

OFFICIAL TRANSLATION

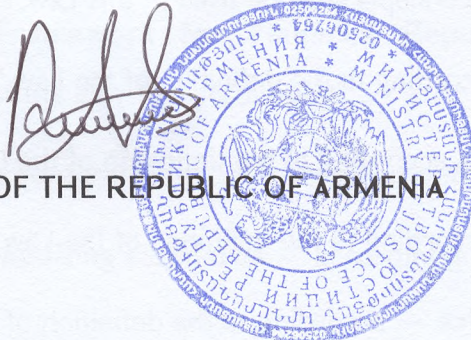
MINISTRY OF JUSTICE OF THE REPUBLIC OF ARMENIA

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MINISTER OF JUSTICE OF THE REPUBLIC OF ARMENIA

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LAW

OF THE REPUBLIC OF ARMENIA

Adopted on 4 December 2019

ON REGULATION AND PUBLIC OVERSIGHT OF ACCOUNTING AND AUDITING

CHAPTER 1

GENERAL PROVISIONS

**Article 1. Subject matter of the Law**

1. This Law shall prescribe the relations pertaining to the regulation and public oversight of accounting and auditing in the Republic of Armenia.

## **Article 2. Main concepts used in the Law**

1. The following main concepts shall be used in this Law:
  - (1) **auditor** — according to the definition of the Law "On auditing";
  - (2) **audit entity** — according to the definition of the Law "On auditing";
  - (3) **auditing** — according to the definition of the Law "On auditing";
  - (4) **auditing service** — according to the definition of the Law "On auditing";
  - (5) **accounting** — according to the definition of the Law "On accounting";
  - (6) **expert accountant** — according to the definition of the Law "On accounting";
  - (7) **entity of public interest** — according to the definition of the Law "On accounting";
  - (8) **large entity** — according to the definition of the Law "On accounting";
  - (9) **medium-sized entity** — according to the definition of the Law "On accounting";
  - (10) **small-sized entity** — according to the definition of the Law "On accounting";
  - (11) **micro-entity** — according to the definition of the Law "On accounting";
  - (12) **practising auditor** — any auditor who, during the three years immediately preceding the given date:
    - a. has conducted audit; or
    - b. has had the right to vote in an audit entity; or
    - c. has been a member of the executive or oversight body of an audit entity; or

- d. has been an employee of an audit entity; or
  - e. has been an affiliated person of an audit entity;
- (13) **complete IFRS** — according to the definition of the Law "On accounting";
- (14) **Conceptual Framework for Financial Reporting** — according to the definition of the Law "On accounting";
- (15) **IFRS for SMEs** — according to the definition of the Law "On accounting";
- (16) **international auditing standards** — according to the definition of the Law "On auditing";
- (17) **professional code of ethics for professional accountants** (hereinafter referred to as "the Professional Code of Ethics") — according to the definition of the Law "On auditing".

**Article 3. Body implementing policy in the fields of accounting and auditing**

1. The body implementing policy in the fields of accounting and auditing in the Republic of Armenia (hereinafter referred to as "the body implementing policy") shall be the Ministry of Finance, pursuant to the Law "On the structure and operation of the Government".

**Article 4. Body exercising public oversight functions over accounting and auditing**

1. The body exercising oversight functions over the regulation of accounting and auditing of entities within the scope of the Law "On accounting" shall be the Public Oversight Council of Accounting and Auditing (hereinafter referred to as "the Public Oversight Council").

2. Pursuant to the Law "On auditing", the body exercising public oversight functions over the regulation of auditing conducted in the territory of the Republic of Armenia shall be the Public Oversight Council.

## **CHAPTER 2**

### **THE PUBLIC OVERSIGHT COUNCIL**

#### **Article 5. The Public Oversight Council**

1. The Public Oversight Council shall be a body established adjunct to the Ministry of Finance for the purpose of exercising public oversight functions over the regulation of accounting and auditing pursuant to this Law.
2. The Public Oversight Council shall operate on a voluntary basis.

#### **Article 6. Objectives and functions of the Public Oversight Council**

1. The objectives of the Public Oversight Council shall be:
  - (1) to ensure conditions necessary for development of the fields of accounting and auditing, and exercising public oversight functions over the regulation of those fields;
  - (2) to exercise oversight of the functions of the specialised institution;
  - (3) to ensure external evaluation of observance of the quality control requirements for the auditing service provided by audit entities and auditors;

- (4) to ensure external evaluation of observance of the quality control requirements for expert accountants and auditors not working in an audit entity;
  - (5) to improve the system for legal regulation of accounting and auditing, based on the requirements of the International Financial Reporting Standards and the international auditing standards.
2. The Public Oversight Council shall exercise the following functions:
- (1) ensuring —
    - a. translation of the complete IFRS, the Conceptual Framework for Financial Reporting, the IFRS for SMEs, as well as the amendments and supplements made thereto, and their official publication;
    - b. elaboration of the Model Chart of Accounts for the accounting of financial and economic activities of entities of public interest and large entities, and the Directive on Application of the Model Chart of Accounts, as well as illustrative financial statements;
    - c. elaboration of the Model Chart of Accounts for the accounting of financial and economic activities of small and medium-sized entities, and the Directive on Application of the Model Chart of Accounts, as well as illustrative financial statements;
    - d. elaboration of the Manual on Account Keeping and Preparing Financial Statements for Micro-Entities, as well as the Model Chart of Accounts for the accounting of financial and economic activities of micro-entities, and the Directive on Application of the Chart of Accounts;
    - e. elaboration of other draft regulatory legal acts regulating accounting, provided for by the Law "On accounting";

