

LAW PROVIDING FOR THE STATUTORY AUDITS OF ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS BY STATUTORY AUDITORS AND AUDIT FIRMS AND RELATED MATTERS

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TABLE OF CONTENTS

CLASSIFICATION OF ARTICLES

1. Short title

PART I

INTRODUCTORY PROVISIONS

2. Definitions

3. Exception to the scope of this Law

PART II

COMPETENT AUTHORITY

4. Competent Authority

PART III

CYPRUS PUBLIC AUDIT OVERSIGHT BOARD

5. Public oversight system

6. Setting up of a Board and appointment of Director of the CyPAOB Office

7. Term of Board members

8. Vacation of office of a Board member

9. Resignation of a Board member

10. Revocation of appointment of a Board member

11. Board meetings

12. Disciplinary Committee

13. Remuneration of Board members and allowance of members of the Disciplinary Committee

14. Internal Organisation of the CyPAOB

15. Supervisory and investigatory powers of the CyPAOB

16. Extent of responsibility of members of the Board, of the Disciplinary Committee and of other persons

17. Obligation of confidentiality, observance of professional secrecy and declaration of conflict of interest

18. CyPAOB Tasks

19. CyPAOB Funding

20. Collection of administrative fines

21. Financial year

22. Financial statements
23. Budget preparation and submission
24. Transparency
25. Exchange of information

PART IV

PUBLIC OVERSIGHT AND REGULATORY ARRANGEMENTS BETWEEN MEMBER STATES

26. Cooperation between oversight authorities of Member States
27. Mutual recognition of regulatory arrangements between Member States
28. Professional secrecy and regulatory cooperation between Member States

PART V

COOPERATION WITH COMPETENT AUTHORITIES FROM THIRD COUNTRIES

29. Cooperation with competent authorities from third countries

PART VI

RECOGNITION OF BODY OF AUDITORS

30. Recognition of body of auditors
31. Procedure for the recognition of body of auditors
32. Withdrawal of a body of auditors' licence

PART VII

APPROVAL, CONTINUING EDUCATION AND MUTIAL RECOGNITION

33. Approval
34. Good repute
35. Approval of audit firms
36. Carrying out of statutory audit by non-approved natural and legal persons
37. Liability of auditors and liability limitation agreements
38. Recognition of audit firms
39. Withdrawal of approval of statutory audit firm
40. Approval of natural persons
41. Examination of professional competence
42. Test of theoretical knowledge
43. Exemptions
44. Practical training
45. Continuing education
46. Approval of statutory auditors from other Member States
47. Approval of statutory auditors from third countries
48. Withdrawal of approval of statutory auditor

PART VIII
PUBLIC REGISTER

- 49. Public Register
- 50. Registration of statutory auditors
- 51. Registration of audit firms
- 52. Updating of registration information
- 53. Responsibility for registration information
- 54. Language of Public Register

PART IX

REGISTRATION AND OVERSIGHT OF THIRD-COUNTRY AUDITORS AND AUDIT FIRMS

- 55. Registration and oversight of third-country auditors and audit entities
- 56. Derogation in the case of equivalence

PART X

PROFESSIONAL ETHICS, INDEPENDENCE, OBJECTIVITY, CONFIDENTIALITY AND
PROFESSIONAL SECRECY

- 57. Professional ethics and skepticism
- 58. Independence and objectivity
- 59. Employment of former statutory auditors or employees of statutory auditors or audit firms by audited entities
- 60. Preparation for the statutory audit and assessment of threats to independence
- 61. Confidentiality and professional secrecy
- 62. Independence and objectivity of the statutory auditors carrying out the statutory audit on behalf of audit firms
- 63. Internal organisation of statutory auditors and audit firms
- 64. Organisation of the work
- 65. Audit fees
- 66. Scope of the statutory audit

PART XI

AUDITING STANDARDS AND AUDIT REPORTING

- 67. Auditing standards
- 68. Statutory audits of consolidated financial statements
- 69. Audit Reporting

PART XII

QUALITY ASSURANCE

- 70. Quality assurance systems

PART XIII

SPECIAL PROVISIONS FOR THE STATUTORY AUDITS OF PUBLIC-INTEREST ENTITIES

71. Audit fees for the provision of statutory audit of public-interest entities
72. Provision of non-audit services by a statutory auditor or audit firm carrying out the statutory audit of public-interest entities
73. Report to the CyPAOB of any information regarding public-interest entities
74. Record keeping
75. Duration of the audit engagement to a public-interest entity

PART XIV

APPOINTMENT AND DISMISSAL OF STATUTORY AUDITORS OR AUDIT

76. Appointment of statutory auditors or audit firms
77. Dismissal and resignation of statutory auditors or audit firms

PART XV

AUDIT COMMITTEE

78. Audit committee

PART XVI

DISCIPLINARY SYSTEM

79. Competence of the CyPAOB Board to carry out disciplinary proceedings
80. Complaints and claims
81. Referral to disciplinary investigation
82. Disciplinary investigation
83. Notice for testimony
84. Service of notice
85. Granting of inspectors/experts/assigned inspectors by the Board for the conduct of disciplinary investigation or preliminary investigation
86. Possibility to amend the scope of the investigation
87. Possibility to extend a disciplinary investigation to other statutory auditors or audit firms
88. Procedure for taking testimonies
89. Report
90. Referral to disciplinary proceedings and drafting of the indictment
91. Notice of summons to a hearing before the Disciplinary Committee
92. Correction of formal defects in an indictment
93. Principle of objectivity and impartiality
94. Legal and other assistance
95. Presentation of indictment
96. Absence of the accused

97. Hearing proceedings
98. Decision of the Disciplinary Committee
99. Keeping of minutes and forms of notices
100. Responsibility of the Disciplinary Committee
101. Possibility to regulate further the Disciplinary Committee proceedings
102. Publication of sanctions
103. Disciplinary offences
104. Prohibition of double jeopardy
105. Only one disciplinary penalty for each disciplinary offence
106. Expiry of disciplinary liability
107. Criminal prosecution
108. Disciplinary prosecution following a criminal prosecution
109. Disciplinary sanctions
110. Persons subject to disciplinary investigation or disciplinary proceedings
111. Special separate liability and related disciplinary offences

PART XVIII

FINAL AND TRANSITIONAL PROVISIONS

112. Council of Ministers Decisions
113. Transitional provisions
114. Issue of Regulations
115. Repeal of Law

The Auditors Law of 2014 is issued upon its publication in the Official Gazette of the Republic of Cyprus pursuant to Article 52 of the Constitution.

Number 53(I) of 2017

LAW PROVIDING FOR THE STATUTORY AUDITS OF ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS BY STATUTORY AUDITORS AND AUDIT FIRMS AND RELATED MATTERS

Preamble. For purposes of:

Official Gazette of the EU: L157
9.6.2006,
p.157;
L158
27.5.2014,
p.196.

(a) harmonisation with the Act of the European Union entitled "Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC" as amended last by "Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014", and

Official Gazette of the EU: L158
27.5.2014
p.77;
L170
11.6.2014,
p.66.

(b) effective implementation and exercise of discretionary powers provided to the Republic by the act of the European Union entitled "Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC" as corrected,

The House of Representatives enacts as follows:

Short title. 1. This Law shall be cited as the Auditors Law of 2017.

PART I

INTRODUCTORY PROVISIONS

Definitions. 2. (1) In this Law, except where it follows otherwise from the text -
"recognised body of auditors" means the body of auditors of the Republic recognised pursuant to the provisions of Part VI;
"Supreme Court" means the court established pursuant to the provisions of Article 3 of the Administration of Justice (Miscellaneous Provisions) Law;

33 of 1964
35 of 1975
72 of 1977
59 of 1981
3 of 1987
158 of 1988
109 of 1991
132(I) of 2015.

"competent authority" has the meaning given to this term by Article 4;

"Cyprus Public Audit Oversight Board" or "CyPAOB" means the legal person of public law provided for in Article 4;

"Republic" means the Republic of Cyprus;

“Public Register” means the Public Register kept pursuant to the provisions of Part VIII;

“International Accounting Standards” means the International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and related interpretations (SIC-IFRIC Interpretations), subsequent amendments to those standards and related interpretations, and future standards and related interpretations issued or adopted by the International Accounting Standards Board (IASB);

“network” means the larger structure -

(a) which is aimed at cooperation and to which a statutory auditor or an audit firm belongs, and

(b) which is clearly aimed at profit- or cost-sharing or shares common ownership, control or management, common quality-control policies and procedures, a common business strategy, the use of a common brand-name or a significant part of professional resources;

“Board” means the Board of Directors of CyPAOB, which is governed by the provisions of Article 6;

“audit report” has the meaning given to this term in Article 69;

“group auditor” means the statutory auditor or audit firm carrying out the statutory audit of consolidated financial statements;

“third-country auditor” means a natural person who carries out audits of the annual or consolidated financial statements of a company incorporated in a third country, other than a person who is registered as a statutory auditor in any Member State as a consequence of approval in accordance with Articles 40 and 47 of this Law or in accordance with the legislation of a Member State other than the Republic which complies with Articles 3 and 44 of Directive 2006/43/EC;

“third-country audit entity” means an entity, regardless of its legal form, which carries out audits of the annual or consolidated financial statements of a company incorporated in a third country, other than an entity which is registered as a statutory audit firm in any Member State as a consequence of approval in accordance with the provisions of Article 35 of this Law or in accordance with the legislation of a Member State other than the Republic, which complies with Article 3 of Directive 2006/43/EC;

“audited entity” means a legal person/organisation irrespective of legal status which is subject to statutory audit of its annual financial statements and/or consolidated statements;

“expert” means a natural person who has specific expertise in financial markets, financial reporting, auditing or other fields relevant for inspections, including practising statutory auditors;

“assigned inspector” means a natural person who is an employee or not of the Public Service or a legal person of public law with appropriate professional education and expertise with specific training on quality control issues;

“approval” means an approval granted to a statutory auditor or audit firm in accordance with the provisions of Articles 35, 40, 46 or 47, as the case may be, providing authorization to carry out statutory audit of the financial statements of any entity in the Republic which is subject to such an audit;

“inspections” means quality assurance reviews of statutory auditors and audit firms, which are led by an inspector and which do not constitute an investigation within the meaning of clause (7) of Article 18;

“inspector” means an inspector with appropriate professional education and relevant experience in statutory audit and financial reporting combined with specific training on quality assurance reviews and is employed by the competent authority or otherwise cooperates therewith or is employed by responsible bodies or otherwise cooperates therewith;

“Cyprus Securities and Exchange Commission” means the Cyprus Securities and Exchange Commission which is governed by the Cyprus Securities and Exchange Commission Law;

73(I) of 2009
5(I) of 2012
65(I) of 2014
135(I) of 2015.

Official Gazette,
Annex
First (I):
31.7.2009.

“investigating officer” means an inspector, expert or assigned inspector appointed by the Board under paragraph (b) of clause (1) of Article 82 for the carrying out of a disciplinary investigation;

“company” means a company incorporated pursuant to the Companies Law;

Cap.113
9 of 1968
76 of 1977
17 of 1979
105 of 1985
198 of 1986
19 of 1990
46(I) of 1992
96(I) of 1992
41(I) of 1994
15(I) of 1995
21(I) of 1997
82(I) of 1999
149(I) of 1999
2(I) of 2000

135(I) of 2000
151(I) of 2000
76(I) of 2001
70(I) of 2003
167(I) of 2003
92(I) of 2004
24(I) of 2005
129(I) of 2005
130(I) of 2005
98(I) of 2006
124(I) of 2006
70(I) of 2007
71(I) of 2007
131(I) of 2007
186(I) of 2007
87(I) of 2008
41(I) of 2009
49(I) of 2009
99(I) of 2009
42(I) of 2010
60(I) of 2010
88(I) of 2010
53(I) of 2011
117(I) of 2011
145(I) of 2011
157(I) of 2011
198(I) of 2011
64(I) of 2012
98(I) of 2012
190(I) of 2012
203(I) of 2012
6(I) of 2013
90(I) of 2013
74(I) of 2014
75(I) of 2014
18(I) of 2015
62(I) of 2015
63(I) of 2015
89(I) of 2015
120(I) of 2015
40(I) of 2016
90(I) of 2016
97(I) of 2016
17(I) of 2017
33(I) of 2017.

Official Gazette,
Annex
First (I):
31.3.2015
5.6.2015.

“medium-sized company” means:-

(a) the companies referred to in paragraph (b) of clause (1) of Article 141A of the Companies Law; or

(b) the undertakings referred to in Article 3, paragraph 1 and Article 3, paragraph 3 of Directive 2013/34/EU

“small-sized company” means:-

(a) the companies referred to in paragraph (a) of clause (1) of Article 141A of the Companies Law; or

(b) the undertakings referred to in Article 1, paragraph 1 and Article 3, paragraph 2 of Directive 2013/34/EU;

“European Securities and Markets Authority” or “ESMA” means the European Securities and Markets Authority incorporated pursuant to Regulation (EU) No 1095/2010;

“European Commission” means the Commission of the European Union;

“subsidiary” has the meaning given to this term by the provisions of the Companies Law;

“Council Regulation (EC) No 1435/2003” means the act of the European Union entitled “Council Regulation (EC) No 1435/2003 of 22 July 2003 on the Statute for a European Cooperative Society” as corrected;

Official Gazette of the EU: L207, 18.8.2003, p.2; L49, 17.2.2017, p.35.

“Regulation (EU) No 1093/2010” means the act of the European Union entitled “Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC” as amended last by Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015;

Official Gazette of the EU: L331, 15.12.2010, p.12; L337, 23.12.2015, p.35.

“Regulation (EU) No 1094/2010” means the act of the European Union entitled “Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC” as amended last by Regulation (EU) 258/2014 of the European Parliament and of the Council of 3 April 2014;

Official Gazette of the EU: L331, 15.12.2010, p.48; L105, 8.4.2014, p.1.

“Regulation (EU) No 1095/2010” means the act of the European Union entitled “Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC” as amended by Regulation (EU) 258/2014 of the European Parliament and of the Council of 3 April 2014;

Official Gazette of the EU: L331, 15.12.2010, p.84; L105, 8.4.2014, p.1.

“Regulation (EU) No 537/2014” means the act of the European Union entitled “Regulation (EU) No 537/2014 of the European Parliament and of the Council of

Official Gazette of
the EU: L173,
12.6.2014,
p.1;
L175,
30.6.2016,
p.1.

16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC;

“Regulation (EU) No 596/2014” means the act of the European Union entitled “Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC” as amended last by Regulation (EU) No 2016/1033 of the European Parliament and of the Council of 23 June 2016;

“Member State” means a Member State of the European Union;

“home Member State” means a Member State in which a statutory auditor or audit firm is approved in accordance with clause (1) of Article 33 or the legislation of a Member State other than the Republic, which complies with Article 3, paragraph 1 of Directive 2006/43/EC;

“host Member State” means a Member State -

(a) in which a statutory auditor approved by his or her home Member State seeks to be also approved in accordance with Article 46 of this Law or the legislation of a Member State other than the Republic, which complies with Article 14 of Directive 2006/43/EC, or

(b) a Member State in which an audit firm approved by its home Member State seeks to be registered or is registered in a register in accordance with Article 38 of this Law or the legislation of a Member State other than the Republic, which complies with Article 3a of Directive 2006/43/EC;

“key audit partner” means –

(a) the statutory auditor designated by a statutory audit firm for a particular audit engagement as being primarily responsible for carrying out the statutory audit on behalf of the statutory audit firm, or

(b) in the case of a group audit, at least the statutory auditor designated by a statutory audit firm as being primarily responsible for carrying out the statutory audit at the level of the group and the statutory auditor designated as being primarily responsible at the level of material subsidiaries, or

(c) the statutory auditor who signs the audit report;

“Code of Ethics” means the Code of Ethics for Professional Accountants, the related interpretations and subsequent amendments to those standards and related interpretations, and future standards and related interpretations issued or adopted by the International Ethics Standards Board for Professional Accountants;

“non-practitioner” means any natural person who, during his or her involvement in the governance of the public oversight system and during the period of three (3) years immediately preceding that involvement, has not carried out statutory audits, has not held voting rights in a statutory audit firm, has not been a member of the administrative, management or supervisory body of a statutory audit firm and has not been employed by, or otherwise associated with, a statutory audit firm;’

“statutory audit firm” means a legal person or any other entity, regardless of its legal form, that is approved –

(a) in accordance with the provisions of this Law, or

(b) in accordance with Directive 2006/43/EC by the competent authority of a Member State other than Republic to carry out statutory audits;

“statutory auditor” means a natural person who is approved in accordance with this Law;

“Directive 2006/43/EC” means the act of the European Union entitled “Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC” as amended by “Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014;

“Directive 2013/34/EU” means the act of the European Union entitled “Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC” as amended by Directive 2014/102/EU of the Council of 7 November 2014.

‘public-interest entities’ means:

(a) entities governed by the law of the Republic whose transferable securities are admitted to trading on an organised market or a regulated market of any Member State within the meaning of Article 2 of the Investment Services and Activities and Regulated Markets Law,

Official Gazette of
the EU: L182,
29.6.2013,
p.19;
L334,
21.11.2014,
p.86.

144(I) of 2007
106(I) of 2009
141(I) of 2012
154(I) of 2012
193(I) of 2014
8(I) of 2016.

