

# Republika Srpska draft of A&A Law

Ministry of Finance of the Republic of Srpska

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*The Accounting Profession Role in Modernizing Economies in the Western Balkans*



Road to Europe: Program of Accounting  
Reform and Institutional Strengthening



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## Objectives of A&A amendments

- Further strengthening and development of accounting and auditing profession
- Creating more efficient system of public oversight and quality control
- Alignment with EU Directive's obligations
- Making some provisions clearer in order to be more precise when used in practical work
- ❖ Last change was in 2015



## Translation of A&A regulations

- » Professional association performs translation of regulations and issues decisions on date of coming into effect
- » A&A standards are published on the official website of the MoF and professional association
- » Only translated standards are applied in the RS... except:
  - » Legal entity whose business activity is regulated with special regulations, based on which competent body issues decisions on coming into effect
  - » Legal entities whose parent legal entity's HQ is abroad



# Performing activities of accounting & financial reporting

- » Can be performed by registered legal entities or entrepreneurs
- » Related parties can perform these activities to each other
- » Qualified entity who has a qualified accounting technician licence and employed with the entrepreneur can present FR only for micro legal entities and entrepreneurs who keep their business records in form of double-entry bookkeeping
- » Obligation to register entrepreneurs performing accounting services in MoF...but...
- » ....In progress of analysis of establishing and maintaining E-register in MoF



## Obligation of creating FR and CFR

» Micro legal entities, entrepreneurs with double-entry bookkeeping system and other non-profit (who met micro criteria) legal entities shall present only BS and P&L Reports

### ❑ **Exceptions in CFR:**

» Parent legal entities who met criteria for small entities

» Parent legal entity who is at the same time subsidiary in a group is obliged to present CFR if its parent legal entity has HQ outside RS

# Issuing, renewing and revoking licences

- » Subject to regulation in A&A Law
- » **Conditions for issuing the licence:**
  - Having vocation of authorised auditor
  - 3 years of experience in the field of FRs auditing or 5 years of experience in internal auditing or 10 years of experience in accounting
  - Auditor does not have a prohibition measure issued by the MoF
  - Auditor does not have a final conviction for a felony offence
  - ❑ MoF keeps a register of auditors... Content of the register is defined by the draft of the Law
  - ❑ Deadline for licence revoking is prescribed and it cannot be longer than two years



## Issuing work permits and registration in the MoF

- » New concept for issuing work permits: request is submitted after establishment and registration of the auditing company in the Register of business subjects
- » Legal entity which does not have a work permit for performing auditing activities cannot contain words: “auditing or company for auditing” in its business name
- » MoF performs registration in the Register of auditing companies (auditing company does not have to submit request for registration anymore)



## Concluded audit contracts

- » Auditing company has the obligation to conclude FRs audit contract at the latest on 30 September of the year for which the FR is made
- » Prescribed fines (for legal and responsible person)
- » Also draft of Law prescribes obligation for the subjects to audit to conclude FRs audit contracts at the latest on 30 September of the year for which the FR is made
- » Prescribed fines (for legal and responsible person)





## Delivering audit contracts

- » Auditing company does not have an obligation anymore to deliver photocopy of the audit contracts to MoF
- » Instead, they deliver information on contracts
- » information on contracts contains:
  - Information on name and size of legal intities
  - Date if audit contract
  - Year for which FR is made
  - Contracted fee



## Signing of audit report and „cooling-off period,,

- » Draft of the Law prescribes that the audit report must be signed by at least one authorised auditor who performed audit and a responsible person in the audit company.
- » FR audit of one legal entity can perform the same audit company for 7 years at the longest
- » This period will be prolonged for 3 year if the auditing company provides other auditor
- » Draft of the Law prescribes cooling-off period of two years