- f. elaboration of other draft regulatory legal acts regulating auditing, provided for by the Law "On auditing";
  - g. translation of the international accounting standards, the Professional Code of Ethics, as well as the amendments and supplements made thereto, and their official publication;
- (2) giving assent to the procedure for imposing disciplinary liability approved by of the specialised institution pursuant to point 1 of part 1 of Article 17 of this Law;
  - (3) giving assent to the programme for qualification examination of auditors and expert accountants, the procedure for holding qualification examinations, the charter of the qualification commission, the procedure for ongoing professional development, approved by the specialised institution pursuant to points 2 and 3 of part 1 of Article 17 of this Law;
  - (4) ensuring elaboration and approval of the external evaluation procedures for observance of the quality control requirements for auditing services provided by audit entities and auditors, expert accountants and auditors not working in an audit entity, set forth by this Law and the Laws "On accounting" and "On auditing";
  - (5) giving assent to the list of audit entities subject to external evaluation in the upcoming year and the annual schedule for conducting external evaluation, submitted by the specialised institution pursuant to point 5 of part 1 of Article 17 of this Law;
  - (6) organising and/or conducting external evaluation of observance of the quality control requirements for the auditing service provided by audit entities and auditors, where necessary;

- (7) conducting oversight over the activities of the specialised institution in cases and as provided for by this Law;
  - (8) maintaining the register of auditors, expert accountants and audit entities;
  - (9) exercise other powers vested therein by legal acts regulating auditing and accounting.
3. The regulatory legal acts referred to in sub-points "b", "c", "d" and "e" of point 1 of part 2 of this Article shall be elaborated for banks, credit organisations, organisations carrying out pawnshop activities, payment and settlement organisations, investment companies, an operator of a regulated market, the Central Depository, insurance companies, re-insurance companies, investment fund managers, insurance brokerage companies by the Central Bank, jointly with the body implementing policy.
4. Translations of the complete IFRS, the IFRS for SMEs, the Conceptual Framework for Financial Reporting, the international accounting standards, the Professional Code of Ethics, including the amendments and supplements made thereto shall be done within a year after publication of the amendments or supplements made by the International Accounting Standards Board and/or the International Federation of Accounts or after publication of new standards.
5. Pursuant to part 2 of this Article, the Public Oversight Council shall submit the translated or elaborated draft regulatory legal acts regulating accounting and auditing to the body implementing policy for approval and official publication in compliance with the requirements defined by the legislation.

#### **Article 7. Composition of the Public Oversight Council**

1. The Public Oversight Council shall comprise seven members: a Chairperson, a Deputy Chairperson and five members. The members of the Council shall be

appointed for a term of five years. The members, including the Chairperson and the Deputy Chairperson of the Council shall be appointed by the Minister of Finance upon recommendation of the following institutions:

- (1) the Ministry of Finance — three members;
- (2) the Central Bank — two members;
- (3) the Ministry of Economy — one member;
- (4) the State Revenue Committee — one member.

The Chairperson and Deputy Chairperson of the Council shall be appointed for a term of five years. The terms of office of members of the first composition of the Council shall be:

- (1) one member — for one year;
- (2) one member — for two years;
- (3) one member — for three years;
- (4) one member — for four years;
- (5) one member — for five years.

Members of the Council appointed later shall be appointed for a term of five years.

2. Citizens who have higher education, at least three years of professional experience related to the fields of accounting and auditing, who are professionally capable of performing the duties prescribed by laws and other legal acts, may be appointed as a member of the Public Oversight council.
3. The following persons may not be appointed as a member of the Public Oversight Council:
  - (1) persons who have been convicted of financial and economic crimes, as well as crimes of minor gravity and the conviction has not been expired or cancelled;



- (2) persons who have been convicted of crimes of medium gravity, grave and particularly grave crimes;
  - (3) persons who have been deprived of the right to hold a certain position as prescribed by law;
  - (4) member of the board or the executive body of the specialised institution;
  - (5) practising auditor.
4. Powers of a member of the Public Oversight Council shall be terminated early in the cases prescribed by part 3 of this Article.
5. The Minister of Finance may — based on the opinion of the Public Oversight Council — terminate the powers of a member of the Public Oversight Council early, if the latter:
  - (1) has failed to perform his or her duties prescribed by this Law;
  - (2) has failed to attend the sittings of the Public Oversight Council three times within a year without a valid reason.
6. In case of early termination of the powers of a member of the Public Oversight Council, a new member of the Council shall be appointed — upon the recommendation of the relevant institution indicated in part 1 of this Article — for the remaining period of the term prescribed. In such case, where the remaining term of office is less than one year, the term of office of the new member of the Council shall be prescribed for five years plus the remaining time period.
7. A member of the Public Oversight Council may resign from the position held by applying to the Minister of Finance and informing the relevant institution indicated in part 1 of this Article. The Minister of Finance shall accept the resignation of the member of the Public Oversight Council within one month.