Official Gazette,
Annex
First (I):
16.11.2007
16.11.2012
30.11.2012

13.3.2015.

66(I) of 1997
74(I) of 1999
94(I) of 2000
119(I) of 2003
4(I) of 2004
151(I) of 2004
231(I) of 2004
235(I) of 2004
20(I) of 2005
80(I) of 2008
100(I) of 2009
123(I) of 2009
27(I) of 2011
104(I) of 2011
107(I) of 2012
14(I) of 2013
87(I) of 2013
102(I) of 2013
141(I) of 2013
5(I) of 2015
26(I) of 2015
35(I) of 2015
71(I) of 2015
93(I) of 2015
109(I) of 2015
152(I) of 2015
168(I) of 2015
21(I) of 2016
5(I) of 2017
38(I) of 2017.

Official Gazette,

Annex

First (I):

22.8.1997

19.9.2003.

38(I) of 2016.

(b) authorised credit institutions as defined in Article 2 of the Business of Credit Institutions Law,

(c) insurance and reinsurance undertakings within the meaning of Article 2 of the Insurance and Reinsurance Services and Other Related Matters Law, or

(d) other entity designated by the Council of Ministers, following a recommendation of the CyPAOB and that is of significant public relevance;

“Disciplinary Committee” or “Committee” means the Committee provided for in the provisions of Article 12;

“President of District Court” has the meaning given to this term by Article 2 of the Courts of Justice Law;

14 of 1960
50 of 1962
11 of 1963
8 of 1969
40 of 1970
58 of 1972
1 of 1980
35 of 1982
29 of 1983
91 of 1983
16 of 1984
51 of 1984
83 of 1984

93 of 1984
18 of 1985
71 of 1985
89 of 1985
96 of 1986
317 of 1987
49 of 1988
64 of 1990
136 of 1991
149 of 1991
232 of 1991
237 of 1991
42(l) of 1992
43(l) of 1992
102(l) of 1992
26(l) of 1993
82(l) of 1995
102(l) of 1996
4(l) of 1997
53(l) of 1997
90(l) of 1997
27(l) of 1998
53(l) of 1998
110(l) of 1998
34(l) of 1999
146(l) of 1999
41(l) of 2000
32(l) of 2001
40(l) of 2002
80(l) of 2002
140(l) of 2002
206(l) of 2002
17(l) of 2004
165(l) of 2004
268(l) of 2004
21(l) of 2006
99(l) of 2007
170(l) of 2007
76(l) of 2008
81(l) of 2008
118(l) of 2008
119(l) of 2008
36(l) of 2009
129(l) of 2009
138(l) of 2009
19(l) of 2010
166(l) of 2011
30(l) of 2013
46(l) of 2014
191(l) of 2014
29(l) of 2017.

“affiliate of an audit firm” means any undertaking, regardless of its legal form, which is connected to an audit firm by means of common ownership, control or management;

“cooperative” means a European Cooperative Society as defined in Article 1 of Council Regulation (EC) No 1435/2003, or any other cooperative for which a

statutory audit is required under Community law, such as credit institutions as defined in Article 2 of the Business of Credit Institutions Law and insurance undertakings within the meaning of Article 2 of the Insurance and Reinsurance Services and Other Related Matters Law;

“responsible body” means the body to which the CyPAOB assigns duties pursuant to the provisions of clause (3) of Article 18;

“Minister” means the Minister of Finance of the Republic;

“statutory audit” means audit of the annual financial statements or consolidated financial statements, provided this audit -

(a) is required under Community law,

(b) is required under Cyprus law on small-sized companies,

(c) is carried out voluntarily following an application of small-sized companies and meets the requirements of the Cyprus law which are equivalent to those on audit under paragraph (b), where the Cyprus legislation defines these audits and statutory audits;

“working papers” means documents kept by a statutory auditor or audit firm which are related to the carrying out of a statutory audit carried out by the said statutory auditor and audit firm.

2. (a) In this Law and in the regulatory administrative acts issued thereunder, any reference to a Directive, Regulation, Decision or other legislative act of the European Union, means the said act as corrected, amended or replaced at the time, unless a different meaning is derived from the text.

(b) In this Law and in the regulatory administrative acts issued thereunder, any reference to a law or regulatory administrative act of the Republic, means the said law or corresponding regulatory administrative act as corrected, amended or replaced at the time, unless a different meaning is derived from the text.

Exception to the scope of this Law.

3. (1) This Law shall not apply to the carrying out of statutory audit of the annual and consolidated accounts to the extent that this is carried out by the Auditor General of the Republic.

(2) Articles 14(5) and 70(2) of this Law shall not apply to the carrying out of statutory audit of the annual and consolidated financial statements of public-interest entities unless provided for in Regulation (EU) No 537/2014.

PART II

COMPETENT AUTHORITY

Competent Authority.

4. For the purposes of this Law, a legal person of public law under the name “Cyprus Public Audit Oversight Board” is designated to be the competent authority, which

shall exercise the powers, duties and responsibilities arising from the provisions of this Law through its bodies, namely the Board and the Disciplinary Committee, unless otherwise provided in this Law.

PART III

CYPRUS PUBLIC AUDIT OVERSIGHT BOARD

Public oversight system.

5. (1) Statutory auditors and audit firms whose home State is the Republic shall be subject to public oversight and disciplinary control by the CyPAOB in accordance with the provisions of this Law.
- (2) All recognised auditor bodies of the Republic shall be subject to public oversight by the CyPAOB in accordance with the provisions of this Law.
- (3) The CyPAOB shall keep an Office and its bodies shall be established, operate and exercise their responsibilities, powers and duties in accordance with the provisions of this Law.

Setting up of a Board and appointment of Director of the CyPAOB Office.

6. (1) Without prejudice to Article 21, first clause of Regulation (EU) No 537/2014, the CyPAOB shall be independent from statutory auditors and audit firms and its Board shall comprise persons of highest moral standards, of recognised standing and honesty, each of whom is a non-practitioner with knowledge of issues related to statutory audit.
- (2) The Board shall comprise the Chairman, the Vice-Chairman and five (5) members appointed by the Council of Ministers on the recommendation of the Minister:
- Provided that no person shall be appointed Board member if there is a conflict between his or her duties arising from the provisions of this Law and his or her private interests or duties arising from any public office he or she holds as a state official, in the context of which his or her private interests or duties and responsibilities arising from any public office he or she holds could in any way prejudice the exercise of his or her obligations arising from this Law.
- (3) The Board shall submit to the Minister a recommendation for the appointment to the office of the Director of the CyPAOB Office, of a person of recognised standing and honesty, of high professional standards whose education and experience are relevant to such duties.
- (4) The Director of the CyPAOB Office shall be appointed by the Council of Ministers on the recommendation of the Minister.
- (5) The Director of the CyPAOB Office shall be appointed for a period of six (6) years and may be re-appointed by a decision of the Council of Ministers on the recommendation of the Minister for a further six-year period only.

(6) The remuneration of the Director of the CyPAOB Office and the other terms of service shall be fixed by the Council of Ministers and shall be included in the contract entered into to this end by the designated person and signed by the Minister on behalf of the Council of Ministers.

(7) The Director of the CyPAOB Office may not be engaged in any other paid job during the period for which he is appointed.

(8) The Director of the CyPAOB Office shall carry out the duty of Secretary of the Board.

(9) In case of absence or impediment of the Director or in case the said office is vacant, a person working at the CyPAOB Office shall carry out the duty of Secretary of the Board and shall be appointed to this end by the Board prior to the commencement of its business.

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| Term of Board members. | 7. | The term of the Board members shall be six years and may be renewed for a further six-year period. |
| Vacation of office of a Board member. | 8. | (1) The office of a Board member shall be deemed to be vacant in the following cases:
(a) he or she passes away;
(b) he or she resigns, or
(c) his or her appointment is revoked.
(2) Where the office of a Board member is vacant prior to the expiry of his or her term, another person shall be appointed in his or her place for the remainder of such term, proportionately to the provisions of Article 6. |
| Resignation of a Board member. | 9. | Any Board member may be resigned upon submitting his or her resignation in writing to the Council of Ministers after informing the other Board members accordingly. |
| Revocation of appointment of a Board member. | 10. | The appointment of any Board member shall be revoked by the Council of Ministers in any of the following cases:
(a) in case of conviction for the offence of breaching the obligation of confidentiality and professional secrecy, pursuant to the provisions of Article 17;
(b) in case of conviction for an offence involving dishonesty or moral turpitude or in case of imprisonment for the commission of any offence;
(c) on a proposal by the Minister, following a recommendation of the CyPAOB Board, submitted with the agreement of at least five (5) members thereof. |
| Board meetings. | 11. | (1) The Chairman of the Board and, in his or her absence or other temporary impediment, the Vice-Chairman of the Board, shall convene the Board meetings. |

Disciplinary
Committee.

12.

(2) The Board meetings shall be chaired by the Chairman and, in his or her absence or other temporary impediment, by the Vice-Chairman of the Board.

(3) The person chairing the meeting and three (3) other members present thereat shall form a quorum, and decisions shall be taken by majority of votes, and in the case of a tie, the vote of the person chairing the meeting shall prevail.

(1) The Minister shall, on the recommendation of the Board, propose to the Council of Ministers persons of recognised standing and honesty and of high professional standards to be appointed Chairman and Members of the Disciplinary Committee, which shall exercise the responsibilities, powers and duties provided for in the provisions of Part XVI.

(2)(a) The Disciplinary Committee shall comprise the Chairman and two other members.

(b) The Chairman of the Disciplinary Committee shall either be a former judge, holding at least the office of District Court President or a lawyer qualified to be appointed Supreme Court Judge.

(c) A member of the Disciplinary Committee, further to what is referred to in paragraphs (a) and (d), shall be from any profession other than that of a lawyer or auditor.

(d) A member of the Disciplinary Committee, further to what is referred to in paragraphs (a) and (c), shall be a non-practitioner, with auditing experience and training.

(3) The term of the members of the Disciplinary Committee shall be four years and they may be re-appointed for a further four-year term only.

(4) The office of a member of the Disciplinary Committee shall be deemed vacant in any of the following cases:

(a) he or she passes away;

(b) he or she resigns, or

(c) his or her appointment is revoked.

(5) Where the office of a member of the Disciplinary Committee is vacant prior to the expiry of his or her term, another person shall be appointed in his or her place for the remainder of such term in accordance with the provisions of clauses (1) and (2).

(6) The resignation of a member of the Disciplinary Committee shall be effected in writing to the Council of Ministers after informing the Board members accordingly.

(7) The appointment of a member of the Disciplinary Committee, including its Chairman, shall be revoked by the Council of Ministers in any of the following cases:

(a) in case of conviction for the offence of breaching the obligation of confidentiality and professional secrecy, pursuant to the provisions of Article 17;

(b) in case of conviction for an offence involving dishonesty or moral turpitude or in case of imprisonment for the commission of any offence;

(c) on a proposal by the Minister, following a recommendation of the Board, submitted with the agreement of at least five (5) members thereof.

Remuneration of Board members and allowance of members of the Disciplinary Committee.

13. (1) Board members shall be remunerated per meeting and the amount of such remuneration shall be fixed by the Council of Ministers.

(2) The members of the Disciplinary Committee shall receive an allowance per meeting as well as for the preparation and issuance of decisions as to be fixed by the Council of Ministers.

Internal Organisation of the CyPAOB.

14. (1) The CyPAOB shall have an Office with adequate personnel in terms of numbers and structure, for the carrying out of its oversight and disciplinary functions.

(2) The CyPAOB Board may employ permanent or temporary employees in accordance with the provisions of regulations issued under this Law.

(3) The internal organisation of the CyPAOB Office, its administrative structure, the schemes of service of its employees and other operational and organisational issues shall be regulated with Regulations.

(4)(a) The CyPAOB may employ inspectors to conduct inspections and experts to carry out special duties and/or when this is considered important for the proper performance of its duties and/or when the number of CyPAOB inspectors is not adequate for the conduct of specific inspections and/or when specialised knowledge is required in order to better perform its responsibilities, duties and powers.

(b) The inspectors and experts employed by the CyPAOB in accordance with paragraph (a) shall not participate in the decisions-making process of the CyPAOB.

(5)(a) Without prejudice to Article 26 of Regulation (EU) No 537/2014, the selection of inspectors by the CyPAOB shall be made applying an objective procedure aimed at avoiding any conflict of interests between the inspectors and the inspected statutory auditor or audit firm.

(b) For the purpose of paragraph (a), the CyPAOB shall apply at least the following criteria when appointing inspectors:

(i) inspectors shall have appropriate professional education and relevant experience in statutory audit and financial reporting combined with specific training on quality assurance reviews;

(ii) a person shall not be allowed to act as an inspector in an inspection of a statutory auditor or an audit firm until at least three years have elapsed since that person ceased to be a partner or an employee of, or otherwise associated with, that statutory auditor or audit firm;

(iii) inspectors shall declare that there are no conflicts of interest between them and the statutory auditor and the audit firm to be inspected;

(iv) a person who is a practising statutory auditor or is employed by or otherwise associated with a statutory auditor or an audit firm shall not be allowed to act as an inspector;

(6) Where the CyPAOB employs experts for the conduct of specific inspections and/or investigations, it shall ensure that there are no conflicts of interests between these experts and that statutory auditor or audit firm. The said experts shall meet the requirements provided for in sub-paragraph (i) of paragraph (b) of clause (5).

Supervisory and investigatory powers of the CyPAOB. Official Gazette of the EU: L202, 7.6.2016, p.389.

15. Subject to the Charter of Fundamental Right of the European Union and without prejudice to Article 23 of Regulation (EU) No 537/2014, in carrying out its tasks under this Law, the CyPAOB shall have all the supervisory and investigatory powers, which shall include at the least the power to:

(a) access data related to statutory audit or other documents held by statutory auditors or audit firms in any form, relevant to the carrying out of their functions and receive or take a copy thereof; and

(b) obtain information related to the statutory audit from any person; and

(c) carry out on-site inspections of statutory auditors or audit firms; and

(d) refer matters for criminal prosecution; and

(e) request experts to carry out verifications or investigations; and

(f) take the administrative measures, and impose the sanctions in accordance with Part XVI.

Extent of responsibility of members of the Board, of the Disciplinary Committee and of other persons.

16. Each member of the Board, of the Disciplinary Committee, of the CyPAOB personnel, inspectors, experts, assigned inspectors and any other person acting as consultant or by order of the Board or of the Disciplinary Committee, shall not

Obligation of confidentiality, observance of professional secrecy and declaration of conflict of interest.

17.

be held personally liable for his or her acts or omissions in the exercise of his or her powers, responsibilities or duties, provided he or she acts in good faith.

(1) Without prejudice to Article 22 of Regulation (EU) No 537/2014, Board members or a person who used to be a Board member or a person exercising or has exercised an activity in the CyPAOB which is relevant to the exercise of its tasks or any other person who becomes aware, due to his or her office or during the exercise of his or her duties, of any information relating to the exercise of the CyPAOB's tasks, which are provided pursuant to the provisions of this Law, shall have a duty of confidentiality and observance of professional secrecy and shall be obliged to use this information exclusively for the exercise of his or her duties and not to communicate the same, save to the extent that its communication is necessary by law or in the context of an administrative appeal regarding the exercise of his or her duties or the responsibilities of the CyPAOB or if it constitutes evidence for the commission of a penal or disciplinary offence, or as provided for in clause (2):

Provided that the confidential information covered by the confidentiality obligation and the observance of professional secrecy shall not be permitted to be communicated to any other person or authority with the exception of those provided for in clause (1) of Article 25.

(2) The announcement of confidential information by the persons referred to in clause (1) shall be permitted:

(a) if the CyPAOB decides that, for reasons of public interest or transparency, it is imperative to publish, in their entirety or in summary, any of its decisions or findings that it receives or draws respectively pursuant to the provisions of this Law or the regulations and directives issued thereunder;

(b) in the context of any civil or criminal proceedings in which the CyPAOB or any person acting on its behalf, is summoned to testify before a court or when taking testimonies in criminal or disciplinary proceedings;

(c) in the context in which the CyPAOB makes complaints to any other competent authorities, associations, organisations or bodies in the Republic or abroad.

(3) Each member of the Board, of the Disciplinary Committee, of the CyPAOB personnel, inspectors, experts, assigned inspectors and any other person acting as a consultant or by order of the Board or of the Disciplinary Committee shall be obliged to disclose any conflict of interests and abstain from any procedure or decision in relation thereto.

(4) A person who knowingly breaches an obligation provided for in clause (1) or (2) or (3) shall commit a criminal offence and shall be subject to imprisonment not exceeding two years or a fine nor exceeding eight thousand Euros (€8.000) or to both such penalties and, in the case of a CyPAOB employee, this breach shall constitute a disciplinary offence punishable by a penalty up to dismissal from the CyPAOB service:

Provided that, in the case of a civil servant, any disciplinary prosecution of him or her shall be exercised pursuant to the Civil Service Law.

1 of 1990
71 of 1991
211 of 1991
27(I) of 1994
83(I) of 1995
60(I) of 1996
109(I) of 1996
69(I) of 2000
156(I) of 2000
4(I) of 2001
94(I) of 2003
128(I) of 2003
183(I) of 2003
31(I) of 2004
218(I) of 2004
68(I) of 2005
79(I) of 2005
105(I) of 2005
96(I) of 2006
107(I) of 2008
137(I) of 2009
194(I) of 2011
78(I) of 2013
7(I) of 2014
21(I) of 2014
100(I) of 2015.

