

AUDITING ACT (ZRev-2)

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1. BASIC PROVISIONS

Article 1 (content of the Act)

This Act regulates auditing, the expert areas associated with auditing, the supervision of auditing and valuations and the operations of the Slovenian Institute of Auditors and the Agency for the Public Oversight of Auditing.

Article 2 (transposition of directives)

This Act transposes into the national legislation of the Republic of Slovenia Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits and annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC (Official Journal of the European Union L 157 of 9 June 2006, p. 87; hereinafter: Directive 2006/43/EC).

Article 3 (definitions)

The terms used in this Act shall have the following meanings ascribed to them:

1. Auditing means the auditing of financial statements, other assurance engagements and agreed-upon procedures engagements carried out on the basis of International Federation of Accountants rules in the areas of auditing, assurance engagements and ethics.
2. The auditing of financial statements means the testing and assessing of financial statements, and data and methods used in the preparation thereof, and on such basis providing an independent expert opinion as to whether the financial statements present a true and fair view, in all material aspects, of the financial position and operating results of a legal entity, in accordance with the applicable financial reporting framework.
3. Other assurance engagements mean auditing except for the auditing of financial statements, review engagements and other assurance engagements as defined in International Federation of Accountants rules.
4. Agreed-upon procedures engagement means services of an auditing nature carried out on the basis of an agreement between an audit company and organisation or a third party as defined in International Federation of Accountants rules.
5. International Federation of Accountants rules mean the International Standards on Auditing and other international standards, framework provisions, practice statements and the Code of Ethics issued by the International Federation of Accountants and associated with auditing.
6. Statutory audit means an audit of annual and consolidated financial statements as required by law.

7. Statutory auditor means a natural person who holds a valid licence from the competent authority of a Member State of the European Union (hereinafter: Member State) to carry out statutory audits.

8. Certified auditor means a statutory auditor who, in accordance with this Act, holds a licence to carry out the tasks of a certified auditor.

9. Audit firm means a legal person or any other entity, regardless of its legal form, that has a licence from the competent authority of a Member State to carry out statutory audits.

10. Audit company means:

- a company with a registered office in the Republic of Slovenia, organised as a company in accordance with the Companies Act and holding a valid licence from the Slovenian Institute of Auditors (hereinafter: the Institute) to provide auditing services;
- a certified auditor who independently provides auditing services as a sole practitioner and has a valid licence from the Institute to provide auditing services (hereinafter: auditor-sole practitioner).

11. Third-country audit entity means an entity, regardless of its legal form, that carries out audits of the annual or consolidated financial statements of a company from a third country.

12. Third-country auditor means a natural person who carries out audits of the annual or consolidated financial statements of a company from a third country.

13. Group auditor means a certified auditor or audit company that carries out a statutory audit of consolidated financial statements.

14. Network means a larger organisational structure:

- aimed at cooperation and to which a certified auditor or audit company belongs, and
- 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 portion of professional resources.

15. An affiliate of an audit firm means any undertaking, regardless of its legal form, that is associated with an audit firm by means of common ownership, control or management.

16. An audit report means a report issued by an audit company.

17. An auditor's report on financial statements means the report referred to in Article 51a of Directive 78/660/EEC and Article 37 of Directive 83/349/EEC on consolidated annual accounts issued by an audit company.

18. Competent authorities mean the authorities or bodies, defined by law, that are charged with the regulation and/or supervision of statutory auditors and audit firms or of specific aspects thereof.

19. International auditing standards mean the International Standards on Auditing, International Auditing Practice Statements and associated International Federation of Accountants rules relevant to a statutory audit.

20. International accounting standards mean International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and related Interpretations (SIC-IFRIC interpretations), subsequent amendments to those standards and related interpretations issued or adopted by the International Accounting Standards Board (IASB), and adopted and published by the European Union.

21. Key audit partner (hereinafter: audit partner) means:

- the certified auditor designated by an audit company for a particular audit engagement as being primarily responsible for carrying out the statutory audit on behalf of the audit company and signing the audit report; or
- in the case of a group audit, the certified auditor designated by an audit company as being primarily responsible for carrying out the statutory audit at the group level and signing the audit report.

22. A domestic person means a legal person with a registered office in the territory of the Republic of Slovenia or a natural person with permanent residence in the territory of the Republic of Slovenia.

23. Resident of a Member State means a legal person with a registered office in the territory of a Member State or a natural person with permanent residence in the territory of a Member State.

24. A third country means a country that is not a member of the European Union.

25. A third person means a legal person with a registered office in the territory of a third country or natural person with permanent residence in the territory of a third country.

26. A qualifying holding means an indirect or direct holding of a participating interest, shares or other rights based on which the holder acquires 10% of the voting rights or shares in the capital of a certain legal entity.

27. An investment in an individual entity means:

- a direct holding of a participating share, shares or other rights based on which the holder acquires voting rights or shares in the capital of that entity;
- a direct holding of securities issued by that entity;
- claims against that entity arising from a loan or deposits or other legal transactions that are equivalent to loans or deposits in terms of their economic purpose.

28. Related parties mean legally independent entities that are related in terms of management, capital or otherwise, such that they, due to said relations, jointly formulate their business policy and operate in harmony to attain joint business objectives, or such that one of the entities can direct another entity or exert significant influence over its decision-making regarding financing and operations, or such that the operations of one entity or its operating results significantly influence the operations or operating results of another entity. In particular, related parties include entities that are mutually related:

- such as close family members;
- such that an entity or entities deemed to be related parties pursuant to other indents of this point participate in another entity either jointly, directly or indirectly. An individual entity participates in another entity if it is the indirect or direct holder of a participating interest, shares or other rights based on which it participates in the management of another entity or in the capital of another entity with a stake of 20% or more;
- such that the same entity or entities deemed to be associated pursuant to other indents of this point participate in both entities in question;
- such that they constitute an affiliated group in accordance with the Companies Act;
- as members of the management or supervisory board, or as employees on the basis of an employment contract to which the tariff portion of the collective agreement does not apply, with a company in which they perform such a function or in which they are employed, and the close family members of such persons.

29. Close family members of an individual are considered:

- that person's spouse or a person with whom they cohabit in a long-term domestic relationship that, under the act governing marital union and family relations, is equivalent in status to marital union or a person registered in a same gender partnership;
- children or adoptive children of a person lacking full legal capacity;
- other persons lacking full legal capacity under such person's guardianship.

30. An indirect holder of shares, participating interests or other rights ensuring participation in the management or capital is a person on whose account another person, as a direct holder, has acquired said shares, participating interests or other rights ensuring participation in management. An individual shall be considered to be an indirect holder of shares, participating interests and other rights ensuring participation in management or other securities, if the direct holder thereof is a person related to the person in question.

31. A certified appraiser means a natural person holding the professional title of a certified appraiser of the values of companies, real estate or machines and equipment who, in accordance with this Act, holds a valid licence to carry out the tasks of a certified appraiser.

32. Valuation is an activity carried out by a certified appraiser in accordance with valuation rules in order to assess the value of a company, real estate or machines and equipment for accounting reports and other purposes of valuation.

33. The supervisory authority shall be the Slovenian Institute of Auditors or the Agency for the Public Oversight of Auditing.

Article 4 (audit methodology)

(1) Auditing shall be carried out in the manner defined by this Act, the International Standards on Auditing and other rules of the International Federation of Accountants, basic auditing principles and other auditing rules adopted by the Institute, by other laws governing the auditing of individual legal entities and other forms of auditing, and by the regulations adopted on the basis thereof (hereinafter: auditing rules). The hierarchy of auditing rules shall be defined in detail by the Institute with the consent of the Agency for the Public Oversight of Auditing.

(2) Auditing shall be carried out in the cases defined by law or on the basis of an order of a legal entity.

Article 5 (provision of auditing services)

(1) Auditing services may only be provided by an audit company.

(2) Auditing services on behalf of an audit company may only be provided by persons holding a licence to perform the tasks of a certified auditor and employed by the audit company or who have concluded a business cooperation contract or agreement with an audit company. In carrying out individual auditing procedures, such persons may also confer with other persons employed by an audit company or who have concluded a business cooperation contract or agreement with an audit company, under the condition that their operations are carefully planned and supervised.

(3) The persons from the second paragraph of this Article who have concluded a business cooperation contract or agreement with an audit company may not provide auditing services or carry out individual auditing procedures for a client of the audit company:

- for which they perform or have performed, in the last two years prior to carrying out individual auditing procedures, the services set out in the fourth point of paragraph 1 of Article 45 of this Act;
- where the company in which they are employed performs or has performed, in the last two years prior to carrying out individual auditing procedures, the services set out in the fourth point of paragraph 1 of Article 45 of this Act.

Article 6
(supervision of the quality of auditing)

Supervision of the quality of auditing shall be performed by the Institute and the Agency for the Public Oversight of Auditing in accordance with their competencies pursuant to this Act.

Article 7
(specialist fields related to auditing)

Specialist fields related to auditing include:

1. accounting,
2. corporate finance,
3. internal auditing,
4. information systems auditing,
5. tax research and consulting,
6. corporate, real estate, machine and equipment valuation.

2. THE INSTITUTE

2.1. Status and tasks of the Institute

Article 8
(the Institute)

(1) The Institute is a legal entity whose founder is the Association of Accountants, Treasurers and Auditors of Slovenia. The founders of the Institute may also be certified auditors, if so provided by the Institute's articles of association.

The provisions of the act regulating institutes shall apply to the Institute, unless otherwise stipulated in this Act.

Article 9
(tasks and competencies of the Institute)

(1) The Institute shall carry out its tasks and competencies in the field of auditing and other specialist fields related to auditing.

(2) The Institute shall carry out the following tasks and competencies:

1. adopting and publishing the following professional rules:
 - accounting standards,
 - auditing rules,
 - corporate finance standards and rules,
 - internal auditing rules,
 - information systems auditing rules,
 - valuation rules;
2. defining the hierarchy of rules set out in the first point of this paragraph;
3. defining the professional competencies and experience required to perform the tasks of:

- certified auditor,
- certified appraiser;
- 4. organising professional training, carrying out examinations of professional competence, and issuing certificates regarding professional competence for the performance of the tasks set out in point 3 of this paragraph;
- 5. supervision of the work of audit companies, certified auditors and certified appraisers.
- 6. making decisions on the issue of licences for:
 - auditing services,
 - the tasks of a certified auditor,
 - the tasks of a certified appraiser;
- 7. defining the professional competencies and experience necessary to acquire the professional title of:
 - qualified internal auditor,
 - qualified accountant,
 - qualified corporate treasurer,
 - qualified information systems auditor,
 - qualified tax expert;
- 8. organising professional training, carrying out examinations of professional competence, and issuing certificates regarding professional competence for acquiring the professional titles set out in the seventh point of this paragraph;
- 9. carrying out other professional tasks and services related to the development of the auditing profession and other fields related to auditing;
- 10. maintaining registers of:
 - audit companies and third country audit entities,
 - certified auditors,
 - certified appraisers;
 - persons who have acquired the professional titles conferred by the Institute;
- 11. performing other tasks defined by law or the Institute's articles of association, including defining guidelines for setting the fees for auditing services and corporate, real estate, machines and equipment valuation services.

Article 10

(articles of association of the Institute, fee schedule and annual report)

- (1) The detailed organisation, operations and tasks of the Institute shall be governed by the Institution's articles of association. The Institute's articles of association shall enter into force on the day the National Assembly of the Republic of Slovenia gives its approval.
- (2) The National Assembly of the Republic of Slovenia shall discuss the Institute's annual report.
- (3) Compensation for services provided by the Institute shall be defined by the fee schedule, to which the Government of the Republic of Slovenia shall give its approval.

Article 11

(publication of standards and general acts)

The Institute shall publish the following in the Official Gazette of the Republic of Slovenia:

1. standards and rules adopted by the Institute,
2. the Institute's articles of association and fee schedule,
3. other implementing regulations.

2.2. Bodies of the Institute

Article 12 (bodies of the Institute)

The bodies of the Institute shall be:

1. the Governing Council of the Institute,
2. the Director of the Institute,
3. the Auditing Council,
4. the Expert Council.

Article 13 (Governing Council of the Institute)

(1) The Institute shall be managed by the Governing Council thereof.

(2) The Governing Council of the Institute shall:

- adopt the articles of association and other general acts of the Institute;
- adopt the work and development programmes of the Institute and monitor their implementation;
- define the business plan and approve the annual report of the Institute;
- propose the fee schedule and prices for the services performed by the Institute;
- carry out other tasks and competencies set out in the articles of association.

(3) The Governing Council of the Institute shall be composed of nine members, appointed as follows:

- one member by the founder;
- five members by the persons entered in the Institute's register;
- one member by the minister responsible for finance;
- one member by the minister responsible for the economy;
- one member by the Institute's employees.

(4) The Governing Council members shall be appointed for a period of four years and may be re-appointed upon the expiry of their term of office.

Article 14 (Director)

(1) The Director of the Institute shall manage the operations of and represent the Institute.

(2) A person shall satisfy the following conditions to be appointed Director of the Institute:

- hold the professional title of certified auditor;
- have the qualities and experience required to manage the Institute;
- possess a high level of active knowledge of the Slovenian language;
- has not been convicted of a crime against property or an economic crime that has yet to be expunged from the record.

(3) The Director of the Institute shall be appointed by the Governing Council of the Institute.

(4) The Director of the Institute shall be appointed for a period of four years and may be re-appointed upon expiry of the term of office.

Article 15
(Auditing Council)

(1) The Auditing Council shall:

1. make decisions regarding the issue of licences for:
 - auditing activities,
 - the tasks of a certified auditor;
2. give an expert opinion regarding the supervision of the quality of the work of audit companies and certified auditors;
3. adopt auditing rules and define the hierarchy of auditing rules that are not regulations;
4. define the criteria for obtaining the certificate of professional competence to perform the tasks of a certified auditor;
5. prepare the strategic and annual plan of supervision of audit companies and certified auditors.

(2) In addition to the tasks set out in the first paragraph of this Article, the Auditing Council shall also perform other specialist tasks related to the development of the auditing profession.