## **Article 8. Procedure for activities of the Public Oversight Council**

1. The activities of the Public Oversight Council shall be carried out through sittings which shall be convened upon necessity, but not less than once every two months, by the Chairperson of the Council. Sittings of the Council may also be convened upon the request of at least three of the members of the Council. Requests of members of the Council shall be submitted to the Chairperson in writing.
2. The sittings of the Public Oversight Council shall be presided by the Chairperson of the Council, whereas in case of absence thereof — by the Deputy Chairperson.
3. In case of concurrent absence of the Chairperson of the Public Oversight Council and the Deputy Chairperson of the Council, the duties of the Chairperson of the Council shall be performed by the senior member of the Council.
4. Minutes of sittings of the Public Oversight Council shall be taken. The minutes shall be signed by the Chairperson of the Council, whereas in case of absence thereof — by the Deputy Chairperson.
5. A sitting of the Public Oversight Council shall have quorum, where at least four members of the Council, including the Chairperson of the Council or the person substituting him or her, attend the sitting.
6. The chairperson of the specialised institution shall have the right to participate in sittings of the Public Oversight Council in a consultative capacity. Upon the invitation of the Chairperson of the Public Oversight Council, representatives of state bodies, interested organisations, as well as other persons may also attend the sittings of the Council. The Public Oversight Council shall, at least five working days before the sitting, post information on the day, place and time of convening the sitting, as well as the agenda of the sitting on the official website of the Ministry of Finance and submit to the specialised institution in writing.

7. Issues discussed at the sitting of the Public Oversight Council shall be approved upon the decision of the Council which shall be adopted through voting, by the simple majority of votes of members attending the sitting. Each member of the Council shall have one vote. Transfer of a vote and the right to vote from one member of the Council to another member shall be prohibited.
8. Decisions of the Public Oversight Council shall be signed by the Chairperson of the Council. Where a member of the Council attending the sitting of the Council does not agree with the decision adopted and has a special opinion, that special opinion shall be indicated — upon his or her request — in the minutes of the sitting and confirmed by the signature of that member.
9. Internal legal acts adopted by the specialised institution and subject to agreeing with the Public Oversight Council, shall be agreed upon the decision of the Council.
10. Decisions of the Council shall enter into force from the moment of adoption, unless another time limit is prescribed by the decision.
11. A member of the Council who has a personal interest in any issue that is a subject of discussion during the sitting of the Public Oversight Council, shall be obliged to inform the Council about the fact and nature of his or her interest. This information must be asserted in the minutes of the sitting, after which the indicated member shall be obliged to waive his or her participation in the discussion of and the voting on the given issue.

#### **Article 9. Chairperson of the Public Oversight Council**

1. The Chairperson of the Public Oversight Council shall:
  - (1) co-ordinate the activities of the Council;
  - (2) act on behalf of the Public Oversight Council;

- (3) convene and preside over sittings of the Council, organise keeping of minutes of sittings and sign them;
- (4) decide on the distribution of co-ordination of the activities of the Council among members of the Council;
- (5) represent the Public Oversight Council in the Republic of Armenia, foreign states and within international organisations;
- (6) sign decisions of the Council within the scope of his or her powers prescribed by the Operations Procedure of the Public Oversight Council;
- (7) exercise other powers vested therein by this Law and the Operations Procedure of the Public Oversight Council.

**Article 10. Deputy Chairperson of the Public Oversight Council**

1. The Deputy Chairperson of the Public Oversight Council shall substitute the Chairperson of the Council in case of his or her absence or impossibility to perform the official duties thereby.
2. Powers of the Deputy Chairperson of the Council shall be prescribed by the Operations Procedure of the Council.

**Article 11. Staff of the Public Oversight Council**

1. The Public Oversight Council shall organise its activities through a staff.
2. Functions of the Staff of the Public Oversight Council shall be exercised by the relevant professional structural subdivision of the body implementing policy.

**Article 12. Operations Procedure of the Public Oversight Council**

1. The Operations Procedure of the Public Oversight Council shall prescribe the procedure for activities of the Public Oversight Council.
2. The Operations Procedure of the Public Oversight Council shall be approved by the Minister of Finance, taking into account the requirements of this Law.

**Article 13. Confidential information and official information**

1. Members and the Staff of the Public Oversight Council may not publish or otherwise disseminate, as well as use for personal mercenary purposes the confidential and official information received while performing their official duties.
2. Information subject to publication or otherwise dissemination pursuant to the law and other legal acts shall not be deemed to be confidential.

**Article 14. Annual plan, report, and resignation of the Council**

1. The Public Oversight Council shall draw up the annual plan of its activities, which shall include:
  - (1) fundamental issues existing in the fields of accounting and auditing;
  - (2) measures targeted at the regulation of accounting and auditing;
  - (3) other necessary provisions prescribed by the Council for the performance of objectives and functions prescribed by this Law.
2. The Public Oversight Council shall submit — by 30 June of each year — to the Minister of Finance the report on the activities of the previous year. The report shall include:
  - (1) summary information on the activities of the Public Oversight Council;

- (2) analysis of the accounting and auditing situation;
  - (3) oversight measures implemented over the functions of the specialised institution.
3. In case the report prescribed by part 2 of this Article is not approved by the Minister of Finance, all members of the Public Oversight Council shall submit their resignations and, pursuant to this Law, new members of the Council shall be appointed.

### **CHAPTER 3**

#### **THE SPECIALISED INSTITUTION, MEMBERSHIP TO THE SPECIALISED INSTITUTION, MEMBERSHIP TERMINATION AND MAINTENANCE OF THE REGISTER**

##### **Article 15. The specialised institution**

1. The specialised institution shall be a non-governmental organisation operating on the basis of the membership of auditors, expert accountants, as well as audit entities accredited by the body implementing policy (hereinafter referred to as "the member of the specialised institution"). The specialised institution shall acquire the status of a legal person upon its registration as prescribed by law.
2. The specialised institution shall act on the basis of the principles of independence, compliance, self-government and legal equality of its members.
3. An auditor, expert accountant and an audit entity may be a member of only one specialised institution.