- CyPAOB Tasks. 18. (1) The CyPAOB, through its Board, shall be responsible for the supervision of:
- (a) the approval and registration of statutory auditors and audit firms in the Public Register; and
 - (b) the adoption by the statutory auditors and audit firms, of standards on professional ethics, internal quality control of statutory audit firms and the statutory audits, unless these standards have been adopted or approved by the authorities of another Member State; and
 - (c) the continuing education of statutory auditors and audit firms; and
 - (d) the quality assurance systems for statutory auditors and audit firms; and
 - (e) the disciplinary investigation and referral procedures for statutory auditors and audit firms in a disciplinary trial before the Disciplinary Committee or other competent body and generally of the operation of the disciplinary system.

(2) The Board may issue circulars to regulate any matter relating or contributing to its smooth operation, to achieve its objects and responsibilities.

(3) Without prejudice to Article 24 of Regulation (EU) No 537/2014, the Board may delegate any of its tasks referred to in clause (1) to recognised bodies of auditors of the Republic or to other authorities, except for tasks related to -

(a) quality assurance system for the control of statutory auditors and statutory audit firms of public-interest entities; and

(b) investigations related to statutory auditors and audit firms of public-interest entities arising from that quality assurance system; and

(c) disciplinary sanctions and measures related to the quality assurance reviews and investigation of statutory auditors and audit firms of public-interest entities.

(4) By way of derogation from clause (3), the CyPAOB may decide to delegate the tasks referred to in paragraph (c) of clause (3) of this Article to recognised bodies of auditors of the Republic and/or to other authorities and bodies designated to carry out such tasks, when the majority of the persons involved in the governance of the home authority or body concerned is independent from the audit profession.

(5) The delegation of any tasks is carried out upon the agreement of delegation of tasks as clarified in the delegated tasks and the conditions on which they shall be carried out. The recognised bodies of auditors of the Republic and the bodies designated shall be organised in such a manner that conflicts of interests are avoided.

(6) Where the CyPAOB delegates any of its tasks to recognised bodies of auditors of the Republic or to other authorities or other bodies designated, it shall be able to reclaim such competences on a case-by-case basis and particularly where the conditions referred to in the task delegation agreement are not observed.

(7) The CyPAOB shall have the right, where necessary, to initiate and conduct investigations in relation to statutory auditors and audit firms.

CyPAOB
Funding.

19.

(1) The CyPAOB funding will derive from:

(a) the Republic, with the annual payment of a sum corresponding to 20% of the annual forecasted expenses of the CyPAOB;

(b) the recognised bodies of auditors of the Republic; and

(c) the statutory auditors and audit firms of the Republic carrying out statutory audits to public-interest entities; and

(d) the statutory auditors and audit firms of the Republic not belonging to recognised bodies of auditors of the Republic,

so as to adequately cover its operation.

- (2) The Board shall decide the manner of calculation and payment of the annual contribution of the persons funding it under clause (1), other than the Republic.
- Collection of administrative fines. 20. An administrative fine imposed by the Disciplinary Committee pursuant to the provisions of this Law shall be accounted for in the proceeds of the Consolidated Fund of the Republic.
- Financial year. 21. The financial year of the CyPAOB shall commence on the 1st of January and end the 31st of December of each year.
- Financial statements. 22. (1) The CyPAOB shall submit to the Minister annual financial statements prepared pursuant to the International Accounting Standards, within four months from the end of each financial year.
(2) The financial statements under clause (1) shall be signed by the Chairman of the Board and submitted to the Auditor-General of the Republic for audit within four months from the end of each financial year.
- Budget preparation and submission. 23. (1) The CyPAOB shall submit its annual budget for the next financial year to the Minister for approval.
(2) The CyPAOB budget shall be submitted to the House of Representatives no later than 3 months prior to the beginning of the financial year in question.
(3) The annual approved CyPAOB budget shall be published in the Official Gazette of the Republic following its enactment by the House of Representatives.
(4) Where the CyPAOB intends to review its budget during a financial year, clauses (1), (2) and (3) shall apply *mutatis mutandis*.
- Transparency. 24. (1) Without prejudice to Article 28 of Regulation (EU) No. 537/2014, the CyPAOB shall be transparent and shall at least publish:
(a) annual activity reports regarding its tasks under this Law;
(b) annual work programmes regarding its tasks under this Law;
(c) a report on the overall results of the quality assurance system on an annual basis. This report shall include information on recommendations issued, follow-up on the recommendations, supervisory measures taken and sanctions imposed. It shall also include quantitative information and other key performance information on financial resources and staffing, and the efficiency and effectiveness of the quality assurance system;
(d) the aggregated information on the findings and conclusions of inspections referred to Article 26, paragraph 6 of Regulation (EU) No. 537/2014.
(2) The CyPAOB may also publish its findings and conclusions at the level of statutory auditor and audit firms.

Exchange of information.

25. (1) The CyPAOB, the Central Bank, the Cyprus Securities and Exchange Commission, the Superintendent of Insurance, the Commissioner of Taxation, the Cyprus Stock Exchange and the recognised bodies of auditors of the Republic shall cooperate for the effective exercise of their tasks. The CyPAOB may receive and transfer to the bodies mentioned hereunder information or details useful for its or their work.

(2) Where common working groups are created with the bodies referred to in clause (1) to examine issues of common interest, this is accomplished with the signing of agreement protocols between the authorities referred to in clause (1) and recognised bodies of auditors of the Republic.

PART IV

PUBLIC OVERSIGHT AND REGULATORY ARRANGEMENTS BETWEEN MEMBER STATES

Cooperation between oversight authorities of Member States.

26. The CyPAOB is the competent authority of the Republic to which the public oversight authorities of the other Member States apply for assistance regarding the objects of its competence.

Mutual recognition of regulatory arrangements between Member States.

27. (1) Regulatory arrangements shall respect the principle of regulation and oversight of another Member State in which the statutory auditor or audit firm is approved and the audited entity has its registered office.

(2) Without prejudice to clause (1), the statutory audit firms approved in another Member State, which carry out audit services in the Republic in accordance with Article 38, are subject to quality assurance review in their home Member State and oversight in the Republic.

(3) In the case of a statutory audit of consolidated financial statements required by the Republic, the CyPAOB may not impose additional requirements in relation to the statutory audit concerning registration in the Public Register, quality assurance review, auditing standards, professional ethics and independence on a statutory auditor or audit firm carrying out a statutory audit of a subsidiary established in another Member State.

(4) In the case of a company whose securities are traded on a regulated market in the Republic other than that in which that company has its registered office, the Member State in which the securities are traded may not impose any additional requirements in relation to the statutory audit concerning registration in the Public Register, quality assurance review, auditing standards, professional ethics and

independence on a statutory auditor or audit firm carrying out the statutory audit of the annual or consolidated financial statements of that company.

(5) A statutory auditor or audit firm approved in the Republic pursuant to Articles 35, 40 or 47 and providing audit reports regarding the annual financial statements or consolidated financial statements referred to in clause (1) of Article 55 is subject to oversight systems, quality assurance systems and the disciplinary system of the Republic.

Professional
secrecy and
regulatory
cooperation
between Member
States.

28. (1) The CyPAOB shall cooperate with the relevant European supervisory authorities whenever necessary for the purpose of carrying out their respective responsibilities and tasks under this Law and Regulation (EU) No 537/2014. The CyPAOB shall render assistance to competent authorities in other Member States and to European supervisory authorities. In particular, the CyPAOB shall exchange information in investigations related to the carrying-out of statutory audits.

(2) persons –

(a) who work or have worked for the CyPAOB; or

(b) who work or have worked or cooperate or have cooperated with a designated body in which the CyPAOB has delegated a task

not disclose any information or details of which they became aware during the exercise of their tasks or as a result of their cooperation with the CyPAOB except by virtue of clause (3).

(3) Information covered by the obligation of professional secrecy of clause (2) may not be disclosed to persons or authorities without the approval of the CyPAOB including the supervisory authorities referred to in Article 25.

(4) Clauses (2) and (3) shall not prevent the CyPAOB from exchanging confidential information with the authorities of other Member States.

(5) (a) Where a request is submitted by a competent authority of another Member State for supply of information pursuant to Article 36, paragraph 4 of Directive 2006/43/EC, the CyPAOB shall act pursuant to the said Article.

(b) If a competent authority of another Member State supplies information to the CyPAOB, on request of the latter pursuant to Article 36, paragraph 4 of Directive 2006/43/EC, this information shall be covered by the obligation of professional secrecy under clauses (2) and (3).

(6) If the CyPAOB is not able to supply the required information without undue delay, it shall notify the requesting competent authority of the other Member State of the reasons therefor.

(7) The CyPAOB may refuse to act on a request for information where -

(a) supplying information might adversely affect the sovereignty, security or public order of the Republic; or

(b) judicial proceedings have already been initiated in respect of the same actions and against the same statutory auditors or audit firms before the courts of the Republic; or

(c) final judgment has already been passed in respect of the same actions and on the same persons pursuant to Article 146 of the Constitution.

(8) Without prejudice to the obligations to which they are subject in judicial proceedings, the CyPAOB which receives information pursuant to clause (1) may use it only for the exercise of its functions within the scope of this Law or Regulation (EU) No 537/2014 and in the context of administrative or judicial proceedings specifically related to the exercise of those functions.

(9) The CyPAOB may supply the central banks, the European System of Central Banks and the European Central Bank, in their capacity as monetary authorities, as well as the European Systemic Risk Board, with confidential information intended for use in the exercise of their functions.

The said authorities or bodies may communicate to the CyPAOB information which may be required for the exercise of its functions pursuant to this Law.

(10) Where the CyPAOB concludes that activities contrary to the provisions of Directive 2006/43/EC are being or have been carried out on the territory of another Member State, it shall notify the competent authority of the other Member State of that conclusion in as specific a manner as possible.

(11) If the CyPAOB is notified by a competent authority of another Member State as per Article 36, paragraph 5 of Directive 2006/43/EC, it shall take appropriate action and inform the notifying competent authority of the other Member State of the outcome and, to the extent possible, of significant interim developments.

(12) Subject to the provisions of clause (13), where a competent authority of another Member State requests from the CyPAOB pursuant to Article 36, paragraph 6 of Directive 2006/43/EC that an investigation be carried out by the CyPAOB in the Republic and/or that some of the personnel of that competent authority of another Member State be allowed to accompany the personnel of the CyPAOB in the course of the investigation, the investigation shall be subject throughout to the overall control of the CyPAOB.

(13) The CyPAOB may refuse to act on a request for an investigation to be carried out in the Republic, or on a request for its personnel to be accompanied by

personnel of a competent authority of another Member State as provided for in Article 36, paragraph 6 of Directive 2006/43/EC where -

(a) such an investigation might adversely affect the sovereignty, security or public order of the Republic; or

(b) judicial proceedings have already been initiated in respect of the same actions and against the same persons before the courts of the Republic; or

(c) a judgment has already been passed in respect of the same actions on such persons pursuant to Article 146 of the Constitution.

(14) Person who knowingly breaches the obligation provided for in clause (1) shall commit a criminal offence and shall be subject to imprisonment not exceeding two years or to a fine not exceeding eight thousand Euro or to both such penalties and, in the case of a CyPAOB employee, this breach shall constitute a disciplinary offence which is punishable by a penalty of dismissal from the CyPAOB service: Provided that in the case of a civil servant, any disciplinary prosecution shall be exercised pursuant to the provisions of the Civil Service Law.

PART V

COOPERATION WITH COMPETENT AUTHORITIES FROM THIRD COUNTRIES

Cooperation with competent authorities from third countries.

29. (1) The CyPAOB may allow the transfer to the competent authorities of a third country of audit working papers or other documents held by statutory auditors or audit firms approved by them as well as of inspection or investigation reports regarding such audits, provided that:

(a) those audit working papers or other documents relate to audits of companies which have issued transferable securities in that third country or which form part of a group issuing statutory consolidated financial statements in that third country;

(b) the transfer takes place via the CyPAOB to the competent authorities of that third country and at their justified request;

(c) the competent authorities of the third country concerned meet requirements which have been declared adequate in accordance with clauses (3) and (4);

(d) there are working arrangements on the basis of reciprocity agreed between the CyPAOB and the other competent authorities concerned;

(e) the transfer of personal data to the third country is in accordance with Article 9 of the Processing of Personal Data (Protection of Individuals) Law.

(2) The working arrangements referred to in paragraph (d) of clause (1) of this Article shall ensure that:

138(I) of 2001
37(I) of 2003
105(I) of 2012.

- (a) justification as to the purpose of the request for audit working papers and other documents is provided by the competent authorities of the third country;
 - (b) the persons employed or formerly employed by the competent authorities of the third country that receive the information are subject to obligations of professional secrecy;
 - (c) the protection of the commercial interests of the audited entity, including the industrial and intellectual property, is not put at risk;
 - (d) the competent authorities of the third country may use audit working papers and other documents only for the exercise of their functions of public oversight, quality assurance and investigations that meet requirements equivalent to those of Parts III, XII and XVI;
 - (e) the request from a competent authority of a third country for audit working papers or other documents held by a statutory auditor or audit firm can be refused:
 - (i) where the provision of those working papers or documents would adversely affect the sovereignty, security or public order of the Community or of the Republic;
 - (ii) where judicial proceedings have already been initiated in respect of the same actions and against the same persons before the courts of the Republic;
 - (iii) where the same statutory auditors or audit firms have been judged in respect of the same actions by the competent authorities of the Republic.
- (3) The CyPAOB shall take all necessary measures for its compliance with a decision of the European Commission referred to in Article 47, paragraph 3 of Directive 2006/43/EC.
- (4) In exceptional cases and by way of derogation from clause (1) of this Article, the CyPAOB may allow statutory auditors and audit firms approved by it to transfer audit working papers and other documents directly to the competent authorities of a third country, provided that:
- (a) investigations have been initiated by the competent authorities in that third country; and
 - (b) the transfer does not conflict with the obligations with which statutory auditors and audit firms are required to comply in relation to the transfer of audit working papers and other documents to the competent authorities of the Republic; and
 - (c) there are working arrangements with the competent authorities of the third country that allow the CyPAOB reciprocal direct access to audit working papers and other documents of that third-country's audit entities; and
 - (d) the requesting competent authority of the third country informs in advance the CyPAOB of each direct request for information, indicating the reasons therefor; and

(e) the conditions referred to in clause (2) are respected.

(5) The CyPAOB shall communicate to the European Commission the working arrangements referred to in clauses (1) and (4).

PART VI

RECOGNITION OF BODY OF AUDITORS

Recognition of
body of auditors.

30. (1) The Council of Ministers, on the recommendation of the CyPAOB, may recognise a body of auditors, if it is satisfied that this body -
- (a) implements, in terms of providing approval to its members, the minimum criteria referred to in Articles 33 to 48 regarding the level of qualifications, knowledge and education; and
 - (b) ensures that its members observe the standard of professional ethics, independence, objectivity, confidentiality, professional secrecy required by Part X and the requirements of the same Part regarding remuneration;
 - (c) demonstrably implements a code of conduct, rules of practice and disciplinary proceedings for its members; and
 - (d) is subject to a public oversight system pursuant to Part XII; and
 - (e) has the administrative capability and financial adequacy to perform its tasks and functions and particularly exercise a supervisory role over its members.
- (2) The Council of Ministers, on the recommendation of the CyPAOB, may impose, when recognizing a body of auditors, such terms and conditions as it deems fit so as to ensure the implementation of the requirements of clause (1).

Procedure for the
recognition of
body of auditors.

31. (1) A body of auditors intending to be recognised under Article 30 shall submit a relevant application to the CyPAOB.
- (2) The application shall be accompanied by details and information which the CyPAOB shall determine by a decision thereof which ensure the implementation of the terms and conditions of Article 30.
- (3) Every application shall be accompanied by a true copy of the internal regulations of the body of auditors regarding the application.
- (4) Upon receiving the application under clauses (1) and (2), and before reaching its decision, the CyPAOB may request additional details and information within three months.
- (5) Any information or detail supplied to the CyPAOB under this Article shall be submitted in writing.
- (6) Subject to the provisions of Article 30, within three months from the supply of all information, the CyPAOB may submit to the Council of Ministers a recommendation for the approval of the application submitted under this Article,

either for recognition of the requesting body or for rejection of the application, by communicating its recommendation in writing to the requesting body and providing at the same time any recommended reasons for rejection of the application.

(7) In case the Council of Ministers intends to reject an application for recognition of a body of auditors and there is no other application for recognition or any other already recognised body, the provisions of clause (4) of Article 32 shall apply *mutatis mutandis*.

Withdrawal of a
body of auditors'
licence.

32.

(1) The CyPAOB Board may recommend to the Council of Ministers to withdraw the recognition of a body of auditors once it establishes that the body of auditors does not meet any of the requirements of Article 30.

(2) The Council of Ministers, before withdrawing a body of auditors' licence, shall -

(a) give a notice in writing to the affected body of its intention and the reasons for which it intends to examine such an issue; and

(b) take such measures which it may reasonably consider practical so as to bring its said intention to the attention of all persons that, in its opinion, may be affected by such decision.