(3) The Auditing Council shall be composed of seven members. In accordance with his/her function, the Director of the Institute shall be a member of the auditing council. Four members shall hold a licence to perform the tasks of a certified auditor while the remaining two members - representatives of the interested public - shall have the appropriate professional competencies and experience from the field of accounting and finance.

(4) The members of the auditing council who are required to hold a licence to perform the tasks of a certified auditor shall be appointed by certified auditors.

(5) The members (representatives) of the interested public, one of whom shall be a representative of a company, shall be appointed by the minister responsible for finance.

(6) The members of the Auditing Council shall be appointed for a period of four years and may be re-appointed upon the expiry of their term of office.

Article 16
(Expert Council)

(1) The Expert Council shall:

- make decisions on the issue of licences for performing the tasks of a certified appraiser;
- give an expert opinion regarding the supervision of the quality of the work of certified appraisers;
- adopt valuation rules;
- define the criteria for obtaining the certificate of professional competence to perform the tasks of a certified appraiser;
- prepare the strategic and annual plan of supervision of certified appraisers.

(2) In addition to the tasks set out in the first paragraph of this Article, the members of the Expert Council shall:

1. adopt- accounting standards,
 - corporate finance standards and rules,
 - internal auditing rules,
 - information systems auditing rules;
2. carry out other tasks and competencies set out in the second paragraph of Article 9 of this Act, except those which are within the powers of the Auditing Council in accordance with the first paragraph of Article 15 of this Act.

(3) The Expert Council shall be composed of nine members, eight of which shall be appointed by persons having acquired one of the professional titles conferred by the Institute, while one member shall be appointed by the ministry responsible for higher education from university staff, with the prior consent of the relevant universities.

(4) The members of the Expert Council shall be appointed for a term of four years and may be re-appointed upon the expiry of their term of office.

2.3. Supervisors

Article 17 (supervisors)

(1) Supervisors shall be those persons carrying out supervision and persons managing supervisory procedures.

(2) A person carrying out the supervision of audit companies and the tasks performed by a certified auditor at the Institute shall meet the following conditions:

- be a certified auditor;
- possess a high level of active knowledge of the Slovenian language;
- has not been convicted of a crime against property or an economic crime that has yet to expunged from the record.

(3) A person carrying out the supervision of the tasks performed by a certified appraiser at the Institute shall meet the following conditions:

- hold the professional title of certified appraiser;
- possess a high level of active knowledge of the Slovenian language;
- has not been convicted of a crime against property or an economic crime that has yet be expunged from the record.

(4) A person who carries out supervisory procedures and who carries out the supervision of audit companies, certified auditors and certified appraisers with regard to these procedures shall meet the following conditions:

- he/she has completed at least a second level study programme pursuant to the law governing higher education or has an education in the field of law or economics that is at least equivalent to this level;
- he/she meets the conditions for managing procedures in accordance with the act governing general administrative procedure;
- possesses a high level of active knowledge of the Slovenian language;
- has not been convicted of a crime against property or an economic crime that has yet to expunged from the record.

(5) In carrying out supervision, supervisors must be impartial and independent of the subject of supervision and no conflicts of interests may exist between them. The second paragraph of Article 45 of this Act shall apply *mutatis mutandis* to the fulfilment of the conditions set out in the preceding sentence.

3. AGENCY FOR THE PUBLIC OVERSIGHT OF AUDITING

Article 18 (status of the Agency for the Public Oversight of Auditing)

- (1) Pursuant to this Act, the Agency for the Public Oversight of Auditing (hereinafter: the Agency) shall be established.
- (2) The Agency shall be a legal entity. The registered office of the Agency shall be in Ljubljana.
- (3) The Agency shall be autonomous and independent in carrying out its tasks and competencies.

Article 19 (the Agency's bodies)

The Agency's bodies shall comprise the Expert Council and Director (hereinafter: Director of the Agency).

- (2) The members of the Expert Council and Director of the Agency shall be appointed and dismissed by the Government of the Republic of Slovenia at the proposal of the minister responsible for finance.
- (3) The members of the Expert Council and the Director of the Agency shall be appointed for a term of six years, and may be re-appointed.

Article 20 (conditions for appointing the Director and member of the Expert Council)

A person with the title of independent expert who possesses appropriate knowledge related to auditing may be appointed Director of the Agency and member of the Expert Council. The person must also:

- have completed at least a second level economic or law study programme pursuant to the law governing higher education or have an education in the field of economics or law that is at least equivalent to this level;
- have worked in the theoretical or practical fields of accounting, auditing, finance or law for at least eight years;
- not be employed at the Institute and not be a member of any of the Institute's bodies;
- for at least three years prior to appointment, did not carry out statutory audits, did not hold voting rights in an audit company, was not a member of the management board or management body of an audit company and was not employed at an audit company or otherwise associated with one;
- has not been convicted of a crime against property or an economic crime that has not yet been expunged from the record.

Article 21 (incompatibility of performing the function of Director and member of the Expert Council)

- (1) Holding office as the Director of the Agency and member of the Expert Council is incompatible:
 1. with the function of member of the management or supervisory bodies of a bank, insurance company, stock brokerage company, management company and all other companies subject to statutory audits;

2. with a function in the bodies of political parties, state bodies, and local authorities;
3. with the performance of profitable activities, except for pedagogical and scientific research work if such an activity was incompatible with carrying out the independent public oversight of auditing.

(2) On the day the Director of the Agency and members of the Expert Council are appointed, the functions set out in point 2 of the first paragraph of this Article shall cease.

(3) Within three months at the latest from the day of their appointment, the Director of the Agency and members of the Expert Council shall cease to perform the activities set out in the first and third points of the first paragraph of this Article. They shall cease to hold office if they fail to do so.

Article 22 (early dismissal of a member and the Director)

(1) The Government of the Republic of Slovenia may dismiss the Director and members of the Expert Council before their term of office has expired in the following cases:

1. if he/she tenders a statement of resignation;
2. if he/she has been convicted of a crime against property or an economic crime or other criminal offence involving imprisonment;
3. if he/she becomes permanently incapable of performing his/her function;
4. if in fulfilling his/her obligations, he/she acts contrary to the law.

Article 23 (competencies of the Director)

(1) The Director of the Agency shall represent the Agency in carrying out its competencies and responsibilities.

(2) The Director of the Agency shall also represent the Agency in cooperation with other supervisory authorities of Member States and in cooperation on the European Union level in supervisory operations and in cooperation with supervisory authorities of third countries according to the principle of reciprocity.

Article 24 (public call for applications for the post of Director)

(1) The minister responsible for finance shall propose a candidate for Director of the Agency to the Government of the Republic of Slovenia, the candidate having been selected based on a public call for applications.

(2) The call for applications specified in the first paragraph of this Article must be published at least six months before the term of office of the current Director of the Agency ends.

Article 25 (Expert Council of the Agency)

(1) The Expert Council shall comprise nine members.

(2) The Director of the Agency shall also serve as president of the Expert Council.

(3) The appointment of other members shall be proposed to the minister responsible for finance by:

- the Securities Market Agency,

- the Bank of Slovenia,
- the Insurance Supervision Agency,
- the Institute,
- the Ljubljana Stock Exchange,
- the Ministry of the Economy,
- the Ministry of Finance,
- the University of Ljubljana or University of Maribor.

(4) The Expert Council shall perform the following tasks:

- rule on approvals, measures of supervision and other individual matters that the Agency rules on in accordance with this Act, unless otherwise stipulated by this Act or any other law;
- adopt regulations when specified by law that such an act shall be adopted by the Agency;
- adopt the Agency's rules of procedure;
- adopt the Agency's strategic and annual plan of work;
- adopt the Agency's annual report;
- give principled opinions on individual matters decided upon by the Director;
- discuss general issues regarding the quality of auditing;
- review the initiatives of other supervisory authorities and interested persons for the improvement and development of the quality of financial reporting and auditing;
- discuss other professional issues that fall under the Agency's competencies.

Article 26 (international cooperation)

The Agency shall be responsible for cooperation with the relevant authorities of Member States and authorities involved in the supervision of operations on the European Union level and with third countries according to the principle of reciprocity.

Article 27 (general acts of the Agency)

The Agency shall have rules of procedure that define its internal organisation and operations in detail.

Article 28 (protecting the Agency's confidentiality)

(1) The provisions of Article 38 of this Act shall apply *mutatis mutandis* for the protection of confidentiality for members of the Agency's bodies and its employees.

(2) Notwithstanding the provisions of Article 38 of this Act, the duty to protect confidential data shall not apply to members when the exchange of data between competent authorities of Member States during investigations related to the auditing of financial statements is involved.

Article 29 (publication of Agency reports)

(1) The Agency shall adopt the annual plan of work and annual report regarding its work and publish them on its website.

(2) The National Assembly of the Republic of Slovenia shall review the annual report of the Agency each year.

(3) The Agency shall publish a report on measures adopted on its website.

Article 30
(funding for carrying out the Agency's tasks)

Funding for carrying out the Agency's tasks shall be provided from the state budget and from revenues in accordance with a fee schedule.

Article 31
(competencies of the Agency for the Public Oversight of Auditing)

(1) In carrying out the public oversight of auditing, the Agency shall be competent and responsible for the oversight of:

1. the adoption of auditing rules (auditing standards, ethical professional standards, auditing quality control standards) and for defining the hierarchy of auditing rules which are not regulations;
2. training for obtaining the professional title of certified auditor;
3. issue of licences to provide audit services and carry out the tasks of a certified auditor, and the registration of statutory third-country auditors and audit companies;
4. continuing education of certified auditors;
5. ensure the quality of the audit work of certified auditors and audit companies.

(2) The Agency shall make decisions in supervisory procedures of the quality of work of audit companies and certified auditors and impose measures of supervision.

(3) Based on good practices, the Agency may, in cooperation with the Institute, formulate recommendations for quality control of the auditing of individual types of companies.

(4) The Agency shall also perform other tasks in accordance with the law.

Article 32
(method of public oversight of auditing)

(1) The Agency shall carry out the tasks set out in the first and second points of the first paragraph of Article 31 by giving its consent to auditing rules, the educational programme and the hierarchy of auditing rules which are not regulations and adopted by the Institute.

(2) The Agency shall carry out the tasks set out in the third point of the first paragraph of Article 31 by:

1. giving its consent to the rules adopted by the Institute for obtaining the certificate of professional competence to perform the tasks of a certified auditor;
2. verifying the correctness of licences issued and the registration of third-country statutory auditors and audit companies.

(3) The Agency shall carry out the tasks set out in the fourth point of the first paragraph of Article 31 of this Act by giving its consent to the continuing education programme for certified auditors adopted by the Institute and by verifying the implementation of the Institute's continuing education programme.

(4) The Agency shall carry out the tasks set out in the fifth point of the first paragraph of Article 31 of this Act by overseeing the Institute in the planning and implementation of supervision of the quality of the auditing services performed by certified auditors and audit companies.

(5) The Agency shall oversee the planning of supervision of the quality of auditing set out in the previous paragraph of this Article by:

1. defining the criteria for preparing the strategic and annual plan of quality control of the auditing performed by certified auditors and audit companies, in accordance with this Act;
2. giving its consent to the strategic and annual plan in accordance with the criteria defined by the Institute pursuant to the fifth point of the first paragraph of Article 15 of this Act;
3. providing the Institute individual requirements for extraordinary controls of the quality of auditing.

(6) The Agency may itself also perform supervision of the quality of auditing by certified auditors and audit companies. In carrying out such supervision, the Agency shall have the same competencies as the Institute.

(7) Persons carrying out oversight for the Agency must meet the conditions from Article 17 of this Act.

(8) If requested by the Agency, the Institute must provide access to all documents or handover all documents and provide appropriate explanations required for carrying out its competencies. The Agency may at any time appoint its own supervisor who shall cooperate in the supervision carried out by the Institute.

(9) After carrying out supervision, the Institute shall send the Agency all documentation obtained in the scope of supervision, together with the minutes, comments regarding the minutes and the expert opinion of the Institute's auditing council.

Article 33 (public oversight of valuation services)

(1) The Agency shall carry out public oversight of the work of certified appraisers whenever they carry out tasks involving valuation at entities subject to statutory audits.

(2) The Agency shall carry out the public oversight from the previous paragraph *mutatis mutandis* with the provisions of this Act governing the supervision of auditing.

Article 34 (competencies of the Agency regarding cooperation with the supervisory authorities of Member States)

(1) The Agency shall at the request of the competent authorities of Member States provide data for the purpose of mutual cooperation in carrying out supervision of statutory auditors and audit companies. At the request of the Agency, audit companies, certified auditors and the Institute are obliged to submit the required data by the deadline set by the Agency, given the circumstances.

(2) Should the Agency be unable to provide the requested data, it shall notify the competent authority that requested the information without delay.

(3) The Agency may deny a request for the provision of data in the following cases:

1. if the provision of the data could adversely affect the sovereignty, security or public order of the Republic of Slovenia;
2. if judicial proceedings related to the same acts and against the same certified auditors and audit companies have been initiated in the Republic of Slovenia;
3. if the competent authorities in the Republic of Slovenia have ruled against the same statutory auditors or audit companies for the same acts.

(4) If the Agency obtains data from other competent authorities, it may only use this data to perform its own work pursuant to the law and within the scope of related administrative and judicial procedures.

(5) The Director of the Agency and members of the Expert Council are obliged to protect as confidential all data obtained based on mutual cooperation with competent authorities, even after their term of office or employment has ended.

6) If the Agency determines that activities are being carried out or have been carried out in the territory of another Member State contrary to the regulations with which Directive 2006/43/EC was transposed into national legislation, it shall notify the competent authority of the other Member State. The Agency may request that the competent authority of the other Member State carry out its own investigation. The Agency may request that its staff monitor the staff of the competent authority of the other Member State during the investigation.

(7) If the Agency obtains notification regarding the violation of regulations with which Directive 2006/43/EC was transposed into national legislation from a competent body of a Member State, it shall take measures in accordance with its competencies pursuant to this Act and shall notify the competent authority which reported the violation with regard to the procedures and measures taken. If the competent authority of a Member State requests an investigation be carried out in the Republic of Slovenia, the Agency may refuse the request to carry out the investigation or the request to monitor the staff of the competent authority of the other Member State in the investigation if:

1. such an investigation could adversely affect the sovereignty, security or public order of the Republic of Slovenia;
2. if judicial proceeding related to the same acts and against the same persons have been initiated before the competent authorities in the Republic of Slovenia;
3. if the competent authorities in the Republic of Slovenia have ruled against the same statutory auditors or audit companies for the same acts.