## **Article 16. Accreditation of the specialised institution**

1. Accreditation of the specialised institution shall be recognition by the State of compliance with the requirements set forth by the legislation of the Republic of Armenia for a non-governmental organisation which has adopted the rules of conduct in line with the international standards on the conduct of auditor, as a result whereof a state accreditation certificate shall be granted.
2. The principles of accreditation shall be:
  - (1) prescribing a uniform procedure for accreditation;
  - (2) publicity of accreditation;
  - (3) ensuring lawfulness and transparency of the accreditation process;
  - (4) exercising control over the observation of the requirements and conditions of accreditation.
3. For accreditation, the specialised institution must meet the following requirements:
  - (1) have members that include at least 100 natural persons and 10 legal persons;
  - (2) adopt rules of conduct for auditors complying with the international standards;
  - (3) have a qualification system complying with the education standards of the International Federation of Accountants.

## **Article 17. Functions of the specialised institution**

1. The specialised institution shall exercise the following functions:
  - (1) approve the procedure for imposing measures of disciplinary liability on its members;

- (2) in relation to the process of qualification of auditors and expert accountants:
  - a. approve — in compliance with the International Education Standards (IES) of the International Federation of Accountants — the programme for qualification examinations of auditors and expert accountants (including the composition of examination subjects) and the procedure for holding qualification examinations;
  - b. approve the charter of the qualification commission;
  - c. approve the individual composition of the qualification commission;
  - d. organise and hold qualification examinations of auditors and expert accountants;
  - e. issue qualification of a qualified auditor or expert accountant and adopt decisions on cancelling qualification;
- (3) prescribe the requirements for ongoing professional development of its member auditors and expert accountants;
- (4) exercise control over observance of the requirements for ongoing professional development of its member auditors and expert accountants;
- (5) conduct external evaluation of observance of the quality control requirements for the auditing services provided by its member audit entities and auditors. The professional institution shall submit the list of audit entities subject to external evaluation during the upcoming year and the annual schedule for conducting external evaluation — by 1 December of the year preceding that year — to the Public Oversight Council for agreeing. Discussions on the results of evaluations with audit entities constitute an integral part of the evaluation process;



- (6) conduct external evaluation of observance of the requirements set forth by this Law, the Laws "On accounting" and "On auditing" for its member expert accountants and auditors not working in audit entities;
  - (7) exercise other powers vested therein by legal acts regulating auditing and accounting.
2. The internal legal acts provided for by part 1 of this Article shall gain legal force upon agreeing with the Public Oversight Council and publication on the official website of the specialised institution.

**Article 18. Membership of an audit entity to the specialised institution**

1. To become a member of the specialised institution, an applicant entity must meet the following requirements:
  - (1) be a commercial company, except for an open joint-stock company;
  - (2) have at least three practising auditors, two of which do not work for other employer, except for scientific, pedagogical and creative works;
  - (3) at least 51 per cent of the statutory (share) capital shall belong to auditors and/or audit entities;
  - (4) where the entity has a collegial executive body, the number of auditors in the collegial executive body must not be less than at least 50 per cent of the composition of the collegial executive body. Where the entity has a sole member executive body, the person representing the sole member executive body must be an auditor;
  - (5) prescribe rules for quality control of the auditing service and observe those rules;

- (6) pay an entry fee to the specialised institution as and in the amount prescribed by the latter.
2. An entity applying to become a member of the specialised institution shall submit the following documents:
  - (1) an application for membership;
  - (2) founding documents;
  - (3) certificate of state registration of a legal person and the registration number;
  - (4) the list of auditors meeting the requirements of point 2 of part 1 of this Article;
  - (5) the list of auditors or audit entities meeting the requirements of point 3 of part 1 of this Article, by attaching documents certifying the size of the unit of those persons in the statutory (share) capital of the applicant entity;
  - (6) the list of auditors meeting the requirements of point 4 of part 1 of this Article;
  - (7) one copy of the approved quality control rules for auditing.
3. Documents submitted to the specialised institution for membership must be the originals of the documents required and/or duly certified copies thereof. The specialised institution may require duly certified Armenian translations of documents in a foreign language.
4. A decision on accepting the applicant entity as a member of the specialised institution or rejecting the membership shall be rendered within 20 working days after entering the documents submitted for membership, as provided for by this Article, with the specialised institution.

5. The decision of the specialised institution on the membership of the applicant entity shall enter into force from the date of payment of the entry fee. In case the applicant entity fails to pay the entry fee within 60 working days from the day following the date of adoption of the decision on membership, the specialised institution shall declare that decision as invalid.
6. The following shall be grounds for the specialised institution to render a decision on rejecting membership of the applicant entity:
  - (1) non-compliance of the applicant entity with the requirements of this Law;
  - (2) submission of documents not meeting the requirements prescribed by parts 2 and 3 of this Article;
  - (3) revelation of unreliable information in the documents submitted to the specialised institution.
7. In case there are insignificant shortcomings (misprints, inaccuracies of non-legal nature, arithmetic errors and such other omissions) in the documents for membership provided for by this Article, as well as the documents are incomplete, the specialised institution shall — within 2 working days from the moment of detection thereof — recommend to the applicant entity to remedy the shortcomings within 5 working days.
8. Membership of an applicant entity shall be rejected upon the grounds prescribed by part 7 of this Article, where the applicant entity fails to remedy the insignificant shortcomings existing in the application or fails to submit necessary documents or materials within 5 working days following the day the notice thereon is duly sent by the specialised institution.
9. The decision of the specialised institution on rejecting membership of the applicant entity shall be sent to the applicant entity in writing within 7 working days starting from the day following the date of adoption of that decision.