(3) The body of auditors to which a notice is given under clause (2) of this Article or any affected person may, within six months from the date of the notice, proceed to written representations to the Council of Ministers via the CyPAOB, which shall be taken duly into consideration by the Council of Ministers before reaching its decision.

(4) Before withdrawing the licence of the recognised body of auditors, the Council of Ministers may grant a period of up to six months in order for the recognised body of auditors to comply with the requirements of Article 30. If the period granted elapses without compliance with the requirements of Article 30, the Council of Ministers shall withdraw the licence.

(5) A Decision by the Council of Ministers for withdrawal of a body of auditors' licence -

(a) shall be communicated to the said body and to all affected persons; and

(b) may contain such transitional provisions as the Council of Ministers deems necessary; such provisions are particularly necessary in case the body of auditors whose licence is withdrawn is the only body recognised under this Law.

(6) The CyPAOB -

(a) may, in the case of withdrawal of a body of auditors' licence, or

(b) shall, in the case of withdrawal of a licence of a body of auditors that is the only body recognised under this Law,

undertake to designate a responsible body that shall undertake temporarily all or some of the functions of this body, until another body of auditors is recognised, including the body whose licence was withdrawn.

This clause shall apply *mutatis mutandis* in the cases where an application for recognition of a body of auditors is rejected provided that there is no other similar application by another body or there is no other recognised body of auditors.

PART VII

APPROVAL, CONTINUING EDUCATION AND MUTUAL RECOGNITION

- Approval. 33. (1) A statutory audit shall be carried out only by statutory auditors or audit firms which are approved under this Law.
- (2) The CyPAOB shall be designated as the competent authority which shall be responsible for approving statutory auditors and audit firms in the Republic.
- (3) In the approval granted -
- (a) the statutory auditor shall be referred to as “Certified Public Accountant and Registered Auditor”;
- (b) the statutory audit firm shall be referred to as “Certified Public Accountants and Registered Auditors”.
- Good repute. 34. The Board of Directors may grant approval only to natural persons or audit firms of good repute.
- Approval of audit firms. 35. (1) Without prejudice to Article 34, the Board may approve as statutory firms only the entities that cumulatively satisfy the following conditions:
- (a) the natural persons who carry out statutory audits on behalf of an audit firm must be approved as statutory auditors in the Republic under Article 40;
- (b) a majority of the voting rights in an entity must be held either by audit firms which are approved in any Member State or by natural persons who satisfy at least the conditions imposed by Articles 34 and 40 to 44;
- (c) a majority — up to a maximum of 75 % — of general partners in the case of partnership or of the members of the board of directors in the case of a company, or of the members of the administrative or management body in the case of another type of legal person or entity, must be audit firms which are approved in any Member State or natural persons who satisfy at least the conditions imposed by Articles 40 to 44.
- Provided that, where general partners in the case of partnership, or the members of the board of directors in the case of a company, or the members of the administrative or management body in the case of another type of legal person or

entity, are no more than two, at least one of them must satisfy the conditions of this paragraph.

(2) Audit firms approved shall take such measures and proceed to such arrangements to ensure that they are in a position to satisfy the conditions for damages against it arising from negligence while conducting an audit engagement. These measures or arrangements should include professional indemnity insurance cover, whose minimum limits shall be determined by the CyPAOB.

Carrying out of statutory audit by non-approved natural and legal persons.

36. A person acting in breach of clause (1) of Article 33 shall commit a criminal offence and in case of conviction, shall be subject to a fine not exceeding two-hundred thousand Euro (€200.000) and/or imprisonment not exceeding three years.

Liability of auditors and liability limitation agreements.

37. (1) Unless a relevant agreement provides otherwise, the amount of liability of a statutory auditor, with regard to negligence, breach of duty or trust, during the carrying out of statutory audit of the financial statements of the audited entity, for which the statutory auditor may be guilty against the company, may not exceed the agreed amount of the statutory auditor's remuneration for the financial year to which that statutory audit pertains in respect of which the statutory auditor is guilty of negligence or breach of duty or trust, multiplied by seven.

(2) Any lawsuit for claim for damages regarding negligence, breach of duty or trust on the part of the auditor may not be filed after the completion of four years from the date of issue of the auditor's report by virtue of Article 69.

(3) This Article shall not apply in the case of intentional breach of the statutory auditor's professional duties.

Recognition of audit firms.

38. (1) By way of derogation from clause (1) of Article 33, a statutory audit firm approved in another Member State has the right to carry out statutory audits in the Republic provided the key audit partner carrying out the statutory audit in the name of the said audit firm is an approved statutory auditor in the Republic under Article 40.

(2)(a) The statutory audit firm wishing to carry out statutory audits in the Republic under clause (1) shall be entered in the Public Register.

(b) The CyPAOB shall register in the Public Register a statutory audit firm referred to in paragraph (a) if it concludes that the said statutory audit firm is registered in the competent authority of the other Member State. Where the CyPAOB intends to rely on a certificate certifying the registration of the statutory audit firm in the other Member State, it may request that this certificate is issued within the three months prior to the date of its submission to the CyPAOB. The CyPAOB shall inform the

Withdrawal of approval of statutory audit firm.

39. (1) The CyPAOB shall withdraw the approval of the statutory audit firm if the good repute of that firm has been seriously compromised.
- (2) Before withdrawing the approval of a statutory audit firm, the CyPAOB may grant a period of up to six months during which the statutory audit firm should restore the questioning of its good repute. If the period granted elapses and, at the CyPAOB's discretion, the good repute of the statutory audit firm has not been restored, the CyPAOB shall withdraw the approval and remove the statutory audit firm from the Public Register.
- (3) The CyPAOB may withdraw the approval of a statutory audit firm if the latter ceases to satisfy any of the conditions of paragraphs (b) and (c) of clause (1) of Article 35.
- (4) Where the approval of a statutory audit firm is withdrawn for any reason, the CyPAOB shall communicate that fact and the reasons for the withdrawal to the competent authorities of the Member State in the register of which the statutory audit firm has been entered.

Approval of natural persons.

40. (1) The Board may approve as a statutory auditor only a natural person who satisfies at least the conditions referred to in Articles 34, 41 and 42 as well as the following conditions:
- (a) he or she has attained university entrance or equivalent level and completed a course of theoretical instruction,
- (b) he or she passed an examination of professional competence of university final or equivalent examination level, recognised by the CyPAOB;
- (c) he or she has undergone practical training referred to in Article 44.
- (2) The CyPAOB shall fulfil its obligations as a competent authority under Article 6, second clause, of Directive 2006/43/EC.
- (3) The natural person approved shall take such measures and proceed to such arrangements to ensure that he or she is in a position to satisfy the conditions for damages against him or her arising from negligence while conducting an audit work. These measures or arrangements should include professional indemnity insurance cover, whose minimum limits shall be determined by the CyPAOB.
- (4) All statutory auditors shall be obliged to become a member of a recognised body of auditors within three months from being approved under this Article.

- Examination of professional competence. 41. (1) The examination of professional competence referred to in paragraph (b) of clause (1) of Article 40 shall guarantee -
- (a) the necessary level of theoretical knowledge of subjects relevant to statutory audit; and
 - (b) the ability to apply such knowledge in practice.
- (2) Part at least of that examination shall be written.
- Test of theoretical knowledge. 42. (1) The test of theoretical knowledge referred to in paragraph (a) of clause (1) of Article 41 and included in the examination, shall cover the following subjects in particular:
- (a) general accounting theory and principles;
 - (b) legal requirements and standards relating to the preparation of annual and consolidated financial statements;
 - (c) International Accounting Standards;
 - (d) financial analysis;
 - (e) cost and management accounting;
 - (f) risk management and internal control;
 - (g) auditing and professional skills;
 - (h) legal requirements and professional standards relating to statutory audit and statutory auditors;
 - (i) international auditing standards in accordance with Article 67;
 - (j) professional ethics and independence.
- (2) The test of theoretical knowledge referred to in clause (1) shall also cover at least the following subjects insofar as they are relevant to statutory audit:
- (a) company law and corporate governance;
 - (b) the law of insolvency and similar procedures;
 - (c) tax law;
 - (d) civil and commercial law;
 - (e) social security law and employment law;
 - (f) information technology and computer systems;
 - (g) business, general and financial economics;
 - (h) mathematics and statistics;
 - (i) basic principles of the financial management of undertakings.
- Exemptions. 43. (1) By way of derogation from Articles 41 and 42, the Board may provide that a person who has passed a university or equivalent examination or holds a university degree or equivalent qualification in one or more of the subjects referred to in

Article 42 may be exempted from the test of theoretical knowledge in the subjects covered by that examination or degree.

(2) By way of derogation from Article 41, the Board may provide that a holder of a university degree or equivalent qualification in one or more of the subjects referred to in Article 42 may be exempted from the test of the ability to apply in practice his or her theoretical knowledge of such subjects if he or she has received practical training in those subjects attested by an examination or diploma recognised by the Republic.

Practical training. 44. (1) In order to ensure the ability to apply theoretical knowledge in practice, a test of which is included in the examination, the natural person shall complete a minimum of three years' practical training in, *inter alia*, the auditing of annual financial statements, consolidated financial statements or similar financial statements.

(2) At least two thirds of such practical training shall be completed with a statutory auditor or audit firm approved in any Member State.

(3) The Board may, at its discretion and in any manner possible, consider during the entire duration of the practical training and in the context of the objective purpose of practical training, the adequacy of the content of practical training and the adequacy of the supervision of the persons, including statutory auditors, who undertake the supervision of trainees.

Continuing education. 45. In order to maintain the approval, statutory auditors are required to take part in appropriate programmes of continuing education in order to maintain their theoretical knowledge, professional skills and values at a sufficiently high level. Failure to respect the continuing education requirements constitutes a disciplinary offence punishable in accordance with Part XVI.

Approval of statutory auditors from other Member States. 31(I) of 2008. 46. (1) A statutory auditor approved in another Member State has the right to be approved in the Republic on condition that he or she is successful in the aptitude test in accordance with Article 4 of the Recognition of Professional Qualifications Law.

(2) The aptitude test referred to in clause (1) –

(a) shall be conducted in one of the official languages of the Republic; and

(b) shall cover only the statutory auditor's adequate knowledge of the laws and regulations of the Republic in so far as relevant to statutory audits.

(3) The CyPAOB shall fulfil its obligations as a competent authority under Article 14, paragraph 3 of Directive 2006/43/EC.

Approval of statutory auditors from third countries. 47. (1) Subject to reciprocity, the Board may approve a third-country auditor as statutory auditor if that person has furnished proof that he or she complies with requirements equivalent to those laid down in Article 40.

(2) The Board shall, before granting approval to a third-country auditor who meets the requirements of clause (1), apply the requirements laid down in Article 46.

Withdrawal of approval of statutory auditor. 48.

(1) The CyPAOB shall withdraw the approval of the statutory auditor if the good repute of that auditor has been seriously compromised.

(2) Before withdrawing the approval of a statutory auditor, the CyPAOB may grant a period of up to six months during which the statutory auditor should restore the questioning of its good repute. If the period granted elapses and the good repute of the statutory auditor has not been restored, the CyPAOB shall withdraw the approval and remove the statutory auditor from the Public Register.

(3) Where the approval of a statutory audit firm is withdrawn for any reason, the CyPAOB shall communicate that fact and the reasons for the withdrawal to the competent authorities of the Member States in the register of which the statutory audit firm has been entered.

(4) The CyPAOB Board may withdraw the approval of a statutory auditor if the latter ceases to satisfy any of the conditions of clause (1) of Article 40.

PART VIII

PUBLIC REGISTER

Public Register. 49. (1) The statutory auditors and audit firms are entered in a Public Register kept by the CyPAOB in accordance with Articles 50 and 51.

(2) In exceptional circumstances, the CyPAOB may disapply the requirements laid down in this Article and in Article 50 regarding disclosure only to the extent necessary to mitigate an imminent and significant threat to the personal security of any person.

(3) Each statutory auditor and audit firm is identified in the Public Register by an individual number (register number).

(4) The Public Register shall be kept in electronic form and shall be electronically accessible to the public.

(5) The Public Register shall contain the name and address of the CyPAOB.

Registration of statutory auditors. 50.

(1) As regards statutory auditors, the Public Register shall contain at least the following information:

(a) name, address and registration number;

Registration of
audit firms.

51.

(b) if applicable, the name, address, website address and registration number of the statutory audit firm by which the statutory auditor is employed, or with whom he or she is associated as a partner or otherwise;

(c) all other registrations as statutory auditor with the competent authorities of other Member States and as auditor with third countries, including the name of the registration authority in the Public Register, and, if applicable, the registration number.

(2) Third-country auditors entered in the Public Register in accordance with Article 55 shall be clearly indicated in the register as such and not as statutory auditors.

(1) As regards statutory audit firms, the Public Register shall contain at least the following information:

(a) name, address and registration number;

(b) legal form;

(c) contact information, the primary contact person and, where applicable, the website address;

(d) address of each office of statutory audit firm in the Republic;

(e) name and registration number of all statutory auditors employed by or associated as partners or otherwise with the audit firm;

(f) names and business addresses of all owners and shareholders;

(g) names and business addresses of all members of the administrative or management body;

(h) if applicable, the membership of a network and a list of the names and addresses of member firms and affiliates or an indication of the place where such information is publicly available;

(i) all other registrations in the Public Register as audit firm with the competent authorities of other Member States and as audit entity with third countries, including the name of the registration authority in the Public Register, and, if applicable, the registration number.

(j) where applicable, whether the statutory audit firm is registered pursuant to clause (2) of Article 38.

(2) Third-country audit entities registered in the Public Register in accordance with Article 55 shall be clearly indicated in the Public Register as such and not as audit firms.

(3) The CyPAOB may request any clarification it deems necessary regarding the updating of the Public Register or additional information for its updating.

- Updating of registration information. 52. Statutory auditors and audit firms shall be exclusively responsible for the submission to the CyPAOB without delay of the information provided for in Articles 50 and 51, respectively, and for notifying the CyPAOB within seven calendar days of any change thereof.
- Responsibility for registration information. 53. The information provided for in Articles 50 to 52 regarding its submission to the CyPAOB shall be signed by the statutory auditor or audit firm.
- Language of Public Register. 54. The information provided for in Articles 50 to 52 entered in the Public Register shall be drawn up in one of the official languages of the Republic and translated in the English language. The CyPAOB shall state whether the translation is to be certified or not.

PART IX

REGISTRATION AND OVERSIGHT OF THIRD-COUNTRY AUDITORS AND AUDIT FIRMS

- Registration and oversight of third-country auditors and audit entities. 55. (1) The Board shall, in accordance with Articles 49 to 51, enter in the Public Register every third-country auditor and audit firm provided the said third-country auditor and audit firm provides an audit report concerning the annual or consolidated financial statements of a company incorporated outwith the Community whose transferable securities are admitted to trading on an organised market or a regulated market of the Republic within the meaning given to this term in Article 2 of the Investment Services and Activities and Regulated Markets Laws as amended, except when the company is an issuer exclusively of debt securities and for which the following apply:
- (a) They have been admitted to trading on an organised or regulated market of any Member State, within the meaning given to this term in Article 2 of the Investment Services and Activities and Regulated Markets Laws as amended prior to 31 December 2010 and the denomination per unit of which is at least EUR 50.000 or, in case of debt securities denominated in another currency, equivalent, at the date of issue, to at least EUR 50.000;
- (a) They have been admitted to trading on an organised or regulated market of any Member State, within the meaning given to this term in Article 2 of the Investment Services and Activities and Regulated Markets Laws as amended prior to 31 December 2010 and the denomination per unit of which is at least EUR 100.000 or, in case of debt securities denominated in another currency, equivalent, at the date of issue, to at least EUR 100.000.
- (2) For the purposes of this Article, Articles 52 and 53 shall apply *mutatis mutandis*.

(3) Registered third-country auditors and audit entities shall be subject to the systems of oversight, quality assurance systems and systems of investigation and penalties of the Republic.

(4) Without prejudice to Article 56, audit reports concerning annual or consolidated financial statements referred to in clause (1) of this Article issued by third-country auditors or audit firms that are not registered in the Public Register shall have no legal effect in the Republic.

(5) The Board may register a third-country audit firm in the Public Register only if:

(a) the majority of the members of the administrative or management body of the third-country audit entity meet requirements which are equivalent to those laid down in Article 34 and Articles 40 to 44;

(b) the third-country auditor carrying out the audit on behalf of the third-country audit entity meets requirements which are equivalent to those laid down in Article 34 and Articles 40 to 44;

(c) the audits of the annual or consolidated financial statements referred to in clause (1) of this Article are carried out in accordance with the international auditing standards referred to in Article 67, as well as the requirements laid down in Articles 58, 60 and 65, or equivalent standards and requirements;

(d) it publishes on its website an annual transparency report which includes the information referred to in Article 13 of Regulation (EU) No 537/2014 or complies with equivalent disclosure requirements.

(6) The Board may enter in the Public Register a third-country auditor only if he or she satisfies the conditions laid down in paragraphs (b), (c) and (d) of clause (5).

(7) The CyPAOB may assess the equivalence referred to in paragraph (c) of clause (5) of this Article as long as the European Commission has not taken any such decision in accordance with Article 45, paragraph 6 of Directive 2006/43/EC.

