of completed work*

The Compliance Officer will select a sample of clients and inspect the files relating to the latest completed work for those clients. The primary objective of this review is to confirm the information gathered at the initial interview and to ensure that statutory and the firm's own procedures have been followed by reviewing documentary evidence of such compliance. In addition the firm's records are examined to confirm eligibility and compliance with the regulations on practising the accounting profession and with the rules of professional conduct.

##### (3) *A final meeting to agree findings, recommendations and future action*

The Compliance Officer considers the overall visit findings and discusses the salient points with the principals at the end of the visit. During this discussion, areas of weaknesses will be identified and appropriate recommendations will be made. Agreement will also be made as to the timing and type of remedial action to be taken by the firm.

#### 5. Report

The reporting procedure is as follows:



- (1) Following the visit, the Compliance Officer will draft a report to the firm covering all the matters discussed at the final meeting. The report is reviewed by a second Compliance Officer before being issued to the firm.
- (2) The firm is required to provide its response on the report to the Monitoring Unit together with an **action plan** on how it intends to rectify the deficiencies, within thirty days of the date of the report. In those cases where one or more audits examined are found not to be substantially in compliance with auditing standards, the firm is required to use a template to document its detailed action plan, which is provided to the firm when the report is issued together with written instructions on how it should be completed. Guidance on how to prepare the action plan is also given at the visit.
- (3) The Monitoring Unit submits the report together with the firm's response and action plan to the Administration Officer. Where the firm has failed to provide a sufficiently detailed action plan, the Administration Officer is notified of this. The Administration Officer follows this up with the firm and informs it of the overall outcome of the visit and of any action that is required.
- (4) The overall outcome of a visit in respect of compliance with auditing standards is considered satisfactory where all audits inspected are satisfactory, or at least half or more audits inspected are satisfactory subject to the firm providing a detailed action plan. In addition, if any of the unsatisfactory audits are of the firm's larger clients or PIEs or where little or no attempt has been made to comply with auditing standards, then the visit is assessed as unsatisfactory.
- (5) Where serious breaches of the Code of Ethics or the Auditors' Law are noted, the Monitoring Unit refers such matters to the Administration Officer at the same time it issues the report to the firm (See paragraph 8 below).

## 6. Early follow-up visits

The standard cycle of visits is set out in paragraph 6 of Regulation 1.202 "Quality assurance". However, a firm is likely to undergo early follow-up visits where serious deficiencies were identified at a monitoring visit. The purpose of the follow-up visit is to establish whether significant improvements have been made from the previous visit. Unless there has been a significant change in the structure and organisation of the firm, the initial meeting will concentrate on improvements made to quality control procedures since the previous visit. The report detailing the findings of the follow-up visit will deal with significant deficiencies identified at the previous visit and how the firm has rectified them. It will, in particular, identify those deficiencies that the firm either has not dealt with or has attempted to deal with without success.

### Non-compliance with auditing standards

#### 7. (1) *Visit with an unsatisfactory outcome*

- (a) If a firm has an unsatisfactory outcome because of non-compliance with auditing standards usually no regulatory action is taken if it is the first time the firm is found to be non-compliant. Instead, the Administration Officer:
  - (i) Informs the firm of the outcome of the visit and instructs it to effectively apply the action plan it has submitted to ensure that it achieves a satisfactory outcome at its next visit.
  - (ii) Informs the firm that the next visit will be scheduled earlier than the normal six year cycle, usually within two to four years' time depending on the seriousness of

the deficiencies. In the case of firms with PIE audit clients the next visit will be scheduled usually within one to two years' time.

- (iii) Informs the firm that it will contribute to the cost of the follow-up visit.
  - (iv) Warns the firm that failure to make the necessary improvements will jeopardise the firm's auditing certificate and its principals' practising certificate and audit qualification.
- (b) Exceptions to the approach described in sub-paragraph (a) above are:
- (i) Where a firm has failed to control its work properly or has made little or no attempt to comply with auditing standards or serious deficiencies are found on an audit of a PIE or fails to provide an appropriate action plan. In such cases, the Administration Officer refers the firm and its principals to the Regulatory Committee.
  - (ii) Where a firm fails to maintain a consistently satisfactory level of compliance with auditing standards and/or the Code of Ethics. It may have had a number of monitoring visits with satisfactory outcomes followed by a monitoring visit at which the firm's level of compliance is found to have deteriorated significantly such that the outcome of that visit is unsatisfactory. In such a case the Administration Officer refers the firm and its principals to the Regulatory Committee.

**(2) *First follow-up visit***

**(a) *Significant improvements made***

If it is found that a firm has made significant improvements in its work so that it is largely complying with auditing standards, the Administration Officer informs the firm that it has been moved back to the standard cycle of visits.

**(b) *Improvements made but overall outcome still unsatisfactory***

If it is found that a firm has made improvements but the overall outcome is still considered unsatisfactory with limited significant deficiencies, no regulatory action is taken. The Administration Officer applies the procedure set out in paragraph 7(1) above. Indicative factors that are taken into account with regard to this approach are as follows:

- (i) The significant deficiencies found were limited and not widespread.
- (ii) The firm has acknowledged the deficiencies found and has produced an action plan which, it appears, should ensure that the entire firm's work is of a consistent satisfactory standard in future.
- (iii) The firm appears to be responding positively to the advice given.