10. The decision of the specialised institution on rejecting membership of the applicant entity may be appealed to the Public Oversight Council. In case the appeal is granted, the specialised institution shall — based on the decision of the Public Oversight Council — render a decision on membership of the applicant entity within 20 working days.
11. The specialised institution shall — within 7 working days starting from the day of entry into force of the decision on membership of an audit entity — inform the Public Oversight Council thereon in writing.

**Article 19. Termination of membership of an audit entity to the specialised institution**

1. The following shall be grounds for termination of membership of an audit entity to the specialised institution:
  - (1) the written application of the audit entity on withdrawing membership to the specialised institution;
  - (2) liquidation of the audit entity;
  - (3) pursuant to Article 34 of this Law, the decision of the specialised institution, as a measure of liability, on terminating membership of the audit entity to the specialised institution.
2. Membership of an audit entity to the specialised institution shall be deemed to be terminated:
  - (1) from the date of liquidation, in case of liquidation of the audit entity;
  - (2) from the date of the decision of the specialised institution on termination of membership, in all remaining cases.

3. The specialised institution shall — within 7 working days starting from the day following termination of membership of the audit entity — inform the audit entity and the Public Oversight Council in writing about the termination of membership.

**Article 20. Membership of a natural person to the specialised institution**

1. To become a member of the specialised institution, a natural person must meet the following requirements:
  - (1) have qualification of an auditor pursuant to the Law "On auditing", or qualification of an expert accountant pursuant to the Law "On accounting";
  - (2) have no conviction of financial and economic crimes, as well as a crime of minor gravity, which has not been expired or cancelled;
  - (3) have no conviction related to crimes of medium gravity, grave and particularly grave crimes;
  - (4) pay an entry fee to the specialised institution as and in the amount prescribed by the latter.
2. To become a member of the specialised institution as an auditor or an expert accountant, a natural person shall apply to the specialised institution in writing, by indicating his or her name, surname, requisites of the identification document, address of the place of residence (record-registration), as well as submit the following documents:
  - (1) the qualification certificate;
  - (2) a statement of information on sufficient relevant professional work experience. The requirements for the statement of information shall be prescribed by the internal legal acts of the specialised institution;

- (3) a statement of information on absence of conviction of financial and economic crimes, as well as a crime of minor gravity, which has not been expired or cancelled;
  - (4) a statement of information on absence of conviction related to crimes of medium gravity, grave and particularly grave crimes.
3. Documents submitted to the specialised institution for membership must be the originals of the documents required and/or duly certified copies thereof. The specialised institution may require duly certified Armenian translations of documents in a foreign language.
4. A decision on accepting the natural person as a member of the specialised institution or rejecting membership shall be rendered within 20 working days after the documents for membership provided for by this Article are entered to the specialised institution.
5. The decision of the specialised institution on membership of the natural person shall enter into force from the date of paying the entry fee. In case the natural person fails to pay the entry fee within 60 working days from the day following the date of adoption of the decision on membership, the specialised institution shall declare that decision as invalid.
6. The following shall be grounds for the specialised institution to render a decision on rejecting membership of the natural person:
  - (1) incompliance of the natural person with the requirements of this Law;
  - (2) submission of documents not meeting the requirements prescribed by this Article;
  - (3) revelation of unreliable information in the documents submitted to the specialised institution.

7. In case there are insignificant shortcomings (misprints, inaccuracies of non-legal nature, arithmetic errors and such other omissions) in the documents for membership provided for by this Article, as well as the documents are incomplete, the specialised institution shall — within 2 working days from the moment of detection thereof — recommend to the natural person to remedy the shortcomings within 5 working days.
8. Membership of a natural person shall be rejected upon the grounds prescribed by part 7 of this Article, where the natural person fails to remedy the insignificant shortcomings existing in the application or fails to submit necessary documents or materials within 5 working days following the day the notice thereon is duly sent by the specialised institution.
9. The decision of the specialised institution on rejecting membership of the natural person shall be sent to that natural person in writing within 7 working days starting from the day following the date of adoption of that decision.
10. The decision of the specialised institution on rejecting membership of the natural person may be appealed to the Public Oversight Council within 20 working days. In case the appeal is granted, the specialised institution shall render — based on the decision of the Public Oversight Council — a decision on membership of the natural person.
11. The specialised institution shall — within 7 working days starting from the day of entry into force of the decision on membership of an auditor or an expert accountant — inform the Public Oversight Council thereon in writing.

**Article 21. Termination of membership of an auditor or an expert accountant to the specialised institution**

1. The following shall be grounds for termination of membership of an auditor or an expert accountant to the specialised institution:
  - (1) the written application of the auditor or an expert accountant on withdrawing membership to the specialised institution;
  - (2) pursuant to Article 33 of this Law, the decision of the specialised institution, as a measure of liability, on cancelling qualification of the auditor or an expert accountant;
  - (3) pursuant to Article 34 of this Law, the decision of the specialised institution, as a measure of liability, on termination of membership of the auditor or an expert accountant to the specialised institution.
2. Membership of an auditor or an expert accountant to the specialised institution shall be deemed to be terminated from the date of the decision of the specialised institution on termination of membership.
3. The specialised institution shall — within 7 working days starting from the day following termination of membership of the auditor or an expert accountant — inform the person the membership whereof has been terminated and the Public Oversight Council in writing about termination of membership.