(8) The CyPAOB shall use, in relation to all third countries, such type of general equivalence criteria as set out by the European Commission in accordance with Article 45, paragraph 6, second clause of Directive 2006/43/EC where the CyPAOB assesses the equivalence at national level.

Derogation in the case of equivalence. 56.

(1) The CyPAOB may disapply or modify the requirements in clauses (1) and (3) of Article 55 on the basis of reciprocity only if the third-country auditors or audit entities are subject to systems of public oversight, quality assurance and investigations and penalties in the third country that meet requirements equivalent to those of Parts IV, XI and XVI.

(2) Where the European Commission recognises, by virtue of Article 46, paragraph 2 of Directive 2006/43/EC, the equivalence referred to in clause (1) of this Article, the CyPAOB may rely on such equivalence partially or entirely and thus disapply or modify the requirements of clauses (1) and (3) of Article 55 partially or entirely.

(4) The CyPAOB shall use the general criteria enacted by the European Commission by virtue of Article 46, paragraph 2 of Directive 2006/43/EC when assessing equivalence based on the requirements provided for in Parts VI, XI and XVI at national level, in case of absence of decision by the Commission in relation to the country under examination.

(5) The CyPAOB shall communicate to the European Commission -

(a) the assessments of the equivalence referred to in clauses (2) to (4); and

(b) the main elements of its cooperative arrangements with third-country systems of public oversight, quality assurance and investigations and penalties, on the basis of clause (1).

PART X

PROFESSIONAL ETHICS, INDEPENDENCE, OBJECTIVITY, CONFIDENTIALITY AND PROFESSIONAL SECRECY

Professional
ethics and
skepticism.

57. (1) All statutory auditors and audit firms shall be subject to principles of professional ethics, covering at least their public-interest function, their integrity and objectivity and their professional competence and due care.
- (2) The statutory auditors and audit firms shall comply -
- (a) without prejudice to paragraph (b), with the Code of Ethics, or
- (b) with measures which are based on the principles of professional ethics and enacted by the European Commission.
- (3) When the statutory auditor or the audit firm carries out the statutory audit, he, she or it shall maintain professional skepticism throughout the audit, recognizing the possibility of material misstatement or error due to facts or behaviour indicating irregularities, including fraud or error, notwithstanding the statutory auditor's or the audit firm's past experience of the honesty and integrity of the audited entity's management and of the persons charged with its governance.
- (4) The statutory auditor and the audit firm shall maintain professional skepticism in particular when reviewing management estimates relating to fair values, the impairment of assets, provisions and future cash flows relevant to the entity's ability to continue as a going concern.

Independence
and objectivity.

58.

(5) For the purposes of this Article, “professional skepticism” means an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud and a critical assessment of audit evidence.

(1) When carrying out a statutory audit, a statutory auditor or an audit firm, and any natural person in a position to directly or indirectly influence the outcome of the statutory audit, shall be independent of the audited entity and shall not be involved in the decision-taking of the audited entity.

(2) The statutory auditor and audit firm and any natural person in a position to directly or indirectly influence the outcome of the statutory audit, shall be independent of the audited entity during both the period covered by the financial statements to be audited and the period during which the statutory audit is carried out.

(3) The statutory auditor and audit firm shall take all necessary steps to ensure that, when carrying out a statutory audit, his, her or its independence is not affected by any existing or potential conflict of interest or business or other direct or indirect relationship involving the statutory auditor or the audit firm carrying out the statutory audit and, where appropriate, its network, managers, auditors, employees, any other natural persons whose services are placed at the disposal or under the control of the statutory auditor or the audit firm or any person directly or indirectly linked to the statutory auditor or the audit firm by control.

(4) The statutory auditor and the audit firm shall not carry out a statutory audit if there is any threat of self-review, self-interest, advocacy, familiarity or intimidation created by financial, personal, business, employment or other relationship between

-

(a) the statutory auditor, the audit firm, its network and any natural person in a position to influence the outcome of the statutory audit, and

(b) the audited entity,

as a result of which an objective, reasonable and informed third party, taking into account the safeguards applied – would conclude that the statutory auditor's or the audit firm's independence is compromised.

(5) The statutory auditor, the audit firm, key audit partners, employees and any other natural person whose services are placed at the disposal or under the control of such statutory auditor or audit firm and who is directly involved in statutory audit activities, and persons closely associated with them within the meaning of Article 3, paragraph, point 26 of Regulation (EU) No 596/2014, shall not hold or have a material and direct beneficial interest in, or engage in any transaction in any

financial instrument issued, guaranteed, or otherwise supported by, the audited entity, within their area of statutory audit activities, other than interests owned indirectly through diversified collective investment schemes, including managed funds, such as pension funds and life insurance.

(6) The statutory auditor and audit firm shall document in the audit working papers all significant threats to his, her or its independence as well as the safeguards applied to mitigate those threats.

(7) The persons or firms referred to in clause (5) shall not participate in or otherwise influence the outcome of a statutory audit of any audited entity if they -

(a) own financial instruments of the audited entity, other than interests owned indirectly through diversified collective investment schemes;

(b) own financial instruments of any entity related to an audited entity, the ownership of which may cause or may be generally perceived as causing a conflict of interest, other than interests owned indirectly through diversified collective investment schemes;

(c) have had an employment, or a business or other relationship with that audited entity within the period referred to in clause (2) that may cause or may be generally perceived as causing a conflict of interest.

(8) Persons or firms referred to in clause (5) shall not solicit or accept pecuniary and no-pecuniary gifts or favours from the audited entity or any entity related to an audited entity unless an objective, reasonable and informed third party would consider the value thereof as trivial or inconsequential.

(9) If, during the period covered by the financial statements, an audited company is acquired by, merges with or acquires another entity, the statutory auditor or the audit firm shall identify and evaluate any current or recent interests or relationships, including any non-audit services provided to that entity, which, taking into account available safeguards, could compromise the auditor's and the audit firm's independence and ability to continue with the statutory audit after the effective date of the merger or acquisition.

(10) As soon as possible and in any event within three months, the statutory auditor or the audit firm shall take all such steps as may be necessary to terminate any current interests or relationships that would compromise its independence and shall, where possible, adopt safeguards to minimise any threat to its independence arising from prior and current interests and relationships.

Employment of former statutory auditors or

59.

(1) A statutory auditor or a key audit partner who carries out a statutory audit on behalf of a statutory audit shall not, before a period of at least one year, or in the

employees of statutory auditors or audit firms by audited entities.

case of statutory audit of public-interest entities a period of at least two years, has elapsed since he or she ceased to act as a statutory auditor or key audit partner in connection with the audit engagement:-

- (a) take up a key management position in the audited entity;
- (b) where applicable, become a member of the audit committee of the audited entity or, where such committee does not exist, of the body performing equivalent functions to an audit committee;
- (c) become a non-executive member of the administrative body or a member of the supervisory body of the audited company.

(2) Employees and partners other than key audit partners of a statutory auditor or of an audit firm carrying out a statutory audit, as well as any other natural person whose services are placed at the disposal or under the control of such statutory auditor or audit firm, shall not, when such employees, partners or other natural persons are personally approved as statutory auditors, take up any of the duties referred to in clause (1) of this Article before a period of at least one year has elapsed since he or she was directly involved in the statutory audit engagement.

Preparation for the statutory audit and assessment of threats to independence.

60.

(1) Before accepting or continuing an engagement for a statutory audit, a statutory auditor or an audit firm shall assess and document the following:

- (a) whether he, she or it complies with the requirements of Article 58;
- (b) whether there are threats to his, her or its independence and the safeguards applied to mitigate those threats;
- (c) whether he, she or it has the competent employees, time and resources needed in order to carry out the statutory audit in an appropriate manner;
- (d) whether, in the case of an audit firm, the key audit partner is approved as statutory auditor in the Republic.

(2) The CyPAOB may provide simplified requirements for the audits referred in points (b) and (c) of the definition of the term “statutory audit” in clause (1) of Article 2.

Confidentiality and professional secrecy.

61.

(1) All information and documents to which a statutory auditor or audit firm has access when carrying out a statutory audit shall be protected by adequate rules on confidentiality and professional secrecy issued by the CyPAOB or the recognised bodies of auditors of the Republic.

(2) Confidentiality and professional secrecy rules relating to statutory auditors or audit firms shall not impede enforcement of the provisions of this Law or of Regulation (EU) No 537/2014.

(3) Where a statutory auditor or an audit firm is replaced by another statutory auditor or audit firm, the former statutory auditor or audit firm shall provide the incoming statutory auditor or audit firm with access to all relevant information concerning the audited entity and the most recent audit of that entity.

(4) A statutory auditor or audit firm who has ceased to be engaged in a particular audit assignment and a former statutory auditor or audit firm shall remain subject to the provisions of clauses (1) and (2) with respect to that audit assignment.

(5) Where a statutory auditor or an audit firm carries out a statutory audit of an undertaking which is part of a group whose parent undertaking is situated in a third country, the confidentiality and professional secrecy rules referred to in clause (1) shall not impede the transfer by the statutory auditor or the audit firm of relevant documentation concerning the audit work performed to the group auditor situated in a third country if such documentation is necessary for the performance of the audit of consolidated financial statements of the parent undertaking.

(6) A statutory auditor or an audit firm that carries out the statutory audit of an undertaking which has issued securities in a third country, or which forms part of a group issuing statutory consolidated financial statements in a third country, may only transfer the audit working papers or other documents relating to the audit of that entity that he, she or it holds to the competent authorities in the relevant third countries under the conditions set out in Article 29.

(7) The transfer of information to the group auditor situated in a third country shall comply with Article 9 of the Processing of Personal Data (Protection of the Individuals) Laws and the applicable Cypriot rules on personal data protection.

Independence and objectivity of the statutory auditors carrying out the statutory audit on behalf of audit firms.

62. The owners or shareholders of an audit firm as well as the members of the administrative, management and supervisory bodies of such a firm, or of an affiliated firm, shall not intervene in the execution of a statutory audit in any way which jeopardises the independence and objectivity of the statutory auditor who carries out the statutory audit on behalf of the audit firm.

Internal organisation of statutory auditors and audit firms.

63. (1) A statutory auditor or an audit firm shall:

(a) establish appropriate policies and procedures to ensure that its owners or shareholders, as well as the members of the administrative, management and supervisory bodies of the firm, or of an affiliate firm, do not intervene in the carrying out of a statutory audit in any way which jeopardises the independence and

objectivity of the statutory auditor who carries out the statutory audit on behalf of the audit firm;

(b) have sound administrative and accounting procedures, internal quality control mechanisms, effective procedures for risk assessment, and effective control and safeguard arrangements for information processing systems. Those internal quality control mechanisms shall be designed to secure compliance with decisions and procedures at all levels of the audit firm or of the working structure of the statutory auditor;

(c) establish appropriate policies and procedures to ensure that his, her or its employees and any other natural persons whose services are placed at his, her or its disposal or under his, her or its control, and who are directly involved in the statutory audit activities, have appropriate knowledge and experience for the duties assigned;

(d) establish appropriate policies and procedures to ensure that outsourcing of important audit functions is not undertaken in such a way as to impair the quality of the statutory auditor's or the audit firm's internal quality control and the ability of the competent authorities to supervise the statutory auditor's or the audit firm's compliance with the obligations laid down in this Law and, where applicable, in Regulation (EU) No 537/2014;

(e) establish appropriate and effective organisational and administrative arrangements to prevent, identify, eliminate or manage and disclose any threats to their independence as referred to in Articles 58, 59 and 60;

(f) establish appropriate policies and procedures for carrying out statutory audits, coaching, supervising and reviewing employees activities and organising the structure of the audit file as referred to in clause (8) of Article 64;

(g) establish an internal quality control system to ensure the quality of the statutory audit. The quality control system shall at least cover the policies and procedures described in point (f). In the case of an audit firm, responsibility for the internal quality control system shall lie with a person who is qualified as a statutory auditor;

(h) use appropriate systems, resources and procedures to ensure continuity and regularity in the carrying out of his, her or its statutory audit activities;

(i) establish appropriate and effective organisational and administrative arrangements for dealing with and recording incidents which have, or may have, serious consequences for the integrity of his, her or its statutory audit activities;

(j) have in place adequate remuneration policies, including profit-sharing policies, providing sufficient performance incentives to secure audit quality. In particular, the

amount of revenue that the statutory auditor or the audit firm derives from providing non-audit services to the audited entity shall not form part of the performance evaluation and remuneration of any person involved in, or able to influence the carrying out of, the audit;

(k) monitor and evaluate the adequacy and effectiveness of his, her or its systems, internal quality control mechanisms and arrangements established in accordance with this Law and, where applicable, Regulation (EU) No 537/2014 and take appropriate measures to address any deficiencies. A statutory auditor or an audit firm shall in particular carry out an annual evaluation of the internal quality control system, referred to in point (g). A statutory auditor or an audit firm shall keep records of the findings of that evaluation and any proposed measure to modify the internal quality control system.

(2) The policies and procedures referred to in the clause(1) shall be documented and communicated to the employees of the statutory auditor or the audit firm.

(3) The CyPAOB may, at its discretion, provide simplified requirements and criteria for the audits referred in paragraphs (b) and (c) of the definition of the term “statutory audit” in clause (1) of Article 2.

(4) Any outsourcing of audit functions as referred to in point (d) of clause (1) shall not affect the responsibility of the statutory auditor or the audit firm towards the audited entity.

(5) The statutory auditor or the audit firm shall take into consideration the scale and complexity of his, her or its activities when complying with the requirements set out in clause (1).

(6) The statutory auditor or the audit firm shall be able to demonstrate to the CyPAOB that the policies and procedures designed to achieve compliance with the requirements provided for in clause (1) are appropriate given the scale and complexity of activities of the statutory auditor or the audit firm.

Organisation of
the work.

64.

(1) When the statutory audit is carried out by an audit firm, that audit firm shall designate at least one key audit partner. The audit firm shall provide the key audit partner(s) with sufficient resources and with personnel that have the necessary competence and capabilities to carry out his, her or its duties appropriately.

(2) Securing audit quality, independence and competence shall be the main criteria when the audit firm selects the key audit partner to be designated.

(3) The key audit partner shall be actively involved in the carrying-out of the statutory audit.

(4) When carrying out the statutory audit, the statutory auditor shall devote sufficient time to the engagement and shall assign sufficient resources to enable him or her to carry out his or her duties appropriately.

(5) The statutory auditor or the audit firm shall keep records of any breaches of the provisions of this Law and, where applicable, of Regulation (EU) No 537/2014, of any consequence of any breach, including the measures taken to address such breach and to modify their internal quality control system. They shall also prepare an annual report containing an overview of any such measures taken and shall communicate that report internally.

(6) When a statutory auditor or an audit firm asks external experts for advice, he, she or it shall document the request made and the advice received.

(7) A statutory auditor or an audit firm shall maintain a client account record. Such record shall include the following data for each audit client:

(a) the name, the address and the place of business;

(b) in the case of an audit firm, the name(s) of the key audit partner(s);

(c) the fees charged for the statutory audit and the fees charged for other services in any financial year.

(8) A statutory auditor or an audit firm shall create an audit file for each statutory audit and document at least the data recorded pursuant to clause (1) of Article 60 of this Law, and, where applicable, Articles 6 to 8 of Regulation (EU) No 537/2014.

(9) The statutory auditor or the audit firm shall retain any other data and documents that are of importance in support of the report referred to in Article 69 of this Law and, where applicable, Articles 10 and 11 of Regulation (EU) No 537/2014 and for monitoring compliance with this Directive and other applicable legal requirements.

(10) The audit file shall be closed by the statutory auditor or the audit firm no later than 60 days after the date of signature of the audit report referred to in Article 69 of this Law and, where applicable, Article 10 of Regulation (EU) No 537/2014.

(11) The statutory auditor or the audit firm shall keep records of any complaints made in writing about the performance of the statutory audits carried out.

(12) The CyPAOB may lay down simplified requirements with regard to clauses (5), (6) and (11) for the audits referred to in paragraphs (b) and (c) of the definition of the term “statutory audit” in clause (1) of Article 2.

Audit fees.

65.

Fees for statutory audits by a statutory auditor or audit firm:

(a) shall not be influenced or determined by the provision of additional services to the audited entity; and

(b) cannot be based on any form of contingency.

Scope of the statutory audit. 66. Without prejudice to the reporting requirements referred to in Article 69 of this Law and, where applicable, Articles 10 and 11 of Regulation (EU) No 537/2014, the scope of the statutory audit shall not include assurance on the future viability of the audited entity or on the efficiency or effectiveness with which the management or administrative body has conducted or shall conduct the affairs of the entity.

PART XI

AUDITING STANDARDS AND AUDIT REPORTING

Auditing standards. 67. (1) Statutory auditors and audit firms shall carry out statutory audits in compliance with international auditing standards adopted by the European Commission in accordance with Article 26, paragraph 1 of Directive 2006/43/EC.

(2) As long as the Commission has not adopted an international auditing standard covering the same subject-matter, statutory auditors and audit firms may apply the auditing standards they applied at the effective date of this Law.

(3) For the purposes of clause (1), “international auditing standards” means International Standards on Auditing (ISAs), International Standard on Quality Control (ISQC 1) and other related Standards issued by the International Federation of Accountants (IFAC) through the International Auditing and Assurance Standards Board (IAASB), in so far as they are relevant to the statutory audit.