(8) In the cases set out in the second and third points of paragraphs 3 and 7 of this Article, the Agency shall notify the competent authorities with regard to the initiated procedures and final decisions.

Article 35

(competencies of the Agency regarding cooperation with the supervisory authorities of third countries)

(1) The Agency may at the request of the competent authorities of a third country provide the audit documentation of certified auditors and audit companies, based on reciprocity, if:

1. such audit documentation is related to the audit of companies that have issued securities in a third country or are a constituent part of a group that prepares mandatory consolidated financial statements in a third country;
2. the competent authorities of the third country in question meet the conformity requirements defined by the European Commission;
3. the Agency has concluded an agreement with the competent authorities of the third country based on the principle of reciprocity;
4. the transfer of personal data to a third country is in accordance with the provisions of the act governing the protection of personal data.

(2) The agreement referred to in the third point of the first paragraph of this Article must include:

1. the obligation to explain the purpose of the request for audit documentation;
2. the duty to protect confidential data for persons who are or were employed at the competent authorities of the third country;

3. a request that the competent authorities of the third country use audit documentation solely for the purpose of carrying out public oversight, quality assurance and investigations comparable to the competencies of the Agency, as defined in this Act;

4. requests of the competent authorities of a third country for audit documentation in cases where:

- the provision of such working papers or documents could adversely affect the sovereignty, security or public order of the European Union or the Republic of Slovenia,
- judicial proceedings related to the same acts and against the same persons have already been initiated in the Republic of Slovenia.

(3) The Agency shall notify the European Commission of agreements concluded with the competent authorities of third countries.

Article 36

(obligation to provide data to the Agency)

State authorities and holders of public authorisations must submit to the Agency all data required for the Agency to carry out its tasks when requested to do so, and make available for examination the relevant documentation.

4. AUDITING

4.1. Course of auditing

Article 37

(obligations of a legal person subject to auditing)

(1) The management of a legal person subject to auditing shall submit to the audit company all necessary documentation and make available for examination the books of account, files and computer records. The legal person shall provide the audit company access to its business premises during its normal business hours.

(2) The legal person shall make appropriate rooms and work equipment available to the audit company, to facilitate the audit. If the data were entered by means of computer processing, the legal person shall at its own expense and in reasonable time provide the audit company with the equipment necessary to read documentation, and if necessary, provide the required number of legible hard copies.

(3) Whenever the testing and assessment of individual items in the financial statements require professional knowledge not available to a certified auditor, the legal person shall, at the request of the audit company, obtain an expert opinion or appraisal from a certified appraiser from the appropriate profession, appointed pursuant to Article 87 of this Act. .

(4) Should the legal person fail to enable the audit company to carry out the audit according to paragraphs 1 to 3 of this Article, the certified auditor shall make a note of this fact in the audit report.

(5) The legal person may only dismiss an audit company carrying out an audit of its financial statements for justified reasons. Differing opinions regarding accounting treatments or auditing procedures shall not constitute grounds for dismissal. The legal person must notify the Institute and Agency of the dismissal or resignation of the audit company in writing in the period for which the appointment was valid and provide grounds for the dismissal or resignation.

Article 38
(duty to protect confidential data)

(1) The audit company shall protect the confidentiality of all data, facts and circumstances that have come to its knowledge in the course of auditing.

(2) The management of the audit company, shareholders and members of the audit company respectively, certified auditors, other employees of the audit company and other persons who, in the course of their work at the audit company or while providing services for the audit company, including persons in the network, have access to the confidential data set out in the first paragraph of this Article, shall not disclose this data to third parties, use it themselves or allow it to be used by third parties.

(3) The duty to protect confidential data also applies to the persons set out in the second paragraph of this Article who no longer perform individual auditing tasks.

(4) The duty to protect confidential data shall not apply in the following cases:

- if a supervisory authority responsible for the supervision of a bank, an insurance company, brokerage company, management company or other legal person requires additional explanations from the audit company in accordance with the act governing such supervision, whereby the audit company must notify the legal person subject to audit;
- if based on the act referred to in the first indent of this paragraph the audit company is obliged to report to the supervisory authority regarding specific circumstances;
- if the legal person expressly agrees in writing that certain confidential data may be reported;
- if data are required to establish the facts in criminal proceedings and if the submission of such data is required in writing by the competent court;
- if the data, facts and circumstances that have come to the knowledge of the audit company in the course of auditing give rise to reasonable suspicion that a criminal act which should be reported has been committed;
- if such data are required for the supervision of an audit company and the submission of such data or of audit documentation is requested in writing by a supervisory authority;
- if such data are required for the purposes of internal supervision of the quality of operations of an audit company in the network;
- if an audit company is replaced, whereby the preceding audit company is obliged to provide the incoming audit company access to all data relating to the audited legal person.

Article 39
(carrying out audits)

(1) The audit company shall carry out audits in accordance with auditing rules.

(2) When auditing financial statements, the audit company must ensure that:

- the certified auditor who signs the audit report on financial statements, participates in at least 15% of total audit time;
- the total number of working hours of the assistants of the certified auditor with more than two years of audit experience account for at least 60% of total audit time;- the total number of working hours of other persons in the audit group account for a maximum of 25% of total audit time.

(3) The audit company shall:

- notify the audit committee of the legal person or authority performing the function of audit committee regarding key matters related to the statutory audit, particularly with regard to significant internal control deficiencies relating to financial reporting procedures;

- each year submit written confirmation to the audit committee regarding its independence and that of its certified auditors participating in the audit from the subject of audit;
- each year disclose all additional services it performs for the subject of audit to the audit committee;
- discuss with the audit committee threats to its independence and that of its certified auditors participating in audits and measures for mitigating such threats which it is obliged to document in audit working papers.

(4) The audit company shall prepare and keep audit documentation, as defined in International Federation of Accountants rules, in the Slovenian language.

(5) The audit company shall store the audit documentation set out in the fourth paragraph of this Article for six years following the completion of an audit. The Institute shall decide on the method for storing audit documentation.

(6) If an audit company should cease to operate, the obligation to store audit documentation shall be transferred to the shareholders of the audit company. If an auditor-sole practitioner ceases operations, the audit documentation shall be stored by the Institute.

Article 40 (auditor's report on financial statements)

(1) An auditor's report on financial statements shall be prepared and signed by a certified auditor.

(2) An auditor's report on financial statements shall comprise:

- an explanation of the scope of auditing, stating the financial statements and notes that were the subject of auditing and on the financial reporting framework that served as the basis for the preparation of financial statements (accounting standards or principles);
- an explanation of the responsibilities of management for financial statements and the auditor's responsibilities;
- an explanation of the auditing standards used during the audit and the auditing procedures carried out;
- the opinion of the certified auditor on whether the financial statements present a true and fair view in all material respects of the financial position, operating results and cash flows of the legal person for the accounting period in question.

(3) An auditor's report on financial statements for banks, insurance companies, brokerage companies, management companies and other financial organisations shall also comprise the data defined by the law governing the auditing of such persons.

(4) An auditor's report on financial statements shall include the date the certified auditor obtained sufficient and appropriate audit evidence to justify its opinion regarding the financial statements.

(5) An auditor's report on financial statements for domestic legal persons, branches of a person from a Member State or third persons in the territory of the Republic of Slovenia shall be compiled in the Slovenian language.

Article 41 (opinion of a certified auditor regarding financial statements)

(1) The certified auditor's opinion regarding financial statements shall include an assessment regarding the truthfulness and fairness of financial statements, and may be unqualified, qualified or adverse.

(2) An unqualified opinion shall denote the assessment that the financial statements present a true and fair view of the financial position and operating results.

(3) A qualified opinion shall denote reservations as to the true and fair presentation of individual categories in the financial statements.

(4) The adverse opinion shall denote the assessment that the financial statements are not true and fair.

(5) A certified auditor shall express a disclaimer of opinion if the legal person fails to enable the authorised representatives of an audit company to carry out the audit according to paragraphs 1 to 3 of Article 37 of this Act, or if the legal person keeps the books of account, files and computer records contrary to accounting standards, and thus fails to provide sufficient bases to enable the certified auditor to make a reliable assessment as to whether the financial statements are true and fair.

(6) In the cases referred to in paragraphs 3 to 5 of this Article, the auditor shall state in the auditor's report on the financial statements the grounds for such an opinion or for its refusal to issue an opinion.

Article 42

(reporting on other assurance engagements
and agreed-upon procedures engagements)

The certified auditor shall report on other assurance engagements and agreed-upon procedures engagements in accordance with auditing rules.

Article 43

(statutory audit of consolidated financial statements)

(1) For a statutory audit of consolidated financial statements, the certified group auditor, as key audit partner of the group, shall bear full responsibility for the audit report on consolidated financial statements.

(2) The certified group auditor shall carry out an examination and maintain documentation regarding its examination of the audit work performed by a third-country auditor, a statutory auditor, a third-country audit entity or audit firm working for the group audit. The documentation shall be maintained by the certified group auditor in such a way as to facilitate the examination of the certified group auditor's work by the competent authority.

(3) Whenever a third-country auditor or audit entity audits a constituent part of a group of companies, the certified group auditor shall be responsible for providing the Agency documentation on the audit work carried out by the third-country auditor or audit entity, including working papers related to the audit of consolidated financial statements. In order to do so, the certified group auditor shall keep a copy of such documentation or agree with the auditor or audit entity with regard to suitable and unlimited access to the documentation upon request, or take other measures. If the transfer of working papers from a third country to the group auditor is obstructed due to legal or other obstacles, the documentation maintained by the group auditor shall include evidence that it has taken the appropriate steps to gain access to the audit documentation and evidence regarding obstacles which are not of a legal nature and arising from national legislation.

4.2. Terms of auditing

Article 44 (independence of auditing)

(1) An audit company shall carry out auditing of a legal person independently, objectively and in accordance with auditing rules.

(2) Owners and shareholders of an audit company and members of management, executive and supervisory boards of such a company or affiliate shall not interfere in an audit in any way that threatens the independence and objectivity of the certified auditor.

Article 45 (prohibition on the auditing of an individual legal person)

(1) An audit company shall be prohibited from auditing an individual legal person if:

1. it holds investments in that legal person;
2. if that legal person holds investments in the audit company;
3. if the persons related to the legal person are:
 - close family members of the members of the management or supervisory board or the certified auditors of an audit company,
 - joint indirect or direct holders of a qualifying holding in the audit company;
4. the audit company or any organisational unit in the network it belongs to, or person connected with the audit company performs or has performed in the two years prior to concluding an agreement on the auditing of a legal person's financial statements:
 - any type of accounting or bookkeeping services,
 - valuation services for the purpose of financial reporting that could affect the items in the financial statements,
 - tax consultation services that could affect items in the financial statements,
 - agency services in tax and judicial procedures regarding tax matters,
 - internal auditing services,
 - services involving the set-up or introduction of an information system that includes the area of accounting or the generation of information included in the financial statements of a legal person,
 - business and financial services that affect items in the financial statements and business and financial services that include advertising, trading or guarantees for the equity and debt securities of a legal person,
 - legal services,
 - any other services that could affect the items in the financial statements;
5. if it is connected with a legal person in some other way and doubt regarding the independence and objectivity of auditing may exist due to this connection.

(2) A certified auditor shall be prohibited from auditing an individual legal person:

- if he/she has, as key audit partner, audited the financial statements of a legal person for seven consecutive years following the date of his/her first appointment, and if following the last audit, two years have not passed for which another key audit partner audited the financial statements;
- if he/she holds investments in that legal person;
- if he/she is connected with a legal person in some other way, and doubt regarding the independence and objectivity of auditing may exist due to this connection;
- if he/she performs or has performed the services set out in point 4 of the first paragraph of this Article in the two years prior to carrying out auditing tasks.

Article 46
(assumption of a management function)

A certified auditor or key audit partner that audits financial statements may not assume the function of member or consultant of a management body or head of an accounting and/or financial department at the legal person being audited until at least two years have passed following the cessation of audit work as a certified auditor or key audit partner.

Article 47
(auditing contract)

(1) Mutual rights and obligations of an audit company and a legal person where an audit is conducted shall be governed by the parties in an auditing contract.

(2) An auditing contract shall be concluded separately in writing for each audit engagement.

(3) In addition to the mandatory components stipulated by the act governing obligations, an auditing contract must also include:

- the expected composition of the engagement team with an indication of the professional qualifications of its members;
- information regarding the total planned time required for auditing by individual members of the engagement team with regard to their professional qualifications;
- all mutual rights and obligations of the contracting parties arising from the engagement;
- the price of auditing services broken down by the prices of services of individual members of the engagement team with regard to their professional qualifications;
- a provision that the audit company shall draw up a statement of actual work hours by members of the engagement team, and issue a final invoice upon the completion of the of the audit.

(4) The price for complete auditing services shall not be conditional on the provision of additional services for the audited legal person or dependent on any other conditions.

5. CERTIFIED AUDITOR

Article 48
(licence to carry out the tasks of a certified auditor)

(1) The Institute shall issue a licence to carry out the tasks of a certified auditor if a person meets the following conditions:

- he/she has completed at least a second level study programme pursuant to the law governing higher education or has an education that is at least equivalent to this level;
- he/she has a minimum of five years of work experience, with a minimum of three years of experience in auditing in the six years prior to submission of the application for the issue of the licence;
- he/she has passed the examination of professional competence to carry out the tasks of a certified auditor as defined by the rules governing the acquisition of relevant certificates;
- he/she has not had a licence for carrying out the tasks of a certified auditor withdrawn in the past;
- he/she has not been convicted of a crime against property crime or an economic crime that has yet to be expunged from the record;
- he/she has a high level of active knowledge of the Slovenian language.

(2) The licence to carry out the tasks of a certified auditor shall be valid two years from the date of issue. The validity of the licence shall be renewed every two years at the holder's request, provided that he/she undergoes additional professional training in accordance with applicable rules.