**(c) *No improvement made***

If it is found that a firm has made little or no improvement and there remain significant and widespread deficiencies in the work, the Administration Officer refers the findings to the Regulatory Committee to consider taking regulatory action. Indicative factors that are taken into account by the Regulatory Committee in deciding what action to take are as follows:

- (i) Whether the firm appears willing and able to achieve a satisfactory standard of work.

- (ii) Whether the firm has provided an appropriate action plan which demonstrates that it will be able to achieve a satisfactory standard in future.
- (iii) Whether appropriate safeguards are available to protect the interests of the public to allow the firm time to improve.
- (iv) Whether the firm has been previously referred to the Regulatory Committee.

**(3) *Second follow-up visit***

**(a) *Significant improvements made***

If it is found that a firm has made significant improvements in its work so that it is largely complying with auditing standards, the Administration Officer informs the firm that it has been moved back to the standard cycle of visits.

**(b) *Improvements made but overall outcome still unsatisfactory***

After two monitoring visits with unsatisfactory outcomes, if it is found again that improvements made are not yet adequate so that the firm conducts its audit work substantially in compliance with auditing standards, the Administration Officer either refers the firm to the Regulatory Committee for regulatory action or applies the procedure set out in paragraph 7(1) above. Indicative factors that may justify the procedure set out in paragraph 7(1) above are:

- (i) If a firm is found to have made significant improvements since the first visit but the overall outcome is still assessed to be unsatisfactory with very limited significant deficiencies and has provided an appropriate action plan.
- (ii) The firm is willing and able to make the necessary improvements.

Notwithstanding the flexibility in this approach, the Administration Officer is careful to ensure that firms in similar circumstances with similar monitoring histories are treated consistently.

**(c) *No or little effective improvement made***

After two monitoring visits with unsatisfactory outcomes, if it is found again that a firm has made no or little effective improvement and there remain significant and widespread deficiencies in the work, the Administration Officer refers the findings to the Regulatory Committee for regulatory action. The Regulatory Committee will normally order that the firm's auditing qualification and its principals' practising certificate and audit qualification be either suspended or withdrawn. The factors that the Regulatory Committee will take into account before referring the matter to the Council include, among others, the following:

- (i) The firm's work is generally of a poor standard.
- (ii) The firm has made some improvements but has still not achieved a satisfactory standard of work in spite of previous advice.
- (iii) The firm has not shown over time that it is able or willing to achieve and sustain a satisfactory standard of work.
- (iv) The firm has failed to provide an effective action plan.
- (v) The firm has previously been subject to an order of the Regulatory Committee imposing conditions as a result of unsatisfactory work found at a previous visit.

**Serious breaches of the Code of Ethics and the Auditors' Law**

- 8. (1)** Where serious breaches of the Code of Ethics or of the Auditors' Law on audit independence are found, the Administration Officer writes to the firm to confirm the circumstances leading to the

breaches, as reported by the Monitoring Unit, and to require the firm to rectify the breaches within three months and, subsequently, to provide details as to how this has been achieved together with supporting evidence. The Administration Officer also warns the firm that if it is unable to rectify the breaches within three months, it amounts to a disciplinary offence.

- (2) If the firm is unable to rectify the breaches or provides unsatisfactory evidence as to how it has rectified them or similar breaches are again found at a subsequent visit, the Administration Officer refers the firm to the Council which will follow the procedure laid down in Regulation 1.108 "Disciplinary procedure".

### **ICPAC Quality Checked review procedure**

#### **9. Documents required for review at the visit**

The following documents should be made available for review if they are appropriate to the firm and its particular systems of control:

- A list of staff or organisation chart, indicating each employee's qualifications, position in the firm and length of service (including any sub-contractors used).
- Any procedures manuals and standard documentation used, for example, standard letters, accounts working papers index and checklists.
- Advertising and promotional leaflets and brochures.
- Personnel files including staff contracts and handbooks.
- Any checklists, schedules or office diaries used to control the timing of work.
- Details of any perpetual reminder systems in operation.
- Details of the computer system and software and hardware used.
- Computer disaster recovery plan, including a summary of any relevant maintenance agreements and insurance cover.
- The Compliance Officer will also need access to all client files: permanent files, tax files, correspondence files, account preparation files, client payroll and VAT files etc.

#### **10. Phases of the visit**

The quality assurance review consists of three parts. The initial discussion, a review of the firm's systems and files, and a final consultation as follows:

- (1) The initial meeting will include a full discussion on the procedures followed in each area of the business to enable the Compliance Officer to grasp the full extent of any systems and controls the firm has in place and identify weaknesses that expose the firm to various risks. The Compliance Officer will recommend practical solutions suitable to the size and nature of the practice. Because of the depth of information required these discussions can last two to three hours on average.
- (2) A review of the firm's files and systems will then be carried out to verify that the controls and procedures discussed at the initial meeting are actually working in practice.
- (3) The consultation will conclude the quality assurance visit. At a final meeting with the partners any weaknesses found in the firm's controls will be explained to the firm along with the risks the firm runs if it does not put the recommended procedures in place.

**11. Report**

After the visit the firm will receive a report detailing the recommendations made at the visit and explaining what, if anything needs to be done for the firm to qualify for the *ICPAC Quality Checked* award. Firms are given time and encouragement to put best practice procedures in place or to strengthen their existing procedures in line with the recommendations made at the visit.