(4) During the statutory audit of small undertakings, the application of the auditing standards referred to in clauses (1) and (2) is to be proportionate to the scale and complexity of the activities of such undertakings. The CyPAOB may take measures in order to ensure the proportionate application of the auditing standards to the statutory audits of small undertakings.

Statutory audits of consolidated financial statements. 68. (1) In the case of statutory audit of the consolidated financial statements of a group of undertakings:

(a) in relation to the consolidated financial statements, the group auditor shall bear the full responsibility for the audit report referred to in Article 69 of this Law and, where applicable, Article 10 of Regulation (EU) No 537/2014 and for, where applicable, the additional report to the audit committee as referred to in Article 11 of Regulation (EU) No 537/2014;

(b) the group auditor shall evaluate the audit work performed by any third-country auditors or statutory auditors and third-country audit entities, or audit firms for the purpose of the group audit, and document the nature, timing and extent of the work

performed by those auditors, including, where applicable, the group auditor's review of relevant parts of those auditors' audit documentation;

(c) the group auditor shall review the audit work performed by third-country auditors or statutory auditors and third-country audit entities or audit firms for the purpose of the group audit and documents it.

(2) The documentation retained by the group auditor shall be such as to enable the CyPAOB to review the work of the group auditor.

(3) For the purposes of point (c) of clause (1), the group auditor shall request the agreement of the third-country auditors, statutory auditors, third-country audit entities or audit firms concerned to the transfer of relevant documentation during the conduct of the audit of consolidated financial statements, as a condition of the reliance by the group auditor on the work of those third-country auditors, statutory auditors, third-country audit entities or audit firms.

(4) Where the group auditor is unable to comply with paragraph (c) of clause (1), he, she or it shall take appropriate measures and inform the CyPAOB.

(5) The measures referred to in clause (4) shall, as appropriate, include carrying out additional statutory audit work, either directly or by outsourcing such tasks, in the relevant subsidiary.

(6) Where the group auditor is subject to a quality assurance review or an investigation concerning the statutory audit of the consolidated financial statements of a group of undertakings, the group auditor shall, when requested, make available to the competent authority the relevant documentation he, she or it retains concerning the audit work performed by the respective third-country auditors, statutory auditors, third-country audit entities or audit firms for the purpose of the group audit, including any working papers relevant to the group audit.

(7) The CyPAOB may request additional documentation on the audit work performed by any statutory auditors or audit firms for the purpose of the group audit from the relevant competent authorities pursuant to Article 28.

(8) Where a parent undertaking or a subsidiary undertaking of a group of undertakings is audited by an auditor or auditors or an audit entity from a third country, the CyPAOB may request additional documentation on the audit work performed by any third-country auditor or third country audit entity from the relevant competent authorities from third countries through the working arrangements referred to in Article 29.

(9) By way of derogation from clause (8), where a parent undertaking or a subsidiary undertaking of a group of undertakings is audited by an auditor or

auditors or an audit entity or entities from a third country that has no working arrangements as referred to in Article 29, the group auditor shall, when requested, also be responsible for ensuring proper delivery of the additional documentation of the audit work performed by such third-country auditor or audit entity, including the working papers relevant to the group audit.

(10) In order to ensure the delivery referred to in clause (9), the group auditor shall retain a copy of such documentation, or alternatively agree with the third-country auditor or audit entity that he, she or it is to be given unrestricted access to such documentation upon request, or take any other appropriate action. Where audit working papers cannot, for legal or other reasons, be passed from a third country to the group auditor, the documentation retained by the group auditor shall include evidence that he or she has undertaken the appropriate procedures in order to gain access to the audit documentation, and in the case of impediments other than legal ones arising from the legislation of the third country concerned, evidence supporting the existence of such impediments.

Audit Reporting. 69.

(1) The statutory auditors or the audit firms shall present the results of the statutory audit in an audit report. The report shall be prepared in accordance with the requirements of auditing standards referred to in clause (1) or (2) of Article 67.

(2) The audit report referred to in clause (1) shall be in writing and shall:

(a) (i) identify the entity whose annual or consolidated financial statements are the subject of the statutory audit; and

(ii) specify the annual or consolidated financial statements and the date and period they cover; and

(iii) identify the financial reporting framework that has been applied in their preparation;

(b) include a description of the scope of the statutory audit which shall, as a minimum, identify the auditing standards in accordance with which the statutory audit was conducted;

(c) include an audit opinion, which shall be either unqualified, qualified or an adverse opinion and shall state clearly the opinion of the statutory auditors or the audit firms as to:

(i) whether the annual financial statements give a true and fair view in accordance with the relevant financial reporting framework; and,

(ii) where appropriate, whether the annual financial statements comply with statutory requirements:

Provided that, if the statutory auditors or the audit firms are unable to express an audit opinion, the report shall contain a disclaimer of opinion;

(d) refer to any other matters to which the statutory auditors or the audit firms draw attention by way of emphasis without qualifying the audit opinion;

(e) include an opinion and statement, both of which shall be based on the work undertaken in the course of the audit, pursuant to paragraph (c) of clause (1) of Article 152A of the Companies Law as corrected;

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

(g) identify the place of establishment of the statutory auditors or the audit firms.

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

(4) The audit report shall be signed and dated by the statutory auditor. Where an audit firm carries out the statutory audit, the audit report shall bear the signature of at least the statutory auditors carrying out the statutory audit on behalf of the audit firm. Where more than one statutory auditor or audit firm have been simultaneously engaged, the audit report shall be signed by all statutory auditors or at least by the statutory auditors carrying out the statutory audit on behalf of every audit firm. In exceptional circumstances and upon submission by the statutory auditor(s) of a relevant request, the CyPAOB Board may provide that such signature(s) need not be disclosed to the public if such disclosure could lead to an imminent and significant threat to the personal security of any person; the aforementioned request shall disclose to the CyPAOB the names of the persons involved.

(5) The report of the statutory auditor or the audit firm on the consolidated financial statements shall comply with the requirements of clauses (1) to (4). In reporting on the consistency of the management report and the financial statements as required by paragraph (e) of clause (2), the statutory auditor or the audit firm shall consider the consolidated financial statements and the consolidated management report. Where the annual financial statements of the parent undertaking are attached to the consolidated financial statements, the reports of the statutory auditors or the audit firms required by this Article may be combined.

(6) The report of the statutory auditors shall be read before the audited entity at a general meeting unless the general meeting otherwise agrees, and the report shall be open for inspection by any member.

PART XII

QUALITY ASSURANCE

Quality assurance systems. 70.

(1) All statutory auditors and audit firms of the Republic shall be subject to a system of quality assurance which meets at least the following criteria:

(a) the quality assurance system shall be organised in such a manner that it is independent of the reviewed statutory auditors and audit firms and subject to public oversight;

(b) the funding for the quality assurance system shall be secure and free from any possible undue influence by statutory auditors or audit firms;

(c) the quality assurance system shall have adequate resources;

(d) the persons who carry out quality assurance reviews shall have appropriate professional education and relevant experience in statutory audit and financial reporting combined with specific training on quality assurance reviews;

(e) the selection of reviewers for specific quality assurance review assignments shall be effected in accordance with an objective procedure designed to ensure that there are no conflicts of interest between the reviewers and the statutory auditor or audit firm under review;

(f) the scope of the quality assurance review, supported by adequate testing of selected audit files, shall include an assessment of compliance with applicable auditing standards and independence requirements, of the quantity and quality of resources spent, of the audit fees charged and of the internal quality control system of the audit firm;

(g) the quality assurance review shall be the subject of a report which shall contain the main conclusions of the quality assurance review;

(h) quality assurance reviews shall take place on the basis of an analysis of the risk and, in the case of statutory auditors and audit firms carrying out statutory audits at least every six years;

(i) recommendations of quality reviews shall be followed up by the statutory auditor or audit firm within a reasonable period;

(j) quality assurance reviews shall be appropriate and proportionate in view of the scale and complexity of the activity of the reviewed statutory auditor or audit firm;

(k) the overall results of the quality assurance system reviews shall be published in the annual report.

(2) Quality assurance reviews by statutory auditors and audit firms non carrying out a statutory audit in public-interest entities shall take place on the basis of risk analysis at least every six (6) years.

(3) If the recommendations referred to in paragraph (i) of clause (1) of this Article are not followed up, the statutory auditor or audit firm shall, if applicable, be subject to the system of disciplinary actions or penalties in accordance with Part XVI.

(4) For the purpose of paragraph (j) of clause (1) of this Article, the fact that the auditing standards referred to in Article 67 are designed to be applied in a manner that is proportionate to the scale and complexity of the business of the audited entity shall be taken into account when undertaking quality assurance reviews of the statutory audits of annual or consolidated financial statements of medium-sized and small undertakings.

PART XIII

SPECIAL PROVISIONS FOR THE STATUTORY AUDITS OF PUBLIC-INTEREST ENTITIES

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| Audit fees for the provision of statutory audit of public-interest entities. | 71. | The CyPAOB Board may, upon request by the statutory auditor or the audit firm, on an exceptional basis, allow that statutory auditor or audit firm to be exempt from the requirements of Article 4, paragraph 2, first clause of Regulation (EU) No 537/2014 in respect of an audited entity for a period not exceeding two financial years. |
| Provision of non-audit services by a statutory auditor or audit firm carrying out the statutory audit of public-interest entities. | 72. | <p>By way of derogation from Article 5, paragraph 1, second clause of Regulation (EU) No 537/2014, it shall be allowed to provide the services referred to in Article 5, paragraph 1, second clause, point (a) (i) and (iv) to (vii) and (f) of this Regulation, provided that the following requirements are complied with:</p> <ul style="list-style-type: none">(a) they shall have no direct or have immaterial effect, separately or in the aggregate, on the audited financial statements;(b) the estimation of the effect on the audited financial statements shall be comprehensively documented and explained in the additional report to the audit committee referred to in Article 11 of this Regulation; and(c) the principles of independence laid down in Part X of this Law shall be complied with by the statutory auditor or the audit firm. |
| Report to the CyPAOB of any information regarding public-interest entities. | 73. | The CyPAOB may require additional information against that referred to in Article 12, paragraph 1 of Regulation (EU) No 537/2014 from the statutory auditor or the audit firm provided it is necessary for effective financial market supervision. |

- Record keeping. 74. The CyPAOB may require from statutory auditors and audit firms to keep the documents and information referred to in Article 15, first clause of Regulation (EU) No 537/2014 for a longer period in accordance with the rules on personal data protection and the corresponding administrative and judicial proceedings.
- Duration of the audit engagement to a public-interest entity. 75. (1) By way of derogation from Article 17, paragraph 1 of Regulation (EU) 537/2014, the maximum duration referred to in Article 17, paragraph 1, second clause of this Regulation may be extended to the maximum duration of:
- (a) 20 years, where a public tendering process for the statutory audit is conducted in accordance with paragraphs 2 to 5 of Article 16 of this Regulation and takes effect upon the expiry of the maximum durations referred to in Article 17, paragraph 1, second clause of this Regulation; or
- (b) twenty four years, where, after the expiry of the maximum durations referred to in Article 17, paragraph 1, second clause of this Regulation, more than one statutory auditor or audit firm is simultaneously engaged, provided that the statutory audit results in the presentation of the joint audit report as referred to in Article 69 of this Law.
- (2) Clause (1) shall apply subject to the provisions of Article 17, paragraph 5 of Regulation (EU) No 537/2014.
- (3) Subject to the provisions of Article 27H of the Business of Credit Institutions Law, where the public-interest entity is an authorised credit institution, the Central Bank shall not approve:
- (a) the appointment of certified public accountants for purposes of carrying out statutory audits to the authorised credit institution for a duration of audit engagement exceeding nine (9) consecutive years; and
- (b) the reappointment of that person for the same purposes in the same entity before at least four (4) years have elapsed from the last date on which he or she exercised the audit engagement to the said authorised credit institution.

PART XIV

APPOINTMENT AND DISMISSAL OF STATUTORY AUDITORS OR AUDIT FIRMS

- Appointment of statutory auditors or audit firms. 76. (1) The statutory auditor or audit firm shall be appointed:-
- (a) by the general meeting of the shareholders or members of the audited entity; or
- (b) where the audited company is a partnership, by the majority of general partners,
- or

(c) where the audited entity is an entity with no shareholders or members, by the majority of the members of the Board of Directors or such other body, as provided for in the law governing the incorporation of the audited entity.

(2) None of the persons referred to below may be appointed statutory auditor:

(a) officer, shareholder or employee of the audited entity;

(b) person who has been an officer or employee of the audited entity during a period in relation to which the financial statements of that audited entity would have been audited by that person, had he or she been appointed auditor of the audited entity;

(c) parent, spouse, brother, sister or child of an officer of the audited entity;

(d) partner or employee of an officer or employee of the audited entity;

(e) person who may not under this clause be appointed auditor of a subsidiary or parent undertaking of the audited entity or subsidiary of the parent undertaking of that entity;

(3) Any contractual clause limiting the choice on the part of the general meeting of shareholders or members of the audited entity, pursuant to clause (1), to certain categories or lists of statutory auditors or audit firms as regards the appointment of or the limitation of choice for a particular statutory auditor or audit firm to carry out the statutory audit of that entity shall be prohibited. Any such existing clauses shall be null and void.

(4) This Article shall be read together with Article 153 of the Companies Law as corrected.

Dismissal and
resignation of
statutory auditors
or audit firms.

77.

(1) Statutory auditors or audit firms may be dismissed only by the body responsible for their appointment where there are proper grounds for doing so. Divergence of opinions on accounting treatments or audit procedures shall not be proper grounds for dismissal.

(2) The audited entity and the statutory auditor or audit firm shall inform the CyPAOB concerning the dismissal or resignation of the statutory auditor or audit firm during the term of appointment and give an adequate explanation of the reasons therefor.

(3) In the case of a statutory audit of a public-interest entity, the CyPAOB shall ensure that it is permissible for any of the following to bring a claim before a competent court for the dismissal of the statutory auditors or the audit firms where there are proper grounds for so doing:

(a) shareholders representing 5 % or more of the voting rights or of the share capital;

(b) the other bodies of the audited entities defined by the Cypriot law; or

(c) the CyPAOB.

(4) This Article shall be read together with Article 154 of the Companies Law as corrected.

PART XV

AUDIT COMMITTEE

Audit committee. 78.

(1) Each public-interest entity shall have an audit committee which shall -

(a) be either a stand-alone committee or a committee of the administrative body or supervisory body of the audited entity; and

(b) shall be composed of non-executive members of the administrative body and/or members of the supervisory body of the audited entity and/or members appointed by the general meeting of shareholders of the audited entity or, for entities no shareholders, by an equivalent body.

(2) At least the chairman of the audit committee shall have competence in accounting and/or auditing and the committee members as a whole shall have competence relevant to the sector in which the audited entity is operating.

(3) A majority of the members of the audit committee shall be independent of the audited entity.

(4) The chairman of the audit committee shall be appointed by its members or by the supervisory body of the audited entity, and shall be independent of the audited entity.

(5) Without prejudice to the responsibility of the members of the administrative, management or supervisory bodies, or of other members who are appointed by the general meeting of shareholders of the audited entity, the audit committee shall, *inter alia*:

(a) inform the administrative or supervisory body of the audited entity of the outcome of the statutory audit and explain how the statutory audit contributed to the integrity of financial reporting and what the role of the audit committee was in that process;

(b) monitor the financial reporting process and submit recommendations or proposals to ensure its integrity;

(c) monitor the effectiveness of the undertaking's internal quality control and risk management systems and, where applicable, its internal audit, regarding the financial reporting of the audited entity, without breaching its independence;

(d) monitor the statutory audit of the annual and consolidated financial statements, in particular, its performance, taking into account any findings and conclusions by the competent authority pursuant to Article 26(6) of Regulation (EU) No 537/2014;

(e) review and monitor the independence of the statutory auditors or the audit firms in accordance with Articles 58, 59, 60, 63 and 64 of this Law and Article 6 of Regulation (EU) No 537/2014, and in particular the appropriateness of the provision of non-audit services to the audited entity in accordance with Article 5 of that Regulation;

(f) be responsible for the procedure for the selection of statutory auditors or audit firms and recommend the statutory auditors or the audit firms to be appointed in accordance with Article 16 of Regulation (EU) No 537/2014 except when Article 16(8) of Regulation (EU) No 537/2014 is applied.

(6) For the purposes of this Article, the competent authority for controlling the compliance and imposition of administrative sanctions shall be -

(a) the Cyprus Securities and Exchange Commission for entities governed by the Cyprus law whose transferable securities are admitted to trading on an organized or regulated market of any Member State, other than credit institutions, insurance and re-insurance undertakings;

(b) the Central Bank of Cyprus for entities that are credit institutions;

(c) the Superintendent of Insurance for entities that are insurance or re-insurance undertakings;

Provided that, in order to fulfill the duties of the above authorities, the powers and functions granted to them by the national legislations governing their incorporation and operation shall apply.

(7) In any case, where it is established that there is a breach justifying the imposition of administrative sanctions by the Cyprus Securities and Exchange Commission or the Central Bank of Cyprus or the Superintendent of Insurance, Articles 102, 109(1)(f), 109(1)(g), 109(1)(h)(i) and 109(3) of the Law shall apply *mutatis mutandis*.