(3) If the holder of a licence fails to complete the programme of additional professional training referred to in the second paragraph of this Article or does not file a request to renew the licence, the licence shall cease to be valid. Upon renewal of a licence, a person must meet the conditions set out in the first paragraph of this Article and have completed the programme of additional professional training referred to in the second paragraph hereof.

(4) Two years of the three years of working experience set out in the second indent of the first paragraph of this Article may only be acquired by a person by carrying out individual auditing procedures while employed by an audit company.

Article 49 (professional competence)

(1) At a minimum, the examination of professional competence referred to in the third indent of Article 48 of this Act shall cover the following areas:

- general accounting theory and principles;
- legal requirements and standards relating to the preparation of annual and consolidated accounts;
- Slovenian Accounting Standards;
- international accounting standards;
- financial analysis;
- cost and management accounting;
- risk management and internal control;
- auditing;
- legal requirements and professional standards relating to statutory audits and statutory auditors;
- international auditing standards;
- professional ethics and independence;
- company law and corporate governance;
- bankruptcy law and insolvency proceeding;
- tax law;
- civil and commercial law;
- employment and social law;
- information technologies and computer systems;
- business finance;
- mathematics and statistics.

(2) The method of examination referred to in the first paragraph of this Article shall be defined in detail in the rules referred to in the third indent of the first paragraph of Article 48 of this Act.

Article 50 (granting of a licence to statutory auditors of other Member States)

The examination of professional competence, as the basis for issuing a licence to perform the tasks of a certified auditor to the statutory auditors from another Member State, shall be carried out in the Slovenian language and shall include a test of knowledge of Slovenian law and accounting standards. The method and content of the examination are defined in more detail in the regulation governing certification adopted by the Institute.

Article 51

(granting of a licence to third-country auditors)

The Institute may, under the condition of reciprocity, grant a licence to perform the tasks of a certified auditor to a third-country auditor, if the latter submits evidence to the Institute that he/she fulfils requirements equivalent to those defined in the first paragraph of Article 48 of this Act and has taken the examination of professional competence set out in the first paragraph of Article 50 of this Act.

Article 52
(reporting)

(1) A certified auditor shall report to the audit company any investments based on which he/she has indirectly or directly acquired a qualifying holding in an individual legal person, and any subsequent investments in that legal person.

(2) A certified auditor shall immediately report to the audit company any investments in a legal person with which the audit company has concluded an auditing contract, and any of the circumstances set out in the third indent of the second paragraph of Article 45 of this Act.

Article 53
(supervision)

(1) The Agency may pronounce the following measures with regard to a certified auditor:

- issue an order to rectify violations;
- issue a reprimand;
- conditionally withdraw a licence;
- withdraw a licence.

(2) With regard to supervision of certified auditors, the provisions of Articles 73, 74, 76, 81 and 82 of this Act shall apply *mutatis mutandis*.

Article 54
(grounds for withdrawal of a licence to carry out the
tasks of a certified auditor)

(1) The Agency shall withdraw a licence to carry out the tasks of a certified auditor if:

- the licence was obtained by stating false data;
- the conditions specified in Article 48 of this Act were not fulfilled upon acquisition of the licence;
- the person has been convicted of a crime against property or an economic crime that has yet to be expunged from the record.

(2) The Agency shall withdraw a licence to carry out the tasks of a certified auditor if in the course of auditing, the certified auditor:

- violates the prohibition from the second paragraph of Articles 45 and 46 of this Act;
- violates auditing rules, resulting in a deficient and misleading audit report, that he/she has signed;
- violates the duty to protect confidential data;
- repeatedly violates other provisions of this Act or other laws and regulations governing auditing, such that he/she has already been reprimanded twice for such violations.

Article 55
(conditional withdrawal of a licence)

(1) With a decision on the withdrawal of a licence, the Agency may also order that the withdrawal will not be implemented if, within a deadline set by the Agency of no less than six months and no more than two years, the certified auditor refrains from committing another violation that gives rise to the withdrawal of a licence or the issue of a reprimand.

(2) The Agency shall revoke the conditional withdrawal of a licence and shall withdraw a licence if the certified auditor commits a new violation during the probationary period that gives rise to the withdrawal of a licence or the issue of a reprimand.

Article 56
(reprimand)

The Agency shall issue a reprimand to a certified auditor violating auditing rules, if no grounds exist for the withdrawal or conditional withdrawal of a licence.

6. AUDIT COMPANY AND AUDITOR-SOLE PRACTITIONER

6.1. Status provisions

Article 57
(application of provisions)

The provisions of the act governing companies and sole practitioners shall apply to an audit company or auditor-sole practitioner, unless otherwise provided by this Act.

Article 58
(activities of an audit company)

(1) An audit company may only provide auditing services.

(2) Notwithstanding the first paragraph of this Article, an audit company may also provide the services in specialist fields relating to auditing, taking into account the limitations from Article 44 and the first paragraph of Article 45 of this Act.

Article 59
(legal-organisational form)

(1) An audit company may only be organised as a company or auditor-sole practitioner in accordance with the Companies Act.

(2) The provisions of this Act relating to an audit company's management shall apply *mutatis mutandis* to the managers of an audit company organised in form of a limited liability company or a partnership, or to an auditor-sole practitioner.

(3) The provisions of this Act relating to the shareholders of an audit company shall apply *mutatis mutandis* to shareholders of an audit company organised in form of a limited liability company or a partnership.

(4) The provisions of this Act relating to an audit company's articles of association shall apply *mutatis mutandis* to the memorandum of association of an audit company organised in form of a limited liability company or a partnership.

(5) Whenever an auditor-sole practitioner, under the Companies Act, is not entered into the court register, the provisions of this Act regarding the entry into the court register shall apply *mutatis mutandis* to the entry into an appropriate register of sole practitioners.

Article 60
(shares of an audit company)

If an audit company is organised as a public limited company, it shall issue registered shares.

Article 61
(shareholders of an audit company)

(1) The holders of shares whose joint participation in the capital and management of an audit company is at least 75%, shall be certified auditors, audit companies, and third-country audit firms and audit entities.

(2) If the Agency withdraws a licence to carry out the tasks of a certified auditor or a licence to provide auditing services from a person set out in the first paragraph of this Article, that person shall have no rights from the shares it holds.

(3) If due to the sale of shares by a person set out in the first paragraph of this Article to a third person not set out in the first paragraph of this Article, and the participation of the persons set out in the first paragraph of this Article in capital and management falls below 75%, the holder of shares, the acquisition of which is in violation of the first paragraph of this Article, shall have no rights.

(4) In the cases set out in the second and third paragraphs of this Article, the Agency shall issue a decision declaring that the holder of shares has no rights.

(5) Prior to issuing the decision set out in the fourth paragraph of this Article, the Agency shall grant the holder of shares a deadline of no less than 8 days and no more than 15 days to state his/her reasons.

(6) A third-country audit entity may hold shares pursuant to the first paragraph of this Article provided that, under the law of the country in which the third-country audit entity is incorporated, Slovenian audit companies may hold the shares of an audit entity in the country in which the third-country audit entity is incorporated.

Article 62
(shareholder's obligations)

(1) A shareholder of an audit company shall report to the audit company with regard to:

1. any investments based on which he/she has indirectly or directly acquired a participating interest in an individual legal person and any subsequent investments in that legal person;
2. if a shareholder is a legal person:
 - changes to the holders of qualifying holdings in that legal person,
 - the appointment and discharge of management and members of the supervisory board.

(2) The holder of a qualifying holding in an audit company shall notify an audit company without delay regarding any association with a legal person with whom the audit company has concluded an auditing contract, due to which the audit company would be in violation of the prohibition set out in Article 45 of this Act.

(3) Should a shareholder violate the obligations set out in the first or second paragraphs of this Article, the audit company shall notify the Institute without delay.

Article 63
(prohibition to exercise the rights arising from shares)

(1) The Agency shall issue a decision prohibiting a shareholder from exercising the rights arising from shares:

- if the shareholder repeatedly violates the obligations set out in the first and second paragraphs of Article 62 of this Act, or otherwise repeatedly hinders the supervision of an audit company;
- if the shareholder is a third-country audit entity or other third-country person and the circumstances set out in the second paragraph of Article 72 of this Act arise or exist;
- if the shareholder violates the duty to protect the confidential data set out in the second paragraph of Article 38 of this Act.

(2) In the case set out in the first paragraph of this Article, the shareholder shall have no rights arising from the shares it holds.

Article 64
(articles of association of an audit company)

(1) In addition to the provisions that must be included in the articles of association of a public limited company, the articles of association of an audit company shall also govern the content of the reports or notifications set out in the first and second paragraphs of Article 62 of this Act, as well as the method and deadlines for reporting or notification.

(2) The articles of association of an audit company shall also define that an audit company has the right to preclude:

- a shareholder who, after having received the decision from the Agency set out in the fourth paragraph of Article 61 of the first paragraph of Article 63 of this Act, has failed to dispose of shares within a deadline of no less than one month from the finality of this decision;
- a legal successor of the shareholder, who has, by acquiring shares, violated the first paragraph of Article 61 of this Act.

Article 65
(management of an audit company)

(1) The management board of an audit company may be composed of a single member or of several members.

(2) No person who has been convicted of a crime against property or an economic crime that has yet to be expunged from the record may be appointed as member of the management board of an audit company.

(3) At least one member of the management of an audit company shall have a high level of active knowledge of the Slovenian language and have permanent residence in the Republic of Slovenia.

(4) The majority of the members of the management board and the president of the management board shall be certified auditors. If the management board is composed of only two members, at least one of them shall be a certified auditor.

(5) Certified auditors who are members of the management board shall be employed full-time at an audit company and shall represent the audit company without limitation.

(6) At least one certified auditor shall be employed full-time at an audit company.

(7) Persons who are not members of the management board and are authorised to represent the audit company must be certified auditors.

(8) Persons who are members of the management board and persons who are authorised to represent the audit company may not be in a contractual relationship with a legal person that is a client of the audit company or a legal person or company that performs the services set out in the fourth point of the first paragraph of Article 45 of this Act for a client of an audit company.

(9) Persons who are members of the management board and persons who are authorised to represent the audit company and their close relatives shall not have investments in a legal person that is a client of the audit company or a legal person or company that performs the services set out in the fourth point of the first paragraph of Article 45 of this Act for a client of an audit company.

Article 66
(special provision for an auditor-sole practitioner)

An auditor-sole practitioner shall not audit:

- public limited companies if they are deemed to be large companies pursuant to the Companies Act;
- public limited companies whose shares are traded on the regulated market;
- banks, insurance companies, brokerage companies, management companies, or other legal persons providing financial services which are subject to a broader scope of auditing, pursuant to the law governing the provision of financial services;
- consolidated financial statements.

Article 67
(liability insurance)

(1) An audit company shall have liability insurance for damages caused to an audited legal person or to a third person by violating the auditing contract or auditing rules.

(2) The insurance sum of the liability insurance set out in the first paragraph of this Article for an individually insured event shall be at least equal to the greater of the following results for an individual financial year:

- the highest price for auditing services based on an individual auditing contract, multiplied by 15;
- the sum of prices for auditing services based on all auditing contracts, multiplied by 2.5.

(3) An individually insured event set out in the second paragraph of this Article shall mean the damages incurred in connection with an individual audit report.

6.2. Licence to provide auditing services

Article 68
(licence to provide auditing services)

A company shall obtain a licence from the Institute, signifying that it meets the conditions to provide auditing services, after the entry of its establishment or the appropriate change to its activity in the court register. The Institute shall enter the audit company into the register of audit companies based on the issued licence.

Article 69
(application for the issue of a licence)

The application for the issue of a licence to provide auditing services shall be accompanied by:

1. the articles of association of the audit company;
2. a list of shareholders, stating the name, surname, and the address or the company name and registered office, the total nominal amount of shares and the percentage of participation in the share capital and management of the audit company;
3. for shareholders – legal persons:
 - the extract from the court register or from other appropriate public register,
 - if the shareholder is a public limited company, also a list of shareholders from the shareholders' register, or if bearer shares were issued, the certified copy of a notarial record of those present at the last general meeting of shareholders. For shareholders who are foreign legal persons, documents shall be submitted in the form of a certified translation;
4. for shareholders – audit firms of Member States or third-country audit entities: the opinion of the competent supervisory authority of the Member State or third country, comprising:
 - the content of the regulations of the Member State or third country governing the conditions to provide auditing services and supervision of the provision of such services,
 - a statement of a competent supervisory authority that the audit firm in the Member State or third-country audit entity is entitled to provide auditing services, and possible restrictions imposed on the audit firm or third-country audit entity during the provision of such services,
 - a statement of a competent supervisory authority that it will notify the Institute regarding all measures of supervision imposed on the audit firm of the Member State or third-country audit entity,
5. a list of persons associated with shareholders, and a description of this association;
6. evidence of employment of the management board of the audit company;
7. extract from the court register from which the persons authorised to represent the company, activities of the company, size and composition of share capital and owners are evident;
8. evidence of liability insurance and payment of the insurance premium;
9. rules on the protection of audit documentation;
10. rules on protecting trade secrets;
11. with regard to an audit company that will employ only one certified auditor, a cooperation agreement with another audit company set out in Article 70 of this Act;
12. evidence of employment for all certified auditors;
13. evidence regarding the ownership of business premises or a valid certified lease agreement;
14. decision of the tax authority on the allocation of a tax number;
15. evidence of the insurance of the business premises and furnishings against fire, flooding, burglary and theft and evidence regarding the payment of the insurance premium;
16. statement regarding investments, based on which the company has indirectly or directly obtained a qualifying holding in another legal person;
17. other documentation specified by the Institute on the basis of which it is possible to determine whether an audit company is capable in terms of personnel, technical issues and organisation of providing the services;
18. evidence that it has paid the financial compensation defined by the fee schedule.

Article 70
(cooperation agreement)

(1) If only one certified auditor is employed at an audit company, the audit company shall conclude a cooperation agreement in which it agrees with another audit company that if it

cannot fulfil its contractual audit obligations due to the certified auditor's work disability, the other audit company shall do so.

(2) The audit company shall notify the client ordering the audit set out in the auditing contract of the possibility of the completion of the engagement in accordance with the cooperation agreement referred to in the previous paragraph.