## Work papers

- » Obligation of making work papers when creating audit report is prescribed by the draft of the Law as well.
- » Confidentiality of work papers is defined in the Law unless the regulations prescribe it differently and except for the needs of oversight over the activities of auditing company and MF's authorised auditors
- » Period for keeping work papers is 6 years is defined in the draft of the Law (previously it was 5)



## Audit insurance

- » New model of insurance against the risk of liability for damages that may be caused by an incorrectly expressed auditing opinion
- » Insurance against the risks in professional activities
- » For a damage that may be caused by an auditing company through performing audit with banks, leasing companies, investment and pension funds and insurance companies, the minimum amount of risk coverage per adverse event shall be BAM 500,000
- » For other legal entities the minimum amount of risk coverage per adverse event shall be BAM 100,000
- » Photocopy of the insurance policy is delivered to the MoF by the end of January of current year for that calendar year



## Oversight over activities of audit companies

- » Draft of the Law on A&A prescribes conditions for persons performing oversight activities, where at least one person:
  - has to have a vocation of authorised auditor and 3 years of working experience in performing audit activities
  - is not in the conflict of interests with the audit company subject to the oversight
  - and was not employed in the audit company for at least 3 years



# Oversight over activities of audit companies

» Measures of oversight:

- Decision on removal of irregularities
- Decision on probation revocation of work permit
- Decision on revoking of work permit
- Initiation of a misdemeanour procedure to the competent court



## Oversight over activities of audit companies

- ❑ Decision on removal of irregularities is issued if:
  - » ownership structure is not in accordance with this draft of the Law
  - » audit company does not publish transparency report
  - » does not have a system of internal control and
  - » does not fulfil conditions related to number of employed auditors
- ❑ Audit company is obliged to within 60 days from the day of receiving the decision act upon the decision and to deliver the report on undertaken measure to the MoF, with evidence on removal of irregularities



## Oversight over activities of audit companies

- ❑ Decision on probation revocation of work permit is issued if:
  - the audit company does not perform audit in accordance with the International Standards on Auditing and other regulations
  - Company is given a period of two years in which it must not commit new violation of this draft of the Law in procedures of performing auditing
  - Otherwise, auditing company shall have its licence revoked



# Oversight over activities of audit companies

- ❑ Decision on revoking of work permit (max 2 years) is issued if:
  - the permit is issued based on incorrect information
  - it is deleted from the relevant Register of business subject
  - it has a measure of prohibition of performing activities
  - it does not act in accordance with the oversight measures stated in the decision on removal of irregularities
  - the auditing company violates the measure of probation revocation of work permit
  - the company prevents conducting of oversight in any way
  - on the request of the company



## Oversight over activities of audit companies

- ❑ Draft of the Law prescribes that the misdemeanour procedure is initiated, inter alia, if the audit company does not perform audit of FR in accordance with ISA
- ❑ Also, draft of the Law prescribes that the audit company and authorised auditors cannot perform FRs audit of legal entity to which it provides tax services



## Oversight over authorised auditors

- If during the procedure of auditing some irregularities in the work of authorised auditor are noticed, the decision is issued:
  - Which conditionally revokes the licence to the authorised auditor (he does not apply the Law and ISA) – max period of 2 years
  - Authorised auditor shall have its licence revoked if he commits the same violation of the Law within 2 years period



# A&A Council of the Republic of Srpska

- ❑ Draft of the Law prescribes different role for the Council
- ❑ Competencies of the Council are, inter alia, the following:
  - Consideration of the oversight plan and reports of the MoF on conducted oversight over activities of auditing companies and authorised auditors
  - Considers Minute on performed oversight over activities of auditing companies and authorised auditors and suggest appropriate measures of oversight if irregularities are noticed in the process of oversight over activities of auditing companies and authorised auditors



## A&A Council of the Republic of Srpska

- Number of members is decreased from nine to five
- Two members of the Council must have a vocation of authorised auditor
- One member (authorised auditor) must have a licence and 5 years of work experience in audit activities.

**Thank you**