PART XVI

DISCIPLINARY SYSTEM

CHAPTER 1 – DISCIPLINARY PROCEEDINGS

Competence of the CyPAOB Board to carry out disciplinary proceedings.	79.	In order to establish breaches of this Law, of Regulation (EU) No 537/2014 and/or of the regulatory framework governing the business of statutory auditors and audit firms, the CyPAOB may, either following a relevant complaint or <i>ex-officio</i> , following a relevant decision of its Board, order the carrying out of a disciplinary investigation regarding a statutory auditor and/or audit firm.
Complaints and claims.	80.	(1) Where -

(a) a written named complaint or information is sent to the Board, by any of its members or any person, in relation to acts or omissions or the conduct of a statutory auditor or audit firm, or

(b) a written named complaint or information is sent to the Board, by any of its members or any person, that a statutory auditor or audit firm is unsuitable or incapable, for a specific reason, of continuing to exercise his, her or its profession, the Director of the CyPAOB Office or, in his absence or impediment or vacancy of the post of Director, the person exercising the duties of a Director, shall bring without delay the complaint or information to the attention of the Board's Chairman.

(2) The statutory audit firms shall set out appropriate internal procedures to enable their employees to report possible or actual cases of breach of this Law and of Regulation (EU) No 537/2014 internally through a specific channel.

(3) Personal data both on a person reporting alleged or actual cases of breach and on a person for whom it is suspected or alleged of having committed breach of this Law and/or of Regulation (EU) No 537/2014 shall be protected pursuant to the principles set out in the Processing of Personal Data (Protection of Individuals) Laws.

(4) The Board's Chairman shall directly report the complaint or information to the Board which shall:

(a) decide whether it is not necessary to continue further the procedure because he or she considers *prima facie* that, had the statutory auditor or audit firm been tried by the Disciplinary Committee, he, she or it would not have been found guilty for any of the acts or omissions of Article 103, or that he or she does not have adequate information to consider whether the statutory auditor or audit firm should be subject to disciplinary investigation; or

(b) decide to give instructions to the Director, pursuant to Article 82, to conduct a disciplinary investigation.

(5)(a) The Board may in any case give instructions for the conduct of a preliminary investigation before it decides whether a matter should be investigated further for purposes of disciplinary investigation.

(b) The Board may regulate with instructions the way the preliminary investigation should be implemented taking into account the nature of the matter to be investigated.

Referral to
disciplinary
investigation.

81.

(1) A statutory auditor or audit firm shall be subject to disciplinary investigation, pursuant to this Part, only if, in the opinion of the CyPAOB Board -

(a) the matter for which a disciplinary investigation shall be conducted raises or may raise significant issues that prejudice public interest in the Republic; or

(b) there are reasonable grounds for suspecting breach of this Law, of Regulation (EU) No 537/2014 and/or of the relevant institutional framework.

(2)(a) When examining whether the criterion of paragraph (a) of clause (1) is satisfied, the Board shall take into account whether the matter raises serious concerns to the public or prejudices the public's trust to the audit profession in the Republic;

(b) Further to the above, the Board should also take into account all the circumstances surrounding the matter including, *inter alia*, the nature of the matter, its extent, scale and significance.

(3) When examining whether the criteria of paragraph (b) of clause (1) are satisfied, the Board shall take into account the provisions of this Law and of any regulations issued thereunder, as well as the provisions of the relevant institutional framework.

Disciplinary investigation.

82.

(1)(a) The Board shall, if it resolves that the complaints or information are such that they could lead to the conviction of the statutory auditor or audit firm for any of the offences of Article 104, authorise the Director of the CyPAOB Office to issue a notice summoning the statutory auditor and/or audit firm, the person that made the complaint or gave the information, and every person whose testimony would be considered useful or necessary in the course of the investigation, to testify.

(b) Furthermore, the Board shall designate inspectors or experts or assigned inspectors pursuant to Article 85 who shall conduct a disciplinary investigation and have the powers provided for in Article 15.

Notice for testimony.

83.

Where the Board decides in accordance with paragraph (a) of clause (1) of Article 82:

(a) the purpose of the disciplinary investigation shall be recorded in the notice issued by the Director of the CyPAOB Office and served to the persons referred to in Article 82;

(b) the purpose of the disciplinary investigation referred to in paragraph (a) shall not be limited to the matters referred to in the complaint or information; matters may, by a Board's decision, be included therein or removed therefrom which, at its discretion, are subject or not to disciplinary investigation, on the condition that such possibility is given based on the data and information that the Board has before it;

(c) the person making the complaint or giving the information shall furnish the Board with the documents and other information he or she has on this matter, provided that he or she possesses them legally.

- Service of notice. 84. (1) The Director of the CyPAOB Office shall, after having received from the Board all the documents in its possession regarding the disciplinary investigation, proceed with serving the notice to the persons summoned to testify together with the relevant information on the purpose of the disciplinary investigation.
- (2) The series in which testimonies shall be taken shall be decided by the investigating officer considering that the investigation should be conducted in the most appropriate way.
- Granting of inspectors/ experts/ assigned inspectors by the Board for the conduct of disciplinary investigation or preliminary investigation. 85. (1) The Board shall designate and grant to the Director of the CyPAOB Office inspectors and/or experts and/or assigned inspectors with relevant experience in the matter under investigation, whose services may be required for the conduct of any preliminary investigation or disciplinary investigation ordered by the Board and the disciplinary proceedings resulting from the said investigation before the Disciplinary Committee.
- (2) As regards the assigned inspectors and experts, the Board may specify the necessary qualifications and required specialisations of such assigned inspectors as well as the selection and remuneration procedures taking into account the requirements of clauses (4) and (5) of Article 14.
- The assigned inspectors and experts shall submit to the Board, prior to the commencement of each investigation assigned to them, a solemn declaration that they comply with the restrictions and requirements provided for in clauses (4) and (5) of Article 14.
- Possibility to amend the scope of the investigation. 86. If, during the disciplinary investigation, facts or events or information are disclosed which require further investigation outside the scope of the disciplinary investigation conducted, then -
- (a) the investigating officer conducting this investigation shall prepare a relevant report and forward it to the Board via the Director of the CyPAOB Office
- (b) if, following a report by the investigating officer and the procedure corresponding to paragraphs (a) and (b), it is established that the scope of the investigation should be limited, the Board shall limit the disciplinary investigation accordingly.
- Possibility to extend a disciplinary investigation to other statutory auditors or audit firms. 87. If, during the course of the disciplinary investigation based on the relevant report by the investigating officer, the Board establishes that its scope should be extended so as to include another statutory auditor or audit firm as complaine, then, based on the facts and information contained in the report of the investigating officer submitted to the Board by the Director of the CyPAOB Office, the Board may, by a decision thereof, extend the investigation as aforesaid.

Procedure for
taking
testimonies.

88. (1) The disciplinary investigation shall be conducted by the investigating officer and completed within thirty days from the date the order for investigation was given, with the right to extend it up to thirty days granted by the Board upon request of the investigating officer, if need be.
- (2) When conducting a disciplinary investigation, the proceedings provided for in the following clauses shall apply.
- (3) With regard to receiving documents, books, information or copies thereof, pursuant to paragraph (a) of Article 15, the investigating officer shall draft a relevant report in two copies, which shall be signed both by him or her and the investigated person, or its legal representative in the case of an audit firm, and each one of the persons signing it shall keep a copy.
- (4) The report shall at least include a clear description of the objects received, the reason for receiving them, the time and place of receipt, including information on the complainee legal or natural person, the full name and signature of the officer proceeding with the confiscation and the signature of the complainee, or of its legal representative in the case of a legal person:
Provided that the form of and all information that the said report should contain may be determined in a form issued by the Board for this purpose.
- (5) Where a complainee or his, her or its legal representative refuses to sign the report under clause (3), the investigating officer shall serve by process server on that person a double-registered copy of that report within fifteen days from the date it was drawn up.
- (6) Where documents are confiscated, the investigating officer may obtain copies thereof from the CyPAOB.
- (7)(a) Testimonies are taken at the seat of the CyPAOB unless the circumstances require such testimonies to be taken in another place.
- (b) The person who shall testify shall be summoned in writing at a fixed day and time and the summons shall be prepared and signed by the investigating officer.
- (c) The summons shall contain a short description of the case for which the witness shall be examined and shall state the authority summoning him or her or it and the place at which he or she or it shall be summoned.
- (d) The summons shall be served by process server to the person summoned to testify at least three working days prior to the date set on the summons:
Provided that, where the residence or seat of the person summoned to testify is in the Republic but outside Nicosia District, service should be served at least five

working days prior to the above date and, where the residence or seat is abroad, at least twelve working days prior to that date.

(e) The investigating officer shall take the testimony in writing and the witness shall be asked, prior to testifying, to state his or her name and surname, identity card or passport number, place of birth and residence and age.

(f) The investigating officer shall state in the text of the testimony the place and date of the testimony, the time it started and ended, the full name of the investigating officer who took and recorded the testimony and the name of the witness as well as proceed with accurately recording all that the witness has testified.

(g) The written testimony shall be read and signed by the investigating officer and the witness. Where the witness refuses to sign his or her testimony, the investigating officer shall invite a staff member of the CyPAOB Office in the presence of whom the witness shall repeat such refusal and the investigating officer shall record it in the text of the testimony and the aforesaid staff member of the CyPAOB Office shall certify it and sign stating his or her full name and identity card or passport number.

(h) The written testimony shall be void if:

(i) the date on which it is taken is not recorded unless that date derives beyond doubt from the content of that testimony or from other documents referred to therein; and

(ii) the full names and identity card or passport numbers are not recorded or the persons present in the entire process as state above have not signed.

(i) The written testimony shall constitute proof of all that the witness has testified.

(j) A copy of the testimony shall be given to the witness and the original shall be recorded by the investigating officer in the case file.

(k) Where the investigating officer considers that the assistance of the Director of the CyPAOB Office is necessary for the conclusion of the procedure provided for in this clause (7), it is permitted to use the services of another staff member of the CyPAOB Office for this purpose:

Provided that, in such a case, all requirements regarding the recording of the information and data referred to hereinabove shall also be met for this member as in the case of the investigating officer.

(l) A person making a false or inaccurate testimony shall be guilty of an offence and, in case of conviction, shall be subject to imprisonment not exceeding one year or a fine not exceeding two thousand Euro or to both such penalties.

(8)(a) The testimonies taken and the information collected shall be placed to the attention of the interested statutory auditor or audit firm under investigation, or the legal representative of the latter, who shall be given the opportunity, if he or she or it so wishes, to testify within a deadline to be set by the investigating officer.

(b) A person under investigation not coming or refusing to testify shall not prevent the progress of the investigation.

Report.

89. (1) Upon completion of the investigation, the investigating officer shall submit to the Director of the CyPAOB Office a report summarizing the evidence collected and a relevant finding. The report shall be accompanied by the testimonies taken, including any supplementary testimony of the complainee.

(2) In the context of application of Article 26 of Regulation (EU) No 537/2014, the Director of the CyPAOB Office shall take into account the seriousness of the recommendations, the actions for their implementation by the statutory auditor or the audit firm of the statutory auditor and assess whether the auditing quality of the statutory auditor or audit firm may be adversely affected. Where the Director of the CyPAOB Office deems that the auditing quality is adversely affected, he or she shall prepare a relevant report with the recommendations not implemented by the statutory auditor or audit firm and submit the same without delay to the Chairman of the CyPAOB in order to examine them in the context of Article 90.

Referral to disciplinary proceedings and drafting of the indictment.

90. (1) If the Board, based on the report provided for in Article 89 and on all information supporting it, considers that it is possible to establish an indictment against a statutory auditor or audit firm for committing disciplinary offences provided for in Article 103 for which the sanctions provided for in Article 109 are imposed, it shall draw up a relevant indictment which shall be signed by the Chairman of the Board.

(2)(a) The Chairman of the Disciplinary Committee shall receive the indictment from the Chairman of the Board, which shall state the charge or charges, where applicable, and a summary of the details establishing it as well as all testimonies and any other material collected or confiscated during the investigation or the quality assurance review.

(b) Further to the above, the Board shall communicate its decision to draft an indictment to the complainee, and to the complainant if the investigation was initiated by a complaint filed.

(3) If the Board considers that the report of the investigating officer or the Director does not disclose disciplinary offences, as referred to in clause (1), it shall decide to terminate the proceedings.

Notice of summons to a hearing before the Disciplinary Committee.

91. (1)(a) As soon as possible after receiving the indictment and all related information, the Chairman of the Disciplinary Committee shall prepare a notice of summons to a hearing which he shall sign.

(b) The notice of summons to a hearing shall state the date, time and place of the hearing and attached to it shall be the indictment.

(2)(a) The notice of summons to a hearing shall be served by hand or by a double-registered letter of the Disciplinary Committee to the statutory auditor or audit firm.

(b) The hearing before the Disciplinary Committee cannot be set at a date less than fifteen days from the date -

(i) of delivery of the notice of summons to a hearing, or

(ii) of dispatch of a double-registered letter containing the notice of summons to hearing,

to the accused statutory auditor or audit firm.

(3)(a) The Disciplinary Committee shall procure that the accused statutory auditor or audit firm receives the notice of summons to a hearing.

(b) The notice of summons to a hearing shall be deemed to have been received if:

(i) it is delivered by hand in person to the accused statutory auditor or sent by a double-registered letter to his or her place of residence, in the case of a natural person; or

(ii) it is delivered by hand or sent by a double-registered letter at the address at which the accused statutory audit firm conducts its business, according to the information in the Register kept by the CyPAOB, in the case of such a firm.

Annex.

(4)(a) The notice of summons to a hearing shall be prepared as per Form A annexed hereto.

(b) The Minister may, by order published in the Official Gazette of the Republic and on the recommendation of the Board, amend or replace the Form A of the Annex.

(5) The Chairman of the Disciplinary Committee shall communicate a copy of each notice of summons to a hearing with all attachments thereto, to the Director of the CyPAOB Office.

Correction of formal defects in an indictment.

92. (1) Prior to the commencement of a hearing or at any stage of the hearing, the Board may, when a formal defect is established in the indictment, request from the Disciplinary Committee, through its Director or the lawyer representing it at the disciplinary proceedings, permission to correct the formal defects, on condition that the amendments shall not lead to amendment of the substance of the indictment and to injustice for the accused.

- (2) If, for the exercise of the power provided for in clause (1), it is required to adjourn the hearing proceedings, the Chairman of the Disciplinary Committee may give such instructions for this purpose as he or she deems necessary.
- Principle of objectivity and impartiality. 158(l) of 1999 99(l) of 2014.
93. (1) The members of the Disciplinary Committee shall be exempted or their objectivity or impartiality may be questioned, for the same reasons that an administrative body should be exempted or its objectivity or impartiality should be questioned pursuant to Article 44 of the Law encoding the General Principles of Administrative Law.
- (2) The questioning of the objectivity and impartiality of a Disciplinary Committee member or a request for his or her exemption shall be submitted prior to the presentation of the indictment by the Director of the CyPAOB Office or the lawyer of the Board and/or the accused statutory auditor or audit firm, except in the case where the questioning was raised or came to the attention of the party raising this matter at a later stage.
- (3) The Disciplinary Committee shall decide upon the objection raised under clause (2) regarding participation in the disciplinary proceedings of a member thereof, prior to the presentation of the indictment or, where relevant, after such presentation, and its decision shall be final.
- Legal and other assistance.
94. (1) Every party to the proceedings before the Disciplinary Committee may be assisted and/or represented by a lawyer.
- (2) The right under clause (1) shall be stated in the notice of summons to a hearing.
- (3) Where the accused statutory auditor or audit firm is represented by a lawyer, each document which would be served to the accused pursuant to this Part may be served by the Disciplinary Committee to his or her or its lawyer.
- Presentation of indictment.
95. (1) Disciplinary proceedings shall initiate with the presentation of the indictment by the Director of the CyPAOB Office or the lawyer presenting the case on behalf of the Board who shall ask the accused at the end of each charge, if he or she or it admits it.
- (2) If the accused admits the charge or charges, the Disciplinary Committee shall proceed with issuing its decision on the same day or on another day set for this purpose.
- (3) If the accused does not admit the charge or charges, the Disciplinary Committee shall proceed with the hearing of the case.
- Absence of the accused.
96. If the accused does not appear at the date of the hearing without giving any reason for that and the Disciplinary Committee is satisfied that the notice of summons to a hearing was served to him or her or it pursuant to this Chapter, then it may, if it

Hearing
proceedings.

97.

deems fit under the circumstances surrounding the absence, proceed with the hearing in the absence of the accused.

(1) At the date of the hearing of the case set by the Disciplinary Committee, the parties shall appear before the Committee and the proceedings provided for in this Article shall be followed.

(2)(a) The investigating officer of the case shall submit before the Disciplinary Committee the evidence on which the indictment against the accused statutory auditor or audit firm was based.

(b) The evidence under paragraph (a) shall be submitted in writing and shall include testimonies and any document or other material relevant to the content of the testimony or other material received or confiscated during the conduct of the investigation, and the accused statutory auditor or audit firm may request from the Disciplinary Committee to summon any person whose evidence has, as aforesaid, been filed in writing, in order to cross-examine him or her in relation to the content of that evidence.