Article 71

(application for the issue of a licence for an auditor-sole practitioner)

Articles 69 and 70 of this Act shall be applied *mutatis mutandis* for the documentation to be submitted with an application for the issue of a licence to provide the services of an auditor-sole practitioner.

Article 72

(decision-making regarding a licence to provide auditing services)

(1) The Institute shall issue a licence to provide auditing services if the audit company meets the conditions set out in Articles 60 to 65, 67 and 70 of this Act.

(2) Notwithstanding the provision of the first paragraph of this Article, the Institute shall refuse an application for the issue of a licence, if the holder of a qualifying or significant holding in an audit company is a person who has been an indirect or direct controlling person of an audit company whose licence to provide auditing services has been withdrawn.

(3) Notwithstanding the provision set out in the first paragraph of this Article, the Institute shall refuse an application for the issue of a licence if a holder of a qualifying or significant holding in an audit company is a third-country audit entity or other third-country person or if such persons jointly hold a qualifying or significant holding in an audit company, and if, taking into account the regulations of the country or countries of such persons or the practices of the country or countries of such persons in the application and implementation of the said regulations, it is likely that carrying out supervision in accordance with the provisions of this Act will be obstructed or seriously hindered.

(4) Prior to making a decision on the refusal of a licence, the Institute shall give the prospective audit company a deadline of no less than 15 days and no more than 30 days to comment on the reasons for the refusal of the licence.

6.3. Supervision of audit companies

6.3.1. General provisions

Article 73

(supervision of audit companies)

The supervisory authority shall supervise the quality of the work of audit companies with the purpose of verifying whether an audit company observes auditing rules in the course of auditing.

Article 74

(method of supervision)

(1) Supervision of the quality of work of audit companies shall be ensured:

- through verification of whether individual entities meet the conditions for the issue of a licence to provide auditing services;
- through continuous verification of whether certified auditors and audit companies meet the conditions for entry in the appropriate register;
- through the monitoring, collection and verification of reports and notifications of audit companies and other persons that are obliged to report to or notify the Institute with regard to individual facts and circumstances in accordance with the provisions of this Act and other acts;
- through examinations of the operations of audit companies;
- by imposing measures of supervision in accordance with this Act.

(2) The supervision set out in the first, second and third indents of the first paragraph of this Article shall be carried out at the supervising authority through a systematic examination of the documentation an audit company is obliged to submit to the supervisory authority in accordance with this Act.

(3) The supervision set out in the fourth indent of the first paragraph of this Article shall be carried out at the audit company in accordance with the provisions of this Act relating to supervisory procedures. The supervision of an audit company set out in the fourth indent of the first paragraph of this Article shall be carried out so that:

- each audit company carrying out statutory audits of entities whose securities are traded on the regulated securities market of any Member State shall be supervised at least every three years;
- other audit companies are supervised at least every six years.

(4) The supervision of an audit company referred to in the preceding paragraph shall include:

- an examination of the quality control system at the audit company;
- verification of the independence of the certified auditor from the audit client;
- verification of the compliance of auditing procedures with auditing rules;
- an assessment of the quality and quantity of factors used (composition of the auditing team and working hours);
- an examination of the auditing services charged;
- direct supervision of certified auditors.

(5) The examination of the quality control system at an audit company set out in the first indent of the fourth paragraph of this Article shall include determining whether an audit company has established the appropriate guidelines and procedures to:

- assume the responsibilities associated with the quality of work performed;
- to observe ethical requirements;
- accept and maintain relations with clients and for special audit engagements;
- form audit teams;
- carry out engagements in accordance with auditing rules;
- ensure that the guidelines and procedures associated with the quality control arrangements are appropriate and suitable, that they function properly and are observed in practice.

(6) Direct supervision of certified auditors is carried out such that the quality of their work is verified when carrying out supervision with an examination of the complete audit documentation related to the audit of at least one client in the period since the last supervision was carried out.

(7) A supervisor shall draw up the report on the examination of the quality of auditing that shall contain the main findings of the review.

6.3.2. Annual fee for the supervision of quality assurance

Article 75 (fee for performing a supervisory function)

(1) For the supervision set out in the first paragraph of Article 74 of this Act, audit companies shall pay the Institute a supervision fee defined in the fee schedule.

(2) The fee schedule shall define the fee set out in the first paragraph of this Article in such an amount that the sum of the fees to be paid by all audit companies for an individual year covers the actual costs of supervision. Possible surpluses or deficits in fees shall be balanced in the following financial year and in accordance with changes to the fee schedule, as necessary.

(3) If an audit company fails to pay the fee by the deadline defined in the fee schedule set out in the first paragraph of this Article, the Institute shall order the audit company to pay by means of a decision.

(4) The final decision referred to in the third paragraph of this Article shall be enforceable.

Article 76 (costs of supervision)

(1) Whenever a measure of supervision is imposed on an audit company in accordance with this Act, the audit company shall pay the Agency a lump-sum fee for the cost of procedures which is set out in the fee schedule, with regard to the type and extent of violations.

(2) The Agency shall decide on reimbursement of costs from the first paragraph of this Article by virtue of an order or decision regarding the imposition of the measure of supervision.

(3) Judicial protection proceedings may be initiated against the decision regarding the reimbursement of costs referred to in the second paragraph of this Article, even if no judicial protection proceeding is permitted against an order or decision regarding the imposition of the measure of supervision.

(4) The final decision referred to in the second paragraph of this Article shall be enforceable.

6.3.3. Reporting

Article 77 (regular reporting and reporting at the request of the Institute or Agency)

(1) An audit company shall notify the Institute of all changes regarding all facts and circumstances, based on which it obtained a licence to provide auditing services, within ten days.

(2) An audit company shall, once a year until the end of May of the current year, report data regarding the following to the Institute and Agency:

- holders of the audit company's shares and the acquisition of or changes to qualifying holdings;
- investments based on which the audit company has indirectly or directly acquired a qualifying holding in another legal person, and any subsequent investments in that legal person;

- changes to the articles of association or memorandum of association and all other acts of the audit company;
- changes to a cooperation agreement with another audit companies or the conclusion of a new cooperation agreement with another audit company;
- the method of calculating the amount of auditor's liability insurance in accordance with Article 67 of this Act and the method of insuring the auditor's liabilities;
- employees;
- all contracts on the auditing of financial statements that the audit company concluded with clients from the previous accounting period and all contracts that the audit company concluded for other assurance engagements and agreed-upon procedures engagements;
- number of planned and actual hours for each member of the audit team for each individual audit of financial statements;
- number of audit reports signed by an individual certified auditor.

(3) When reporting, the audit company shall take into account all changes from 16 May of the previous year to 15 May of the current year, i.e. the situation as at 15 May of the current year.

(4) The audit company is obliged to report to the Agency the number of audit reports an individual certified auditor employed or in a contractual relationship with the audit company signed in connection with audits performed of individual and consolidated financial statements and the contents of concluded contracts on the auditing of financial statements set out in the third paragraph of Article 47 in the manner, to the extent and by deadlines defined by the Agency in special regulations.

(5) An audit company shall inform the Institute and Agency in writing with regard to the dismissal or resignation of an audit company during a period for which it has been appointed, and appropriately explain the reasons for dismissal or resignation.

(6) If requested by the Institute or Agency, an audit company shall submit reports and information on all issues relevant to supervision or to carrying out other competencies and tasks of the Institute or Agency.

(7) The Institute, with the consent of the Agency, shall define the detailed content of reports set out in the first, second and fifth paragraphs of this Article, as well as the method and deadlines for reporting the facts and circumstances referred to in the first, second and fifth paragraphs of this Article.

Article 78 (notification of changes)

Certified auditors shall notify the Institute of changes to all data entered in the register within 10 days.

Article 79 (transparency report)

1) Audit companies carrying out statutory audits of entities whose securities are traded on the regulated securities market of any Member State and audit companies in the network shall, within three months following the conclusion of each financial year, publish an annual transparency report in the Slovenian language on its website that shall contain at a minimum the following:

- a description of the legal structure and ownership of the audit company;
- if the audit company belongs to a network, a description of the network and its legal and structural arrangement;

- a description of the governance structure of the audit company;
- a description of the internal quality control system of the audit company and a statement by the administrative or management body on its effectiveness;
- an indication of whether the last supervision from the fourth indent of the first paragraph of Article 74 of this Act was carried out;
- a list of entities whose securities are traded on the regulated securities market of any Member State for whom the company performed a statutory audit in the last financial year;
- statement on procedures for ensuring the independence of the company, which also confirms that an internal examination of compliance with independence requirements has been carried out;
- statement on the policy of the audit company relating to the programme of additional professional training referred to in the second paragraph of Article 48 of this Act;
- financial data that indicate the importance of the audit company, such as total turnover, broken down into payments from statutory audits of annual and consolidated financial statements and payments from assurance engagements, tax consulting services and other services not associated with auditing;
- data regarding the basis for the remuneration of certified auditors at the audit company.

(2) The annual transparency report shall be signed by a representative of the audit company.

6.3.4. Measures of supervision

Article 80 (measures of supervision)

The Agency may impose the following measures on an audit company:

- an order to rectify violations;
- the imposition of additional measures;
- the withdrawal of a licence.

Article 81 (order to rectify violations)

1) The Agency shall issue an order to rectify a violation if it has determined in the course of supervision of the audit company that:

- the audit company violates the prohibition set out in the first paragraph of Article 45 of this Act regarding the auditing of legal persons with whom it has concluded an auditing contract for an individual financial year;
- the audit company carries out the activities which it is prohibited from carrying out under this Act;
- the audit company violates the provision set out in Article 60 of this Act;
- the audit company violates the obligation of reporting and notification;
- the audit company fails to publish the report set out in Article 79 of this Act on its website within three months of the conclusion of each financial year;
- the audit company fails to meet any of the conditions for the issue of a licence to provide auditing services;
- the audit company violates other auditing rules.

(2) In the order referred to in the first paragraph of this Article, the Agency shall set a deadline for the rectification of violations.

Article 82
(report on the rectification of violations)

(1) The audit company shall, by the deadline referred to in second paragraph of Article 81 of this Act, rectify the violations identified, and submit to the Agency a report in which it shall describe the measures taken to rectify the violations. The report shall be accompanied by documents and other evidence showing that the violations identified have been rectified.

(2) If the report referred to in the first paragraph of this Article and the accompanying evidence show that the violations have been rectified, the Agency shall issue a decision stating that the violations have been rectified. Prior to issuing the decision, the Agency may conduct another examination of operations to the extent necessary to establish whether the violations have been rectified.

(3) If the report is incomplete or if the report and the accompanying evidence fail to prove that the violations identified have been rectified, the Agency shall order the audit company to complete the report and shall set a deadline therefore.

(4) The Agency shall issue the decision or order referred to in the second and third paragraphs of this Article within 90 days of the receipt of the report on rectification of violations; otherwise the violations shall be deemed rectified.

Article 83
(additional measures)

(1) If in the course of supervision, the Agency determines that an audit company is in serious violation of auditing rules, it may, by way of an order to rectify violations as an additional measure, order the audit company's management to adopt and take the measures to:

- improve the procedures of internal supervision of auditing;
- improve the procedures of internal supervision of the flow of confidential data;
- change the internal structure of the audit company;
- take other measures required to implement auditing rules.

(2) An audit company shall be deemed in serious violation of auditing rules:

- if the audit company performs activities which it is prohibited to perform under this Act;
- if the auditing contract is not in accordance with Article 47 of this Act;
- if proceedings have been initiated against a shareholder of the audit company (a holder of a qualifying holding), to prohibit him/her from exercising the rights arising from shares for the reason set out in the third indent of the first paragraph of Article 63 of this Act;
- if proceedings have been initiated against a certified auditor that carries out audits at the audit company for the withdrawal of his/her licence to carry out the tasks of a certified auditor.

(3) The Agency shall order the competent body of the audit company to dismiss a member or members of the management board and appoint a new member or members:

- if the audit company fails to observe the order to rectify violations;
- if the management board of the audit company fails to take the additional measures referred to in the first paragraph of this Article as imposed by the Agency;
- if in the past two years the audit company violated its obligation of correct and timely reporting to or notification of the Institute more than four times, or if it otherwise hinders the supervision of its operations.

Article 84
(grounds for withdrawal of a licence)

The Agency shall withdraw an audit company's licence to provide auditing services in the following cases:

- if the licence was obtained by stating false data;
- if the additional measure referred to in the third paragraph of Article 83 of this Act was imposed on the audit company, and the competent body of the audit company failed to discharge the member or members of the management board and appoint a new member or members by the deadline set to implement the additional measure, or if the newly appointed members of the management board also failed, within two months from their appointment, to rectify the violations or to take additional measures underlying the additional measure referred to in the third paragraph of Article 83 of this Act.

Article 85
(conditional withdrawal of a licence)

(1) With a decision on the withdrawal of a licence, the Agency may also order that the withdrawal not be implemented if, within a deadline of no less than six months and no more than two years (probationary period), the audit company refrains from committing another violation that gives rise to the withdrawal of a licence.

(2) Whenever the Agency decides on the conditional withdrawal of a licence, it may provide that the withdrawal thereof will also be carried out if the audit company fails, by a deadline, to rectify the violations or to take additional measures underlying the conditional withdrawal of the licence. The deadline to fulfil these obligations shall be set by the Agency within the scope of the probationary period.

Article 86
(revocation of the conditional withdrawal of a licence)

The Agency shall revoke the conditional withdrawal of a licence and withdraw the licence, if the audit company commits a new violation during the probationary that gives rise to the withdrawal of a licence, or if it fails to meet the additional conditions referred to in the second paragraph of Article 85 of this Act.

7. CERTIFIED APPRAISER

Article 87
(certified appraiser)

(1) A certified business appraiser shall be a natural person who has obtained a licence from the Institute to carry out the tasks of a certified business appraiser.

(2) A certified appraiser of machines and equipment shall be a natural person who has obtained a licence from the Institute to carry out the tasks of a certified appraiser of machines and equipment.

(3) A certified real estate appraiser shall be a natural person who has obtained a licence from the Institute to carry out the tasks of a certified real estate appraiser.