**Article 22. Maintenance of the register of auditors, expert accountants and audit entities**

1. The register of auditors, expert accountants and audit entities (hereinafter referred to as "the register") shall be a systematised list of auditors, expert accountants and audit entities that are members of the specialised institution.



2. The unified register of auditors, expert accountants and audit entities shall be a systematised list of auditors, expert accountants and audit entities maintained electronically by the Public Oversight Council on the basis of the information included in the registers maintained by specialised institutions.
3. The specialised institution shall maintain the register of its members electronically.
4. The procedure for maintaining the register and the minimum list of data included in the register shall be established by the Public Oversight Council.
5. Information on members of the specialised institution must be included in the register of the specialised institution within 7 working days starting from the day following the date of adoption of the decision on membership. The specialised institution shall submit the indicated information to the Public Oversight Council within 7 working days.
6. Members of the specialised institution shall be obliged to duly inform the specialised institution about changes in the information thereon contained in the register within 10 working days starting from the day following the date when such changes arise. The specialised institution shall submit the indicated information to the Public Oversight Council within 7 working days.
7. Information on termination of membership of a member of the specialised institution must be included in the register within 7 working days starting from the day following the date of termination of membership. The specialised institution shall submit the indicated information to the Public Oversight Council within 7 working days.

**CHAPTER 4**  
**REGULATION AND OVERSIGHT OF ACTIVITIES**  
**OF THE SPECIALISED INSTITUTION**

**Article 23. Recommendation for adoption of a decision**

1. The Public Oversight Council shall have the right to recommend — upon its decision — to the specialised institution to adopt a certain decision or undertake another action, within the scope of the competences of the specialised institution, by indicating the grounds for the recommendation, where it establishes that:
  - (a) the specialised institution fails to perform or performs improperly or incompletely the functions vested therein by this Law or fails to observe the requirements prescribed by its charter; or
  - (b) such actions are necessary for ensuring essential conditions for the professional activities of accountants or auditors.
2. Failure to implement the recommendation submitted by the Public Oversight Council pursuant to part 1 of this Article within a reasonable time limit prescribed thereby may serve as a ground for evaluating the report on the annual activities of the specialised institution as negative pursuant to Article 26 of this Law.

**Article 24. Regulation and oversight of activities of the specialised institution**

1. For the purpose of exercising oversight of the functions of the specialised institution prescribed by this Law, the Public Oversight Council shall have the right to conduct inspections of the activities of the specialised institution. The

Public Oversight Council shall have the right to draw up an annual plan for inspections or conduct inspections upon necessity. The specialised institution shall be obliged to provide all required necessary information and documents to the inspection group during the inspections.

2. The results of the inspections conducted pursuant to part 1 of this Article may serve as a ground for evaluating the annual activity report of the specialised institution as negative pursuant to Article 26 of this Law.

**Article 25. Accounting and financial statements of the specialised institution**

1. The specialised institution shall maintain the accounting and prepare financial statements pursuant to the Law "On accounting".
2. The annual financial statements of the specialised institution shall be subject to mandatory audit. The financial statements of the specialised institution shall be approved by the Board of the specialised institution.
3. The specialised institution shall submit the financial statements for the preceding year, approved by its Board, to the Public Oversight Council by 30 June of each year.
4. Financial statements shall be subject to publication along with the audit opinion on the official website of the specialised institution by 30 June of the following year.

**Article 26. Annual activity plan and report on activities**

1. The specialised institution shall draw up its annual activity plan and agree on it with the Public Oversight Council. The annual activity plan shall include:
  - (1) analysis of the situation in the fields of accounting and auditing;

- (2) other necessary provisions prescribed by the specialised institution for the performance of the objectives and functions prescribed by this Law.
2. The annual activity report of the specialised institution shall include:
  - (1) summary information on the activities of the specialised institution;
  - (2) revelation of fundamental issues existing in the fields of accounting and auditing and recommendations on their solution.
3. The annual activity report of the specialised institution shall be approved by the body prescribed by the charter of the specialised institution.
4. The specialised institution shall submit the annual activity report for the preceding year, approved by the body prescribed by the charter of the specialised institution, to the Public Oversight Council by 30 June of each year. The Public Oversight Council shall, within 15 working days, submit its evaluation of the activity report of the specialised institution — whether it is positive or negative.
5. In case the activity report provided for by part 4 of this Article is evaluated as negative by the Public Oversight Council, the accreditation of the specialised institution shall be suspended until elimination of the circumstances serving as a ground for the negative evaluation.

**Article 27. Sources of generation of inventory for the specialised institution**

1. Sources of generation of inventory for the specialised institution shall be:
  - (1) entry fees charged from members;
  - (2) membership fees charged from member auditors and expert accountants;
  - (3) membership fees charged from member audit entities;

- (4) income from holding professional qualification examinations;
  - (5) income generated from sales of publications;
  - (6) income generated from holding courses;
  - (7) income from bank deposits;
  - (8) income from securities (equity and debt);
  - (9) donations, grants received from state and non-state (including foreign) institutions;
  - (10) revenues generated from other sources not prohibited by law.
2. The fees indicated in points 1 and 2 of part 1 of this Article shall be fixed for all members, whereas the membership fees indicated in point 3 may have three components: the first — fixed for all members, and the second and the third — variable, depending on the incomes of the audit entity generated from the provision of auditing services, as well as the number of mandatory audits conducted within commercial organisations. The amount of membership fees shall be prescribed by the body envisaged in the charter of the specialised institution.