(c) The Director of the CyPAOB Office or the Board's lawyer who represents the Board in the disciplinary proceedings, may summon before the Disciplinary Committee any person to clarify or explain any matter arising from the evidence already submitted, and this person may be cross-examined on the part of the defence.

(3)(a) The address by the Director of the CyPAOB Office or the Board's lawyer shall follow regarding the *prima facie* proof of the indictment and the Disciplinary Committee shall issue its interim decision.

(b) If the Disciplinary Committee decides that the case has not been proven *prima facie*, then the proceedings shall terminate; otherwise, the proceedings shall continue as provided for in clause (4) of this Article and in Articles 98 and 99.

(4)(a) Upon completion of the submission of the evidence of the Board, the accused statutory auditor or the legal representative of the accused statutory audit firm, shall submit before the Disciplinary Committee the evidence on which his or her or its defence is based.

(b) The evidence under paragraph (a) shall be submitted in writing and shall include evidence of persons, including the evidence of the complainee, if he or she or it so wishes, and any document or other material relevant to the evidence, and the Director of the CyPAOB Office or the Board's lawyer may request from the Disciplinary Committee to summon any person whose evidence has, as aforesaid,

been submitted in writing in order to cross-examine him or her in relation to the content of that evidence.

(c) The accused statutory auditor or audit firm may clarify or explain any matter arising from the evidence he or she or it has already submitted or may summon for this purpose any person or request from the Disciplinary Committee to summon any person, and he or she or it or this person may be subject to cross-examination on the part of the Board.

(d) At any stage of the disciplinary proceedings before the Disciplinary Committee, the accused statutory auditor or audit firm may admit any alleged facts or details of facts and any act or omission for which he or she or it is accused before the Disciplinary Committee, and such admission shall form sufficient evidence against him or her or it before the Disciplinary Committee.

Annex.

(5)(a) A relevant notice as per Form B which is set out in the Annex shall be served to every person summoned to testify or present documents or any other evidence.

(b) The Minister may, by order published in the Official Gazette of the Republic and on the recommendation of the Board, amend or replace the Form B of the Annex.

Decision of the
Disciplinary
Committee.

98.

(1)(a) Upon completion of the hearing proceedings under Article 97, the litigant's party who was the last one to summon a witness shall make the first address followed by an address of the other party and the Disciplinary Committee shall issue a written justified decision by which it shall decide whether it has been proved or not that the accused statutory auditor or audit firm is guilty of the disciplinary offence for which he or she or it is accused and, where applicable, it shall either convict or acquit the accused.

(b) If the accused statutory auditor or audit firm faces more than one charges, the Disciplinary Committee may find him or her or it guilty in relation to one or some of the charges and acquit him or her or it in relation to others.

(2) If the accused statutory auditor or audit firm is found guilty and is convicted, the Disciplinary Committee shall, after hearing him or her or it in terms of the assessment of the punishment, issue a written justified decision imposing any of the disciplinary penalties provided for in Article 109.

(3)(a) The decisions of the Disciplinary Committee acting in the context of the hearing proceedings shall be taken by simple majority and in case of equality of votes, the decision shall be in favour of the accused.

(b) Any other decision of the Committee shall be taken by simple majority and in case of equality of votes, the Chairman shall have a casting vote.

(4) Every decision of the Disciplinary Committee shall be signed by its Chairman and shall be presented in a public hearing, unless the hearing proceedings that preceded had been conducted behind closed doors following a relevant decision of the Disciplinary Committee in the interests of justice.

(5)(a) The original decision of the Disciplinary Committee shall be served without delay to the Board together with the full minutes of the disciplinary trial.

(b) Copies of the decision and full minutes of the disciplinary trial shall be served without delay to the accused statutory auditor or audit firm.

(6) Every decision of the Disciplinary Committee shall be considered as an order of a court of summary jurisdiction and shall be executed in the same manner as the order of the said court.

(7) Every decision of the Disciplinary Committee regarding the guilt and conviction or not of an accused statutory auditor or audit firm and any imposition of a disciplinary sanction, shall be subject to an appeal pursuant to Article 146 of the Constitution.

Keeping of minutes and forms of notices.

99. (1) Minutes shall be kept during the hearing proceedings before the Disciplinary Committee.

(2) A notice of summons to any person to appear before the Disciplinary Committee to give evidence or submit documents or other material, shall be prepared according to Form B set out in the Annex and signed by the Chairman of the Disciplinary Committee.

Annex.

Responsibility of the Disciplinary Committee.

100. It is the responsibility of the Disciplinary Committee, during the hearing proceedings, to keep order and regulate the proceedings.

Possibility to regulate further the Disciplinary Committee proceedings.

101. Subject to the remaining provisions of this Part, the Disciplinary Committee may regulate further the procedure regarding its competence to prepare regulatory administrative acts whose draft shall be forwarded via the Board to the Minister for issuance by the Council of Minister.

Publication of sanctions.

102. (1) The Board shall, without delay and upon expiry of the deadline for challenging the decision of the Disciplinary Committee based on the appeal referred to in clause (7) of Article 98, publish on its official website at least the substance of each disciplinary decision and of the sanctions imposed for breach of the provisions of this Law, of Regulation (EU) No 537/2014 and/or of the institutional framework governing the conduct of the business of statutory auditors and audit firms.

(2) The information published under clause (1) shall include the type and nature of the breach as well as reference to the identity of the natural or legal person on whom the sanction has been imposed.

(3) Where the Board publishes a decision and sanctions for which a final court decision has not been issued in the context of the appeal referred to in clause (7) of Article 98, it shall publish this fact on its official website and ensure to update it without delay as to the outcome of such a court decision.

(4) The Board shall publish the sanctions imposed on an anonymous basis, and in a manner which is in conformity with any legislative provision:

(a) where, in the event that the sanction is imposed on a natural person, based on the principle of proportionality, publication of personal data of the natural person is shown to be disproportionate;

(b) where publication would jeopardise the stability of financial markets;

(c) where publication would jeopardise an ongoing criminal investigation, provided of course the Board is aware of its conduct;

(d) where publication would cause disproportionate damage to the relevant legal or natural persons.

(5) The minimum duration of the publication on the official website of the Board shall be five years after all rights of appeal referred to in clause (7) of Article 98 against the disciplinary decision and any relevant sanctions have been exhausted or have expired, and any further duration shall be proportionate to the nature, extend, degree and importance of the disciplinary offence for which the sanctions were imposed as well as the circumstances surrounding it.

(6) The publication of sanctions and measures and of any public statement of the Board shall respect fundamental rights as laid down in the Charter of Fundamental Rights of the European Union, in particular the right to respect for private and family life and the right to the protection of personal data.

(7) The Board shall fulfill the obligations imposed by Article 30(f) of Directive 2006/43/EC to the competent authorities of Member States.

CHAPTER 2 – DISCIPLINARY CODE

Disciplinary offences.

103.

Every statutory auditor or audit firm shall be subject to disciplinary prosecution pursuant to Chapter 1 of this Part if -

(a) he or she or it is convicted by final court decision for any penalty for theft, misappropriation, fraud, blackmail, forgery, bribery as well as any criminal offence which involves, in the opinion of the Disciplinary Committee, moral turpitude; or

(b) he or she or it has demonstrated, in the opinion of the Board, in the context of his or her or its business, a shameful, fraudulent conduct incompatible to the profession or a conduct which places his or her or its honesty in serious doubt; or
(c) he or she or it has acted or omitted something or has behaved in a manner equivalent to a breach of any duty and obligation imposed pursuant to the provisions of this Law, of Regulation (EU) No 537/2014 and/or generally of the regulatory framework governing the business of statutory auditors and statutory firms; or

(d) a disciplinary offence is committed as provided in this Law.

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| Prohibition of double jeopardy. | 104. | A disciplinary prosecution may not be exercised against a statutory auditor or audit firm for the same disciplinary offence for which he or she or it has already been found guilty or innocent, based on the same facts. |
| Only one disciplinary penalty for each disciplinary offence. | 105. | Not more than one disciplinary penalty shall be imposed for the same disciplinary offence. |
| Expiry of disciplinary liability. | 106. | A statutory auditor or audit firm that has been deprived of such capacity in any manner shall not be subject to disciplinary prosecution; however, the disciplinary proceedings which may have been initiated shall continue after the termination of the employee relationship, with the exception of the statutory auditor's death. |
| Criminal prosecution. | 107. | If a criminal prosecution is brought against a statutory auditor or audit firm, it is not permitted to bring or continue a disciplinary prosecution against him or her or it for the reasons related to the criminal prosecution until it is finally terminated. |
| Disciplinary prosecution following a criminal prosecution. | 108. | A statutory auditor or audit firm prosecuted for a criminal offence and not found guilty may not be subject to disciplinary prosecution for the same charge; however, he or she or it may be prosecuted for a disciplinary offence arising from his or her or its act or omission or conduct, which is related to the criminal case but does not raise the same disputed issue as that of the charge in the criminal case. |
| Disciplinary sanctions. | 109. | (1) The Disciplinary Committee may impose any of the following disciplinary actions to a statutory auditor or audit firm:
(a) final withdrawal of the approval of a statutory auditor or, where applicable, a statutory audit firm and, therefore, permanent prohibition to carry out statutory audits and removal from the public register as from the date of imposition of the disciplinary sanction;
(b) a temporary prohibition, of up to three years' duration, banning a member of a statutory audit firm or a member of an administrative or management body of a |

public-interest entity from exercising functions in audit firms or public-interest entities;

(c) a temporary prohibition, of up to three years' duration, banning the statutory auditor, the audit firm or the key audit partner from carrying out statutory audits and/or sign audit reports;

(d) maintenance of the approval on such conditions and for such period as the Disciplinary Board may consider fit;

(e) a declaration that the audit report does not meet the requirements of Article 69 of this Law or, where applicable, Article 10 of Regulation (EU) No 537/2014;

(f) a notice requiring the statutory auditor or audit firm responsible for the breach to cease the act and to abstain from any repetition of that act;

(g) a public statement which indicates the person responsible and the nature of the breach, published on the website of the CyPAOB;

(h) a pecuniary fine -

(i) to a statutory auditor of up to one hundred thousand Euro and in the event of a recurrence, up to two hundred thousand Euro;

(ii) to a statutory audit firm up to one million Euro and in the event of a recurrence, up to two million Euro.

(2) Irrespective of the imposition of any of the penalties referred to in clause (1), the Disciplinary Committee may impose to the person found guilty, the payment of all or part of the expenses of the disciplinary proceedings.

(3) The Disciplinary Committee shall, for the assessment of the disciplinary sanction to be imposed, take into account *inter alia* the following:

(a) the gravity and duration of the breach;

(b) the degree of responsibility of the responsible person;

(c) the gravity and duration of the breach and the extent and gravity of the impact on public;

(d) the risk for the reliability and proper operation of the auditing institution;

(e) the financial strength of the responsible person as indicated by its turnover if it is a statutory audit firm or by his or her annual income if he or she is a statutory auditor;

(f) the amounts of the profits gained or losses avoided by the responsible person in so far as they can be determined and generally any profit made by the responsible person;

(g) whether the responsible person is a key partner;

(h) the level of cooperation of the responsible person with the competent authority;

- (i) previous breaches by the responsible person.
- Persons subject to disciplinary investigation or disciplinary proceedings. 110. A statutory auditor or audit firm shall have disciplinary responsibility and shall be subject to investigation or disciplinary proceedings pursuant to this Part, if the alleged disciplinary offence was committed by:
- (a) a citizen of the Republic of Cyprus, or
 - (b) a natural or legal person or other entity operating in the Republic; or
 - (c) a natural or legal person or other entity operating or providing services in a company associated with the Republic under the Companies Law as corrected or providing services to an undertaking associated with the Republic.
- Special separate liability and related disciplinary offences. 111. (1) An act or omission of a statutory auditor who is an employee of a statutory audit firm, which took place in the name and for the account of this firm and in the context of exercise of the work of the statutory auditor or as a representative of the statutory audit firm in the context of his or her authorization shall be deemed to have been made by the statutory audit firm and, where that act or omission establishes a disciplinary offence under this Law, the personal liability of the statutory auditor shall not eliminate the cumulative disciplinary liability of the statutory audit firm which is subject to investigation or disciplinary proceedings.
- (2) In particular and without prejudice to the generality of clause (1) -
- (a) the negligent or deficient exercise of supervision on behalf of a partner or owner or member of the administration or member of a supervisory body, of a statutory audit firm over the main partner and statutory auditors as well as every other person generally participating in the audit procedure for the account of the statutory audit firm shall constitute a disciplinary offence which shall be separately attributable to the statutory audit firm and/or the members of its administration body involved in the negligent or deficient exercise of supervision and for which sanctions are imposed;
 - (b) every act or omission of a partner or owner or member of the administration or member of the supervisory body or key partner of a statutory audit firm which jeopardises the independence and objectivity of a statutory auditor as set out in this Law, within the institutional framework governing the business of a statutory auditor and audit firm including the International Auditing Standards and the Code of Ethics of the International Federation of Accountants in force at the time, shall also constitute a disciplinary offence which shall be separately attributable to the statutory audit firm and/or the members of the administration bodies of the statutory audit firm;

(c) in case of conviction for a disciplinary offence under paragraph (a), further to the other sanctions which may be imposed for offences committed on the grounds of negligent and/or deficient act and/or omission, the sanction of a pecuniary fine up to fifty thousand Euro each may be imposed on the statutory audit firm and the members of its administration bodies involved in the commission of the offence.

(d) in case of conviction for a disciplinary offence under paragraph (b), further to the other sanctions which may be imposed for offences committed on the grounds of negligent and/or deficient act and/or omission, the sanction of a temporary withdrawal of the approval for a period of at least six months may also be imposed on the statutory audit firm and the members of its administration bodies involved in the commission of the offence.

PART XVIII

FINAL AND TRANSITIONAL PROVISIONS

Council of
Ministers
Decisions.

112. The decisions of the Council of Ministers, unless otherwise provided in this Law for a specific decision, shall be published with notice to the Official Gazette of the Republic.

Transitional
provisions.

113. (1)(a) Statutory auditors and audit firms approved by the authorities of the Republic before 29 June 2008 under the Companies Law as corrected, shall be deemed to have been approved pursuant to this Law and shall be obliged to be registered as members in recognised bodies of auditors in the Republic by the 31st of December 2018.

Cap.1
11 of 1989.

(b) Without prejudice to the generality of Article 10 of the Interpretation Law, the validity and force of the approval granted pursuant to the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws shall not be prejudiced by the repeal of the said Laws through Article 115.

(2) The Institute of Certified Public Accountants of Cyprus which, on the date of entry into force of this Law, is recognised by the Council of Ministers under the provisions of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law, shall be deemed to have been recognised pursuant to this Law as a recognised body of auditors and shall exercise the functions governed by this Law.

(3) The Registrar of Companies and Official Receiver shall repeal the Register of Auditors kept pursuant to the provisions of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law.

(4) Without prejudice to the generality of Article 10 of the Interpretation Law, the acts, decisions and internal regulations of the Public Oversight Committee issued

under the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws, shall continue to be in force as if they had been issued by the CyPAOB, unless they are amended or withdrawn by the latter.

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| Issue of Regulations. | 114. | (1) The CyPAOB may issue Regulations for better application of the provisions of this Law following consultations with the interested parties.
(2) Regulations issued under the provisions of clause (1) shall be submitted to the House of Representatives for information purposes within thirty days from their issue. |
| Repeal of Law.
42(I) of 2009
163(I) of 2013
96(I) of 2016. | 115. | As of the entry into force of this Law, the Auditors and Statutory Audits of Annual and Consolidated Accounts Law shall be repealed. |

ANNEX
(Articles 91, 97 and 99)
FORM A

DISCIPLINARY COMMITTEE OF THE CyPAOB

Notice of Summons

1. You are summoned to appear before the Disciplinary Committee of the CyPAOB to be convened [place] on [date] of the year at a.m./p.m. for the hearing of a disciplinary charge or charges brought against you according to the indictment attached hereto.
2. If you wish, you may be assisted or represented by a lawyer in the proceedings before the Disciplinary Committee of the CyPAOB.
3. If you wish to summon witnesses to testify or file evidence before the Disciplinary Committee, you should proceed with the necessary arrangements beforehand.
4. Should you fail to appear before the Disciplinary Committee at the aforementioned place and time, the Disciplinary Committee will proceed with the hearing of the case in your absence.
5. The provisions governing the disciplinary proceedings are set out in Part XIV of the Auditors' Law.
6. The Disciplinary Committee which shall try the case against you comprises the following persons
..... and is chaired by
.....

(Signature)

.....
Chairman of the Disciplinary Committee

(Signature)

.....
Server of Notice of Summons

FORM B
DISCIPLINARY COMMITTEE OF THE CyPAOB

Notice of Summons to a person to appear to testify and/or file and/or recognise documents and/or any evidence.

[date]

To.....

You are hereby summoned to appear before the Disciplinary Committee of the CyPAOB on [date] at [place] at a.m./p.m. and on any other day for which the hearing may be adjourned and/or continued, to testify and/or file and/or recognise documents and/or any other evidence and/or testify and/or recognise the following documents and/or evidence:

1.
2.
3.
4.

in relation to disciplinary proceedings brought against

You are warned that failure on your behalf to appear as above renders you liable to punishments as provided by law.

(Signature)

.....
Chairman of the Disciplinary Committee

(Signature)

.....
Server of Notice of Summons