Article 88
(valuation method)

(1) Valuation, in accordance with this Act, shall be carried out in the manner defined in valuation rules which include the International Valuation Standards of the International Valuation Standards Committee, other valuation rules which are issued or defined by the Institute and other laws governing the valuation of individual forms of assets and regulations issued on the basis thereof (hereinafter: valuation rules).

(2) Valuation shall be carried out on the basis of an order placed by a legal or natural person.

Article 89
(access to data)

The certified appraisers referred to in Article 87 shall have the right to examine all organised evidence on real estate and the land register, in the same manner as entities demonstrating a legal interest.

Article 90
(licence to carry out the tasks of a certified appraiser)

(1) The Institute shall grant a licence to carry out the tasks of a certified appraiser if a person meets the following conditions:

- he/she has completed at least a second level study programme pursuant to the law governing higher education or has an education that is at least equivalent to this level;
- he/she has a minimum of five years of work experience in a field requiring the knowledge to carry out the tasks of a certified appraiser of the property referred to in the first, second and third paragraphs of Article 87 of this Act;
- he/she has passed an examination of professional competence to carry out the tasks of a certified appraiser of the property referred to in the first, second and third paragraphs of Article 87 of this Act;
- he/she has not had a licence for carrying out the tasks of a certified appraiser withdrawn in the past;
- he/she has not been convicted of a crime against property or an economic crime that has yet to be expunged from the record;
- he/she has a high level of active knowledge of the Slovenian language.

(2) The licence referred to in the first paragraph of this Article shall be subject to the provisions of the second and third paragraphs of Article 48 of this Act.

Article 91
(duty to protect confidential data)

(1) The certified appraiser shall protect the confidentiality of all data, facts and circumstances that have come to his/her knowledge in the course of the property valuation.

(2) The provisions of the third paragraph and indents 3 to 6 of the fourth paragraph of Article 38 of this Act shall also apply *mutatis mutandis* to a certified appraiser.

Article 92
(verification of the quality of appraisers)

Supervision of certified appraisers shall be carried out for purpose of verifying whether certified appraisers observe valuation rules in the course of carrying out valuations.

Article 93
(method of supervision)

The supervisory authority shall supervise certified appraisers:

- through continuous verification of whether certified appraisers meet the conditions for entry in the appropriate register;
- through the monitoring, collection and verification of reports and notifications of certified appraisers that are obliged to report to or notify the Institute with regard to individual facts and circumstances in accordance with the provisions of this Act;
- through examinations of the work of certified appraisers;
- through the imposition of measures of supervision in accordance with this Act.

Article 94
(annual fee for performing a supervisory function)

(1) Certified appraisers shall pay the Institute a supervision fee defined in the fee schedule for the supervision of valuation.

(2) The fee schedule shall define the fee set out in the first paragraph of this Article in such an amount that the sum of the fees to be paid by all certified appraisers for an individual year covers the actual costs of supervision. Possible surpluses or deficits shall be balanced in the following financial year and in accordance with changes to the fee schedule, as necessary.

(3) If a certified appraiser fails to pay the fee by the deadline defined in the fee schedule set out in the first paragraph of this Article, the Institute shall order payment by means of a decision.

(4) The final decision referred to in the third paragraph of this Article shall be enforceable.

Article 95
(costs of supervision)

The provisions of Article 76 of this Act shall apply *mutatis mutandis* to the costs of supervision.

Article 96
(regular reporting and reporting at the request of the Institute or Agency)

(1) The certified appraiser shall report to the Institute with regard to the following facts and circumstances:

- changes to the data entered in the register;
- valuation contracts that it concluded for each individual year.

(2) If requested by the Institute or Agency, a certified appraiser shall submit reports and information on all issues relevant to supervision or to carrying out other competencies and tasks of the Institute.

(3) The Institute, with the consent of the Agency, shall define the detailed content of reports set out in the first and second paragraphs of this Article, as well as the method and deadlines for reporting the facts and circumstances referred to in the first and second paragraphs of this Article.

Article 97
(measures of supervision on certified appraisers)

The Agency may impose the following measures on certified appraisers in accordance with this Act:

1. issue an order to rectify violations;
2. issue a reprimand;
3. withdraw a licence.

Article 98
(order to rectify violations)

The Agency shall issue an order to rectify violations if in the course of supervision of the certified appraiser it is determined that the certified appraiser has violated the provisions of Article 96.

Article 99
(grounds for withdrawal of a licence to carry out the
tasks of a certified appraiser)

(1) The Agency shall withdraw a licence to carry out the tasks of a certified appraiser:

- if the licence was obtained by stating false data;
- if the person has been convicted of a crime against property or an economic crime that has yet to be expunged from the record.

(2) The Agency shall withdraw a licence to carry out the tasks of a certified appraiser if in the course of property valuation, the certified appraiser:

- violates property valuation rules, resulting in a valuation opinion or explanation of that opinion that is erroneous or misleading;
- violates the duty to protect confidential data;
- repeatedly violates other provisions of this Act or other laws and regulations governing property valuation or property valuation rules for which two reprimands relating to such violations have already been issued.

Article 100
(conditional withdrawal of a licence)

(1) With a decision on the withdrawal of a licence, the Agency may also order that the withdrawal will not be implemented if, within a deadline set by the Agency of no less than six months and no more than two years (probationary period), the certified appraiser refrains from committing another violation that gives rise to the withdrawal of a licence.

(2) The Agency shall revoke the conditional withdrawal of a licence and shall withdraw the licence if the certified appraiser commits a new violation during the probationary period that gives rise to the withdrawal of a licence or the issue of a reprimand.

Article 101
(reprimand)

The Agency shall issue a reprimand to a certified appraiser if the certified appraiser violates the provisions of this Act or of other laws and regulations governing property valuation or valuation standards, and if no grounds exist for withdrawal or conditional withdrawal of a licence.

8. DECISION-MAKING PROCEDURES IN INDIVIDUAL CASES

8.1. Common provisions

8.1.1. Application of provisions concerning procedure

Article 102 (application of provisions concerning procedure)

- (1) The supervisory authority shall make decisions on individual matters for which it is competent under this Act, and in accordance with the procedures set out in this chapter, unless otherwise provided for in other chapters of this Act or by another law.
- (2) Unless otherwise defined by this Act, the supervisory authority's decision-making procedure shall be governed by the provisions of the act governing general administrative procedure.
- (3) Notwithstanding the provision of the second paragraph of this Article, no request for reinstatement or extraordinary legal remedies shall be allowed in the supervisory authority's decision-making procedure.
- (4) The supervisory authority shall protect the confidentiality of all data, facts and circumstances that have come to its knowledge in the course of supervision pursuant to this Act, or in the course of decision-making regarding other individual matters.
- (5) The provisions from the second third and fourth paragraphs of Article 38 of this Act shall also apply *mutatis mutandis* to the Institute, to the members of its bodies, to employees of the Institute and Agency, and to other persons who have access to confidential data while working at the Institute.

8.1.2. Procedures prior to the issue of a decision and decision-making

Article 103 (statements by parties)

- (1) The parties shall provide their statements in writing.
- (2) In the case referred to in the second paragraph of Article 105 of this Act, the parties may also provide their statements orally at a hearing.

Article 104 (opportunity to provide a statement)

- (1) Prior to the issue of a decision which is issued *ex officio* that cannot be appealed, the Agency shall invite the party to provide a statement regarding the facts and circumstances relevant to the decision, unless in an individual case another way of giving the party an opportunity to provide a statement is set out by law.
- (2) The invitation specified in the first paragraph of this Article shall comprise:
 - an explicit statement of the facts and circumstances regarding which the party should make a statement, as well as the evidence underlying those facts;
 - a deadline for the statement of no less than eight days;

- instructions to the party that the statement must be accompanied by documentary evidence where reference is made to the latter, and that after the deadline for providing a statement there will be no right to introduce new facts and present new evidence.

(3) In a statement, the party may introduce facts contradicting the facts and circumstances stated in the invitation set out in the first paragraph of this Article, and may produce evidence supporting the existence of the alleged facts. Should the party refer to documentary evidence in the statement, it must include it the statement.

(4) In making a decision the Agency shall consider the evidence included in the statement.

Article 105
(decision-making)

(1) The supervisory authority makes decisions without a hearing.

(2) Notwithstanding the first paragraph of this Article, the supervisory authority may convene an oral hearing if it deems this necessary to explain or establish decisive facts.

8.1.3. Decisions

Article 106
(types of decisions by the supervisory authority)

(1) The supervisory authority shall issue decisions in the form of decisions, resolutions and orders.

(2) No appeals shall be permitted against the decisions of the supervisory authority.

Article 107
(decision)

(1) By virtue of a decision, the supervisory authority shall decide on the issue or withdrawal of a licence and on other matters other than those on which it decides by virtue of a resolution or order pursuant to the law.

(2) A decision shall be substantiated, unless otherwise stipulated by law. Substantiation shall also be given for resolutions against which no special judicial protection proceedings are allowed.

Article 108
(resolution)

(1) By virtue of a resolution, the supervisory authority shall decide on the issues relating to a procedure or arising in connection with a procedure.

(2) The resolution shall be substantiated and shall comprise instructions regarding legal remedies only if special judicial protection proceedings against the resolution are allowed.

8.2. Judicial protection proceedings

8.2.1. Common provisions

Article 109 (judicial protection proceedings)

(1) Judicial protection against the supervisory authority's decisions shall be provided in the proceedings set out in this Act (hereinafter: judicial protection proceedings).

(2) In the judicial protection proceedings set out in the first paragraph of this Article, the provisions of the act governing administrative disputes shall apply *mutatis mutandis*, unless otherwise provided by this Act.

Article 110 (right to judicial protection)

(1) Judicial protection proceedings may be initiated against the supervisory authority's decisions.

(2) Notwithstanding the provision of the first paragraph of this Article, there shall be no special judicial protection proceedings permitted against the following decisions:

- a decision by which the Agency decides on appeal against an order, and dismisses, refuses or amends the order;
- a decision by which the Agency initiates proceedings for the withdrawal of a licence, the issue of a reprimand or the prohibition to exercise the rights arising from shares.

(3) A decision specified in the first indent of the second paragraph of this Article may be challenged by an action in judicial protection proceedings against a decision issued by the Agency on the grounds that the subject of supervision failed to comply with the Agency's order.

(4) A decision specified in the second indent of the second paragraph of this Article may be challenged by an action in judicial protection proceedings against a decision on the withdrawal of a licence, the issue of a reprimand, or the prohibition to exercise the rights arising from shares.

Article 111 (jurisdiction and composition of the court)

In judicial protection procedures, decisions shall be made by a five-judge panel at the Supreme Court.

Article 112 (action and answer)

(1) An action shall be brought within thirty days from the delivery of the decision for which proceedings have been concluded.

(2) The deadline for answering an action shall be thirty days.

Article 113
(new facts and evidence)

The plaintiff may not introduce new facts or produce new evidence in judicial protection proceedings.

Article 114
(limits of testing)

The court shall test the supervisory authority's decision within the limits of the claim and grounds stated in the action, whereby special attention shall be paid *ex officio* to serious violations of the procedural provisions set out in the act governing administrative disputes.

Article 115
(session)

The court shall typically rule without a hearing.

Article 116
(legal remedies)

No appeal shall be permitted against a ruling or resolution issued in judicial protection proceedings.

8.3. Supervisory procedures

8.3.1. General provisions

Article 117
(application of provisions)

(1) The provisions of this section regarding supervisory procedures shall apply to all supervisory procedures carried out by the supervisory authority based on the provisions of this Act, unless otherwise provided for by law for particular supervisory procedures.

(2) The provisions from the subsection regarding the withdrawal of a licence shall also apply *mutatis mutandis* to the procedure of issuing a reprimand and to the procedure of prohibition to exercise the rights arising from shares.

(3) Unless special provisions are set out in this section, supervisory procedures shall be governed by the common provisions set out in the chapter regarding the decision-making procedure of the supervisory authority.

Article 118
(party to supervisory procedures)

(1) A party to supervisory procedures shall be a person subject to supervision by the supervisory authority (hereinafter: the subject of supervision).

(2) The subject of supervision of an audit company shall also be members of the management board of an audit company.

Article 119
(service)

(1) A document shall be served on a subject of supervision that is a legal person or a sole practitioner delivering it to a person authorised to receive it, or to an employee found in the office or business premises.

(2) Service on the members of the management board of a legal person shall be carried out by service on the legal person. Service on a legal person shall be deemed as service on the members of the management board.

(3) When a party to supervisory procedures is represented by an attorney, service on the party shall be deemed to have been effected if the document is served on the attorney or on an employee in the attorney's office.

(4) To a subject of supervision other than persons specified in the first, second and third paragraphs of this Article, a document shall be served by delivering it at his/her residence or business premises of the person by whom he/she is employed.

Article 120
(substitute personal service)

1) If the service of a document that must be served personally cannot be effected as prescribed in Article 120 of this Act, and if the person on whom the document is to be served is not known to be absent, the document shall be served on the Institute. A written notice shall be left on the door or in the mailbox of the residence or business premises of the addressee or of the person employing the addressee, stating the location of the document and a deadline of fifteen days by which the document is to be collected by the addressee. The notice and the document shall also state the reason for such action and the date of the notice left on the door or in the mailbox of the addressee or of the person employing the addressee, and shall be signed by the server.

(2) If the addressee fails to collect the document within fifteen days, the service shall be deemed as being effected on the date of the notice left on the door or in the mailbox of the premises from the preceding paragraph, of which fact the addressee shall be advised in the notice itself.

Article 121
(indirect service)

If the service of a document that need not be served personally cannot be effected as provided in Article 120 of this Act, the document shall be left on the door or in the mailbox of the residence or business premises of the addressee or of the person employing the addressee. The server shall state on the document the reason for and the date of such service and sign it. The service is thus deemed as being effected.

8.3.2. Carrying out supervision

Article 122
(carrying out supervision)

The supervisory authority shall carry out supervision:

- through continuous verification of whether individual entities meet the conditions for the issue of a licence to perform the services and tasks pursuant to this Act;
- through continuous verification of whether individual entities meet the conditions for entry into the appropriate register;
- by monitoring, collecting and verifying the reports and information of the entities subject to supervision and other persons who are required to report to or notify the supervisory authority with regard to individual facts and circumstances in accordance with the provisions of this Act or other acts;
- through examinations of the quality of auditing or valuations;
- by imposing measures of supervision in accordance with this Act.