**CHAPTER 5**

**EVALUATION OF ACTIVITIES OF MEMBERS  
OF THE SPECIALISED INSTITUTION AND MEASURES  
OF DISCIPLINARY LIABILITY**

**Article 28. Evaluation of activities of members of the specialised institution**

1. External evaluation of observance of the quality control requirements for the auditing services provided by an audit entity and an auditor that are a member of the specialised institution shall be conducted, pursuant to the external evaluation procedures indicated in point 4 of part 2 of Article 6 of this Law. Marks "1", "2", "3", "4", "5" or "6" shall be given based on the results of the external evaluation.
2. External evaluation of observance of the requirements of this Law, the Laws "On accounting" and "On auditing" by an expert accountant that is a member of the specialised institution and an auditor not working in an audit entity shall be conducted, pursuant to the external evaluation procedures indicated in point 4 of part 2 of Article 6 of this Law. Marks "1", "2", "4", "5" or "6" shall be given based on the results of the external evaluation.
3. In case the mark "1" is given based on the results of external evaluation pursuant to parts 1 and 2 of this Article, measures of disciplinary liability shall not be imposed.

**Article 29. Measures of disciplinary liability imposed on a member of the specialised institution**

1. Measures of disciplinary liability shall be imposed on an audit entity, auditor and an expert accountant that are members of the specialised institution, pursuant to the procedure indicated in point 1 of part 1 of Article 17 of this Law.

2. The following measures of disciplinary liability shall be imposed on members of the specialised institution on the basis of the marks given based on the results of the external evaluation pursuant to Article 28 of this Law:
  - (1) warning, pursuant to Article 30 of this Law;
  - (2) fine, pursuant to Article 31 of this Law;
  - (3) suspension of membership to the specialised institution, pursuant to Article 32 of this Law;
  - (4) cancellation of qualification, pursuant to Article 33 of this Law;
  - (5) termination of membership to the specialised institution, pursuant to Article 34 of this Law.
3. Measures of liability shall be imposed on members of the specialised institution by the specialised institution, on the basis of the decision of the specialised institution. Decisions of the specialised institution on imposing measures of liability shall be subject to publication on the official website of the specialised institution within 7 working days after entry into force of the decision.

**Article 30. Warning**

1. Warning shall be imposed on an audit entity, auditor and an expert accountant as measure of disciplinary liability, where, pursuant to Article 28 of this Law, the mark "2" has been given based on the results of external evaluation.
2. Warning provides for informing — in writing — the audit entity, auditor or an expert accountant having committed the violation, on impermissibility of the violations recorded as a result of the external evaluation and on undertaking measures aimed at preventing such violations in the future.

3. Warning, as a measure of liability, shall enter into force from the 10<sup>th</sup> working day following the day of adoption of the relevant decision of the specialised institution. The specialised institution shall — within 7 working days starting from the day following the adoption of such decision — inform thereon the person being subjected to liability and the Public Oversight Council in writing.
4. The decision of the specialised institution on imposing a warning as a measure of liability may be appealed to the Public Oversight Council within 20 working days after entry into force of the decision.

### **Article 31. Fine**

1. Fine shall be imposed on an audit entity as a measure of disciplinary liability, where, pursuant to Article 28 of this Law, the mark "3" has been given based on the results of external evaluation.
2. The fine provided for by part 1 of this Article shall be imposed in the amount of 500 thousand Armenian drams.
3. The decision of the specialised institution on imposing a fine shall enter into force from the 10<sup>th</sup> working day following the day of adoption of the relevant decision by the specialised institution. The specialised institution shall — within 7 working days starting from the day following the adoption of the decision — inform the person being subjected to liability and the Public Oversight Council in writing.
4. An audit entity shall pay the fine to the specialised institution within 60 calendar days following the day of entry into force of the decision of the specialised institution on imposing the fine.
5. The decision of the specialised institution on imposing a fine as a measure of liability may be appealed to the Public Oversight Council within 20 working days after entry into force of the decision.



## **Article 32. Suspension of membership to the specialised institution**

1. Membership to the specialised institution shall be suspended, where, pursuant to Article 28 of this Law, the mark "4" has been given based on the result of external evaluation, or the fine has not been paid within the time limit prescribed by part 4 of Article 31 of this Law.
2. Membership to the specialised institution shall be suspended for the period prescribed by the decision of the specialised institution on suspension, but no longer than for the period of 6 months.
3. An auditor the membership to the specialised institution whereof has been suspended, during the entire period of suspension shall not have the right to:
  - (1) participate in auditing or, pursuant to the requirements of the Law "On accounting", act in the capacity of a chief accountant in a medium-sized entity, a large entity and an entity of public interest;
  - (2) participate in the activities of elective and professional bodies of the specialised institution.
4. An audit entity the membership to the specialised institution whereof has been suspended, during the entire period of suspension shall not have the right to:
  - (1) conclude a contract for provision of auditing services;
  - (2) make such amendments to the contracts for provision of auditing services concluded before the suspension, which will lead to expansion of the obligations for the audit entity.
5. An expert accountant and an auditor not working in an audit entity, membership to the specialised institution whereof has been suspended, during the entire period of suspension shall not have the right to:

- (1) pursuant to the requirements of the Law "On accounting", act in the capacity of a chief accountant in a medium-sized, large entity and an entity of public interest;
  - (2) participate in the activities of elective and professional bodies of the specialised institution.
6. The decision of the specialised institution on suspension shall enter into force from the 10<sup>th</sup> working day following the day of adoption of the relevant decision of the specialised institution. The specialised institution shall — within 7 working days starting from the day following adoption of the decision — inform the person being subjected to liability and the Public Oversight Council in writing.
7. The decision of the specialised institution on suspension of membership may be appealed to the Public Oversight Council within 10 working days after the date of entry into force of the relevant decision of the specialised institution on suspension. In case the appeal is granted, the specialised institution shall render — based on the decision of the Public Oversight Council — a decision on termination of suspension of the membership.