Article 123
(authorised supervisors)

- (1) An examination of the quality of auditing shall be carried out by a supervisor, authorised by the Director of the Institute or the Director of the Agency to carry out an examination.
- (2) The Director of the Institute or the Director of the Agency may authorise a certified auditor, certified appraiser or other qualified person to carry out individual tasks related to the examination of the quality of auditing.

Article 124
(examination of operations)

- (1) The subject of supervision shall enable a supervisor, at his/her request, to carry out an examination of operations at the registered office of the subject of supervision, and at other locations where the subject of supervision or other person authorised thereby carries out the activities and tasks that are subject to supervision by the supervisory authority.
- (2) The subject of supervision shall allow the supervisory authority to examine all records, documents and other documentation in accordance with the purpose of supervision.
- (3) At the request of the supervisory authority, the subject of supervision shall produce computer printouts or copies of records, documents and other documentation.
- (4) An examination of operations shall be carried out by the supervisory authority on working days between 8.00 am and 6.00 pm. If necessary due to the extent or nature of the examination, the supervisory authority may also carry out the examination of operations after 6.00 pm or on non-working days.
- (5) The supervisory authority shall carry out an examination of operations in such a manner as not to hinder the normal operations of the subject of supervision except to the extent necessary to function in accordance with the purpose of an individual supervision.

Article 125
(reports and information)

- (1) While carrying out supervision, the supervisory authority may require the subject of supervision to submit records and information on any matters that are relevant to the supervision.
- (2) The supervisory authority may request the subject of supervision to draw up a written report on the matters specified in the first paragraph of this Article, or to make an oral statement thereon within a period of no less than three days.

Article 126
(request for examination)

- (1) A request for an examination of operations shall be served on the subject of supervision at least eight days prior to the commencement thereof.
- (2) Notwithstanding the provision set out in the first paragraph of this Article, an authorised person may serve a request for an examination of operations at the commencement thereof if the purpose of an individual supervision could not be achieved otherwise.
- (3) A request for an examination of operations shall comprise a specific list of documents and records that are the subject of examination.
- (4) In the case specified in the second paragraph of Article 125 of this Act, a request for an examination shall comprise a specific list of documentation and records that must be submitted in the form of computer printouts or copies, and the deadline for submission.
- (5) A request for an examination of operations shall also comprise legal advice on the legal consequences that might arise if the subject of supervision fails to comply with the request for examination of operations, or if it fails to enable the supervisory authority to carry out the examination of operations in the manner prescribed in Article 125 of this Act.
- (6) In the course of the examination, the supervisory authority may supplement the request for examination of operations. To this end, the third and fourth paragraphs of this Article shall apply *mutatis mutandis*.

Article 127
(conditions for carrying out an examination)

- (1) The subject of supervision shall provide the supervisor appropriate rooms to carry out the examination of operations undisturbed, and without the presence of other persons.
- (2) The subject of supervision shall ensure that, during the examination, authorised representatives of the subject of supervision will be available to the supervisor in the rooms specified in the first paragraph of this Article who will be able, if requested, to provide explanations related to the documentation and the records that are the subject of supervision.

Article 128
(conditions for the review of computer-administered documentation and records)

- (1) A subject of supervision who processes data or administers audit documentation by computer shall, at the request of the supervisor, provide appropriate aids for the examination of documentation and records and for testing the appropriateness of computer-processed data.
- (2) The subject of supervision shall submit to the supervisory authority documentation from which a complete description of the computer system is evident. The documentation shall clearly show the subsystems and files of the computer system. The documentation shall provide insight to:
 - computer solutions;
 - procedures included in computer solutions;
 - controls ensuring correct and reliable data-processing;
 - controls preventing unauthorised additions to, changes in, or deletion of stored computer records.

(3) Any changes to the computer solutions referred to in the first paragraph of this Article shall be documented in the sequential order with the date of change. The documentation shall also disclose any changes in the file formats.

Article 129
(supervision minutes)

(1) The supervisor shall draw up minutes relating to the supervision set out in the fourth indent of Article 123, which shall be submitted to the supervisory authority, together with all documentation obtained in the scope of supervision and comments regarding the minutes.

(2) If an examination of quality is carried out by the Institute, the auditing council shall prepare an expert opinion, based on the facts established during the examination, which it shall submit to the Agency, and recommendations which it shall submit to the Agency and the subject of supervision.

8.3.3. Rectification of violations

Article 130
(order)

If, in the course of supervision, the Agency finds that this Act or auditing rules have been violated, it shall, by virtue of an order, require the subject of supervision to rectify the violations or irregularities, or to carry out or omit certain actions (hereinafter: the rectification of violations).

Article 131
(content of the order)

(1) The pronouncement of an order shall comprise:

- a specific description of the violations whose rectification is required by the order;
- the deadline by which the subject of supervision must rectify the violations and submit a report on their rectification;
- the manner in which the violations are to be rectified, when the Agency orders the subject of supervision to rectify the violations in a specific manner;
- documents or evidence of the rectification of violations, when the Agency orders the subject of supervision to submit specific documents or other evidence of the rectification of violations.

(2) The order shall be substantiated.

Article 132
(appeal against an order)

(1) A subject of supervision shall be entitled to appeal against the order within eight days of its delivery.

(2) Provided that the eligible appellant lodges an appeal in due time, the deadline for the rectification of the violations set by the order shall be extended by the period from the lodging of the appeal to the delivery of the ruling on the appeal.

(3) Notwithstanding the second paragraph of this Article, the Agency may decide by order that the appeal shall not delay its execution when, due to the nature of the violation, its execution cannot be delayed.

Article 133
(grounds for an appeal)

An appeal against an order shall be allowed on the following grounds:

- the order was issued by a person not competent to do so;
- the violation whose rectification is required by the order does not exist;
- the act or omission that provided the grounds for the issue of order does not have the characteristics of a violation;
- the order cannot be executed, or cannot be executed in the manner set out in the order;
- the execution of the order would give rise to an act contrary to statutory regulations;
- the order for the rectification of violations was imposed on a person who is not subject to supervision by the supervisory authority;
- the actual situation is stated erroneously or incompletely in the order.

Article 134
(content of the appeal)

(1) An appeal shall comprise:

- the order against which it is lodged;
- a statement that the order is being contested in full or in a specific part;
- the grounds for the appeal;
- other information that must be included in any petition.

(2) In an appeal, the subject of supervision may introduce facts contradicting the existence of the violations whose rectification is required by the order, and may produce evidence supporting the alleged facts. Where the subject of supervision refers to documentary evidence in the statement, such evidence must be included in the appeal.

(3) If the subject of supervision fails to attach documentary evidence to the appeal, the provisions of the act governing general administrative procedure on incomplete applications shall not apply, but in its decision, the Agency shall only consider the evidence included in the statement.

(4) After the deadline for lodging an appeal passes, the subject of supervision shall not be entitled to introduce new facts or produce new evidence.

Article 135
(limits of testing an order)

The Agency shall test the order in the part being challenged by the appeal, and within the limits of the grounds specified and explained in the appeal.

Article 136
(decision on an appeal)

(1) The Agency shall rule an appeal by virtue of a decision.

(2) When ruling on an appeal, the Agency may dismiss or reject the appeal, or amend or abrogate the order.

(3) The Agency shall dismiss an appeal if the appeal is inadmissible, if it has not been lodged in due time, or if it has been lodged by an unauthorised person.

(4) If the Agency establishes the existence of the grounds specified in the first, second, third or sixth indents of Article 134 of this Act, it shall abrogate the order.

(5) If the Agency establishes the existence of the grounds specified in the fourth, fifth or seventh indents of Article 134 of this Act, it shall abrogate or amend the order with regard to the nature of the violation. When ruling on an appeal, the Agency shall not amend the order to the detriment of the subject of supervision.

Article 137

(report on the rectification of violations)

(1) A subject of supervision shall rectify violations and submit a report describing the measures taken to rectify the violations to the Agency by the deadline specified in the order. The report shall be accompanied by the documents and other evidence proving that the violations identified have been rectified.

(2) If the report set out in the first paragraph of this Article and the attached evidence prove that the violations have been rectified, the Agency shall issue a decision, by virtue of an order, declaring that the violations identified have been rectified.

8.3.4. Withdrawal of a licence

Article 138

(initiation of the procedure for the withdrawal of a licence)

1) The Agency shall initiate the procedure for the withdrawal of a licence issued thereby, if available data indicates that there is reason to suspect that grounds for the withdrawal of a licence set out by the law exist.

(2) The Agency shall rule on the procedure for the withdrawal of a licence by virtue of a decision (hereinafter: a decision initiating the procedure for the withdrawal of a licence).

(3) A decision initiating the procedure for the withdrawal of a licence shall comprise:

- a specific description of the acts, conduct or circumstances that are the alleged grounds for initiating the procedure;
- a list of documents and other evidence on the basis of which the Agency established that the reasonable suspicion specified in the first paragraph of this Article exists;
- substantiation of the decision to initiate the procedure.

(4) In the decision initiating the procedure for the withdrawal of a licence, the Agency shall also set a deadline of no less than 15 days and no more than 30 days from the day the decision is served on the subject of supervision by which the subject of supervision may make a statement regarding the grounds for initiating the procedure (hereinafter: a statement regarding the grounds for withdrawal of a licence).

Article 139

(statement regarding the grounds for withdrawal of a licence)

(1) In the statement regarding the grounds for withdrawal of a licence, the subject of supervision may introduce facts showing that the withdrawal of the licence is unfounded, and may produce evidence supporting the alleged facts. If the subject of supervision refers to documentary evidence, such evidence shall be included in the statement.

(2) If the subject of supervision fails to include the documentary evidence in the statement regarding the grounds for withdrawal of a licence, the provisions of the act governing general administrative procedure for incomplete applications shall not apply, but the Agency shall only consider the evidence included in the statement in its decision.

(3) After the deadline for making a statement regarding the grounds for withdrawal of a licence passes, the subject of supervision shall not be entitled to introduce new facts or produce new evidence.

Article 140
(decision on the withdrawal a licence)

(1) The Agency shall decide on the withdrawal of a licence within 90 days of receiving the statement regarding the grounds for withdrawal of a licence or the passing of the deadline set for making this statement.

(2) The Agency may decide on the withdrawal of a licence solely on the basis of the acts, conduct or circumstances underlying the decision to initiate the procedure for the withdrawal of a licence, and solely on the basis of the documents and other evidence cited in the decision to initiate the procedure and attached to the statement regarding the grounds for withdrawal of a licence made by the subject of supervision.

Article 141
(terminating the procedure)

The Agency shall terminate the procedure for the withdrawal of a licence:

- if it established on the basis of the evidence referred to in the second paragraph of Article 140 of this Act that the acts, conduct or circumstances for which it issued the decision to initiate the procedure for the withdrawal of a licence are not characteristic of the grounds for the withdrawal of a licence, or
- if it established on the basis of the evidence specified in the second paragraph of Article 140 of this Act that it has not been proven that the subject of supervision committed the act or that no circumstances exist underlying the issue of the decision to initiate the procedure for the withdrawal of the licence.

Article 142
(decision on the withdrawal of a licence)

(1) The pronouncement of a decision on the withdrawal of a licence shall comprise:

- a decision to withdraw the licence, including the number and date of issue of the licence;
- the company name and registered office, or the name, surname and date of birth of the subject of supervision whose licence has been withdrawn;
- a specific description of the act, conduct or circumstances that are the grounds for the withdrawal of the licence.

(2) A decision on withdrawal of a licence shall be substantiated.

Article 143
(revocation of the conditional withdrawal of a licence)

The provisions of this subsection regarding the procedure for the withdrawal of a licence shall apply *mutatis mutandis* to the procedure for revoking a conditional withdrawal of a licence.

8.4. Decision-making procedure regarding the issue of licences and approvals

Article 144 (application of provisions)

(1) The provisions of this section shall apply to the decision-making procedure regarding the issue of licences and approvals decided on by the Institute, unless otherwise stipulated by law for an individual procedure regarding the issue of a licence or approval.

(2) Unless special provisions are set out in this section, the common provisions from the chapter on the decision-making procedures of the supervisory authority shall apply to the decision-making procedure regarding the issue of licences and approvals.

Article 145 (decision-making fee)

Applicants shall pay a fee set out in the fee schedule for decisions on requests for licences or approvals.

Article 146 (party to the procedure)

(1) The applicant submitting a request for the issue of a licence or approval is a party to the procedure (hereinafter: the applicant).

(2) Any person whose legal interest might be affected by the supervisory authority's decision may also be a party to the procedure, provided that such a person applies for participation in the procedure in writing.

(3) Each party shall bear its own costs of the procedure.

Article 147 (initiation of the procedure)

(1) The procedure shall be initiated with the submission of a request for the issue of a licence or approval (hereinafter: the request).

(2) The supervisory authority shall only initiate the procedure *ex officio* or at the request of another competent authority, if so stipulated by law.

Article 148 (content of the request)

(1) A request shall comprise:

- the company name, registered office and the company identification number of the applicant;
- the specific request for the issue of a licence or approval;
- other data stipulated by law.

(2) The request shall be accompanied by the documents stipulated for by law, other documents substantiating the request for the issue of the licence, and evidence of payment of the fee for the decision regarding the request.

Article 149

(procedural prerequisites for decision-making and deadline for a decision)

(1) In the procedure for preliminary testing of the request, the Institute shall test whether the procedural prerequisites for a decision regarding the request have been met:

1. whether the request has been filed by an eligible person;
2. whether the request includes the data required pursuant to this Act;
3. whether the request is accompanied by the documents prescribed by this Act;
4. whether the application is accompanied by evidence of payment of the fee for the work of the Institute;
5. whether other procedural prerequisites that must be met for a decision to be made on the request have been met.

(2) If the Institute establishes that the procedural prerequisites for deciding on the request have not been met and the deficiencies involved cannot be rectified, the request shall be dismissed by virtue of a decision.