### **Article 33. Cancellation of qualification**

1. Qualification of an auditor or an expert accountant shall be cancelled, where, pursuant to Article 28 of this Law, the mark "5" has been given based on the results of external evaluation.
2. In addition to the cases prescribed by part 1 of this Article, other grounds and the procedure for cancellation of qualification of auditors shall be prescribed by the Law "On auditing".

3. In addition to the cases prescribed by part 1 of this Article, other grounds and the procedure for cancellation of qualification of expert accountants shall be prescribed by the Law "On accounting".

#### **Article 34. Termination of membership to the specialised institution**

1. Membership to the specialised institution shall be terminated, where:
  - (1) pursuant to Article 28 of this Law, the mark "6" has been given based on the results of external evaluation;
  - (2) pursuant to Article 32 of this Law, the violations serving as grounds for suspension are not eliminated within the period of suspension prescribed by the decision on suspension of membership to the specialised institution;
  - (3) the audit entity has — pursuant to the Law "On auditing" — provided an unreliable audit opinion.
2. The decision of the specialised institution on termination of membership shall enter into force from the 20<sup>th</sup> working day following the day of adoption of the relevant decision of the specialised institution, unless that decision has been appealed pursuant to part 3 of this Article. The specialised institution shall — within 7 working days starting from the day following adoption of the decision — inform the person being subjected to liability and the Public Oversight Council in writing.
3. The decision of the specialised institution on termination of membership may be appealed to the Public Oversight Council within 20 working days following the day of adoption of the relevant decision of the specialised institution on termination of membership.
4. The decision of the specialised institution on termination of membership shall be suspended for the period of appeal. Membership of the audit entity, auditor and expert accountant to the specialised institution shall be deemed to be suspended

for the period of appeal. In case the Public Oversight Council does not grant the appeal, the decision of the specialised institution on termination of membership shall remain unchanged, and membership to the specialised institution shall be deemed to be terminated pursuant to part 2 of this Article. In case the appeal is granted, the specialised institution shall render — based on the decision of the Public Oversight Council — a decision on cancelling termination of membership.

5. In case of termination of membership upon the ground provided for by point 1 of part 1 of this Article, an audit entity, auditor or expert accountant shall have the right to apply again for membership within three years following termination of membership to the specialised institution.
6. In case of termination of membership upon the ground provided for by point 2 of part 1 of this Article, an audit entity, auditor or expert accountant shall have the right to apply again for membership to the specialised institution no earlier than within two years following termination of membership.
7. In case of termination of membership upon the ground provided for by point 3 of part 1 of this Article, an audit entity shall have the right to apply again for membership to the specialised institution no earlier than in two years following termination of membership.

## CHAPTER 6

### FINAL PROVISIONS

#### **Article 35. Transitional provisions**

1. The Minister of Finance shall establish the Public Oversight Council within 6 months after entry into force of this Law.
2. In case of applying to the body implementing policy within a period of four months after entry into force of this Law, specialised institutions accredited as prescribed by the Government as of the moment of entry into force of this Law and pursuant to Law HO-512-N of 26 December 2002 "On auditing", shall be deemed to be accredited specialised institutions within the meaning of this Law and shall be obliged to bring their accreditation in compliance with the requirements prescribed by this Law within a period of 12 months following application.
3. Where, after entry into force of this Law, within a period of 4 months, any specialised institution fails to undergo accreditation, the functions of the specialised institution shall, as prescribed by this Law, be exercised by the body implementing policy. In the indicated case, the requirement to register in the register of auditors, expert accountants and audit entities maintained by the body implementing policy, shall be applied instead of the requirement for an audit entity and a natural person to become a member of the specialised institution, as prescribed by Articles 18 and 20 of this Law. Moreover, before entry into force of this Law, the annual state duty rate provided for by the Law "On state duty" for carrying out auditing services shall be applied instead of point 6 of part 1 of Article 18 of this Law, whereas point 4 of part 1 of Article 20 shall not be applied.

4. A qualification certificate of an expert accountant shall be issued — as prescribed by the specialised institution provided for by this Law — to the members of the specialised institutions accredited as prescribed by the Government as of the moment of entry into force of this Law, pursuant to Law HO-512-N of 26 December 2002 "On auditing", who do not have a qualification of an auditor pursuant to the Law "On auditing", qualification of an accountant pursuant to the Law "On accounting" or a certificate of an auditor or an accountant, issued by the indicated specialised institution, which shall remain in force until 1 January 2023. The indicated persons shall have the right to receive — through the simplified procedure established by the specialised institution provided for by this Law — the qualification certificate of an expert accountant before 1 January 2023.
5. The register of the specialised institution shall be posted on its official website before 1 January 2021.

**Article 36. Entry into force of this Law**

This Law shall enter into force on 1 January 2020.

**President of the Republic**

**A. Sargsyan**

20 December 2019

Yerevan

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