(3) If the Institute establishes that the procedural prerequisites for deciding on a request have not been met, but the deficiencies can be rectified, the applicant shall be instructed by virtue of a resolution to rectify the deficiencies. The resolution shall specify a deadline for rectifying the deficiencies of no less than eight days and no more than 15 days.

(4) If, in the case referred to in the third paragraph of this Article, the applicant fails to rectify the deficiencies by the specified deadline, the Institute shall dismiss the request by virtue of a decision.

(5) There shall be no special judicial protection proceedings against the resolution set out in the third paragraph of this Article.

(6) If the request relates to the issue of a licence to provide auditing services, the Institute shall issue the resolution set out in the third paragraph of this Article within two months of receiving the request, and within 30 days of receiving the request in all other cases.

(7) The Institute shall make a decision on the issue of a licence to provide auditing services within six months from receiving the request to issue a licence, and within three months from receiving the other requests to issue a licence or approval.

(8) If the Institute has issued the resolution specified in the third paragraph of this Article, the deadline specified in the first paragraph of this Article shall not apply between the delivery of the resolution and either the deadline for rectifying the deficiencies or the moment that the supplemented or corrected request is received, provided that the request is supplemented by the deadline set by the resolution.

8.5.

Execution of decisions

Article 150

(decisions regarding the fulfilment of financial liabilities)

Final decisions by the supervisory authority regarding the fulfilment of financial liabilities shall be executed by the court at the supervisory authority's proposal.

Article 151
(order to rectify violations)

An order to rectify violations shall not be subject to compulsory execution.

Article 152
(decisions on the withdrawal of a licence or the issue of a reprimand)

(1) On the day a decision on the withdrawal of a licence to provide auditing services or the tasks of a certified auditor or certified appraiser becomes final, the subject of supervision shall be prohibited from providing the services or carrying out the tasks for which the licence has been withdrawn.

(2) The final decision on the withdrawal of a licence to provide auditing services shall be entered in the register.

(3) After a decision on the withdrawal of a licence or the issue of a reprimand becomes final, the Institute shall publish the summarised decision on its website.

9. REGISTERS

Article 153
(types of registers)

(1) In order to ensure disclosure to the public and transparency, and to protect the interests of users, the Institute shall maintain the following registers:

- a register of audit companies and third-country audit entities;
- a register of certified auditors;
- a register of certified appraisers;
- a register of persons who have obtained the professional titles conferred by the Institute.

(2) The register of audit companies and auditor-sole practitioners shall contain entries of data regarding audit companies and auditor-sole practitioners who have obtained a licence from the Institute to provide auditing services.

(3) The register of certified auditors shall contain entries of data regarding certified auditors who have obtained a licence from the Institute to provide the services of a certified auditor.

(4) The register of certified appraisers shall contain entries of data regarding certified appraisers who have obtained a licence from the Institute to carry out the tasks of a certified appraiser.

(5) The method of maintaining the registers referred to in the first paragraph of this Article and the method of public access to the data contained in the registers shall be specified by the Institute.

Article 154
(public nature of registers)

(1) The registers shall be in electronic form and published on the website of the Institute.

(2) The Institute shall submit to any person at his/her request an extract of data regarding a particular person entered in the register.

Article 155
(language)

(1) The registers shall be maintained in the Slovenian language.

(2) Data may be subsequently entered in the public register in any other official language of the European Community. A registered entity requesting entry in another language shall provide a certified translation of the data at his/her own cost prior to the entry of data.

Article 156
(register of certified auditors)

(1) The register of certified auditors shall contain the following data:

- name and surname, address and registration number;
- name, address, website and registration number of the audit company or organisation where the certified auditor is employed or associated with as a partner or otherwise;
- all other registrations of a certified auditor with the competent authorities of other Member States and as a third-country auditor, including the name of the registration authorities and registration number, if it exists;
- date of issue of the licence to provide auditing services;
- measures of supervision imposed.

(2) Third-country auditors registered in accordance with Article 161 shall be clearly displayed in the register as such and not as certified auditors.

Article 157
(registration of audit companies)

(1) The register of audit companies shall contain the following data:

- company name, registered office, and identification and registration number;
- legal form;
- contact data for the audit company, primary contact person and website;
- address of each office in a Member State;
- name and registration number of all certified auditors employed in or associated with the audit company as a partner or otherwise;
- names, surnames and business addresses of all owners or shareholders;
- names, surnames and business addresses of all members of the management board or management body;
- an indication of membership in a network and a list of the names and addresses of all members or affiliated companies or denotation of locations where such data can be publicly accessed;
- all other registrations of the audit company with the competent authorities of other Member States and as a third-country audit entity, including the name of the registration authorities and registration number;
- measures of supervision imposed.

(2) Third-country audit entities in accordance with Article 161 shall be clearly displayed in the register as such and not as audit firms.

Article 158
(register of certified appraisers and persons who
have obtained the professional titles conferred by the Institute)

The following data shall be entered in the register of certified appraisers and persons who have obtained the professional titles conferred by the Institute:

1. name and surname, address and registration number;
2. name, address, website and registration number of the organisation where the person is employed or associated with as a partner or otherwise;
3. all other registrations of persons with the competent authorities of other Member States and third countries, including the name of the registration authority and registration number, if one exists;
4. date of issue of the licence to carry out tasks or date the professional title was conferred;
5. measures of supervision imposed.

Article 159
(updating of registration data)

All registered entities shall notify the Institute of all changes to data entered in the public register within 15 days. The Institute shall update the register immediately upon receiving notification.

Article 160
(responsibility for registered data)

An entity submitting a request for entry in the appropriate register shall be responsible for the data entered in the registers specified in Articles 155 to 159.

Article 161
(registration and supervision of third-country auditors and third-country audit entities)

(1) In accordance with Articles 156 and 157, the Institute shall register all third-country auditors and third-country audit entities that prepare auditor's reports on annual or consolidated financial statements of companies registered outside the European Community and whose transferable securities have been admitted for trading on the regulated Slovenian market, except when the issuing company exclusively issued debt securities admitted on the regulated Slovenian market whose nominal value per unit is at least EUR 50,000 or in the case of debt securities, denominated in another currency with an equivalent value of EUR 50,000 on their date of issue.

(2) The provisions of Articles 159 and 160 shall apply *mutatis mutandis* to maintaining the register on third-country auditors and third-country audit entities.

(3) The Institute shall include registered third-country auditors and third-country audit entities in its system of supervision, its quality assurance system and its system of imposing measures of supervision.

(4) The Institute may only register a third-country audit entity if:

- it meets conditions equivalent to those set out in Articles 48 and 49, Articles 60 to 65 and Article 69 of this Act;
- the majority of members of the management board or management body of the third-country audit entity meets conditions equivalent to those set out in Articles 48 and 49;
- a third-country auditor carrying out an audit on behalf of a third-country audit entity meets conditions equivalent to those set out in Articles 48 and 49;

- the audits of the annual or consolidated financial statements specified in the first paragraph of this Article are carried out in accordance with international auditing standards and requirements equivalent to the requirements of this Act;
- it publishes an annual transparency report on its website that includes information set out in Article 79 or fulfils equivalent requirements regarding disclosures.

10. PENAL PROVISIONS

Article 162

(serious violations by an audit company)

(1) A fine of between EUR 4,200 and EUR 21,000 shall be imposed on an audit company for committing the offence of:

- allowing persons who do not meet the conditions specified in this Act to carry out auditing tasks (Article 5, paragraph 2);
- failing to protect confidential data (Article 38, paragraph 1);
- drawing up an audit report whose content is contrary to Articles 40 and Article 41 of this Act;
- not observing auditing rules when carrying out audits (Article 39);
- auditing the financial statements of a legal person as specified in Article 46 of this Act;
- an auditing contract is not concluded in writing and does not contain the required contents (Article 47, paragraph 3);
- carrying out activities which it is prohibited from carrying out (Article 58);
- not settling the fee for the supervisory function (Article 75);
- not settling other fees in accordance with the fee schedule.

(2) A fine of between EUR 2,100 and EUR 6,300 shall be imposed on the responsible person of an audit company for committing the offences set out in the first paragraph of this Article.

(3) A fine of between EUR 2,100 and EUR 6,300 shall be imposed on an auditor-sole practitioner for:

- committing an act set out in the first paragraph of this Article;
- auditing the financial statements of a legal person set out in Article 66 of this Act.

Article 163

(minor violations by an audit company)

(1) A fine of between EUR 2,100 and EUR 12,600 shall be imposed on an audit company for committing the offence of:

- failing to notify the Institute of the circumstances referred to in third paragraph of Article 62 of this Act;
- failing to report to the Institute in accordance with Articles 77, 78 and 159 of this Act.

2) A fine of between EUR 1,100 and EUR 2,100 shall be imposed on the responsible person of an audit company for committing the offences set out in the first paragraph of this Article.

(3) A fine of between EUR 1,100 and EUR 3,200 shall be imposed on an auditor-sole practitioner for committing the offences set out in the first paragraph of this Article.

Article 164

(violations by a certified auditor)

(1) A fine of between EUR 2,100 and EUR 6,300 shall be imposed on a certified auditor who has drawn up and signed the audit report, for committing the offence of:

- drawing up an audit report, the content of which is contrary to Articles 40 or 41 of this Act;
- failing to observe auditing rules when drawing up a report on other assurance engagements and agreed-upon procedures engagements (Article 42);
- omitting or failing to perform an audit procedure for an important area of auditing to a satisfactory extent;
- preparing a deficient or misleading opinion on the financial statements that were subject to auditing (Article 54);
- violating other auditing standards, resulting in a false opinion on the financial statements or substantiation of such an opinion (Article 54);
- violating other auditing rules, resulting in an erroneous or misleading report on other assurance engagements and agreed-upon procedures engagements (Article 42).

(2) A fine of between EUR 2,100 and EUR 6,300 shall be imposed on a certified auditor for committing the offence of failing to protect confidential data (Article 38).

(3) A fine of between EUR 1,100 and EUR 3,200 shall be imposed on a certified auditor for committing the offence of failing to report to the audit company in accordance with Article 52 and to the Institute in accordance with Article 159 of this Act.

Article 165
(violations by a certified appraiser)

(1) A fine of between EUR 2,100 and EUR 6,300 shall be imposed on a certified appraiser for committing the offence of:

- failing to carry out or carrying out the valuation procedures in an important area of valuation to an unsatisfactory extent (Article 99);
- violating other valuation rules, resulting in a false or misleading opinion on the assessed value or substantiation of such an opinion (Article 99);
- failing to protect confidential data (Article 91).

(2) A fine of between EUR 1,100 and 3,200 shall be imposed on a certified appraiser for committing the offence of failing to report to the Institute in accordance with Articles 96 and 159 of this Act.

Article 166
(violations by other persons)

(1) A fine of between EUR 4,200 and EUR 21,000 shall be imposed on a legal person for committing the offence of:

- providing auditing services without having obtained a licence from the Institute to provide such services (Article 5);
- failing to notify the Institute and Agency of the dismissal or resignation of an audit company in writing in the period for which the appointment was valid and failing to provide appropriate grounds for the dismissal or resignation (Article 77).

(2) A fine of between EUR 2,100 and EUR 6,300 shall be imposed on the responsible person of a legal person for committing the offences set out in the first paragraph of this Article.

(3) A fine of between EUR 2,100 and EUR 6,300 shall be imposed on a natural person:

- for committing the offence of providing auditing services without having obtained a licence from the Institute to provide such services (Article 5);
- from second paragraph of Article 38 of this Act, for committing the offence of failing to protect confidential data.

Article 167
(misdemeanour authority and misdemeanour proceedings)

- (1) The misdemeanour authority that rules on misdemeanours and pronounces fines pursuant to this Act shall be the Agency.
- (2) Misdemeanours proceedings shall be conducted and decided upon by an authorised official of the Agency who meets the conditions pursuant to the act governing misdemeanours, and the regulations adopted on its basis.

11. TRANSITIONAL AND FINAL PROVISIONS

Article 168
(Institute)

- (1) The Slovenian Institute of Auditors founded on the basis of the Auditing Act (Official Gazette of the Republic of Slovenia, Nos. 32/93 and 65/93) shall continue with its work as the Institute in accordance with this Act.
- (2) The Institute shall harmonise its articles of association and other general acts with this Act within six months from its entry into force.
- (3) The members of the Institute's bodies shall continue performing their functions until the expiry of their term of office.

Article 169
(harmonisation of audit companies)

- 1) The audit companies that, on the day this Act enters into force, are entered in the register of companies at the Institute in accordance with Article 132 of the Auditing Act (Official Gazette of the Republic of Slovenia, No. 11/01; hereinafter: the Auditing Act) shall continue operating as audit companies in accordance with this Act.
- (2) The audit companies specified in the first paragraph of this Article shall harmonise their organisation and operations with this Act within six months from its entry into force.
- (3) Audit companies shall submit to the Institute a report on the harmonisation set out in the second paragraph of this Article within six months from the entry of this Act into force. With the report, audit companies shall submit the documents specified in Article 69 of this Act. Auditor-sole practitioners shall submit the documents set out in Article 71 of this Act.
- (4) If from the report specified in the third paragraph of this Article and the evidence submitted it is evident that an audit company has not been harmonised with the provisions of this Act, the Institute shall revoke its licence to provide auditing services.

Article 170
(certified auditors)

A licence to perform the tasks of a certified auditor, pursuant to the Auditing Act, on the day this Act enters into force, shall be valid until the expiration thereof.

Article 171
(certified appraisers)

A licence to perform the tasks of a certified appraiser, pursuant to the Auditing Act, on the day this Act enters into force, shall be valid until the expiration thereof.

Article 172
(auditors)

(1) Persons who on the day this Act enters into force possess a certificate of professional competence to carry out the tasks of auditor in accordance with the Auditing Act, or who have received confirmation of receipt of the title of auditor in accordance with the Auditing Act (Official Gazette of the Republic of Slovenia, Nos. 32/93 and 65/93), shall receive the professional title of auditor on the date this Act enters into force.

(2) The Institute shall keep a register of persons who have acquired the professional titles conferred by the Institute.

(3) Persons who are registered for training to acquire the professional competence to provide auditing services in accordance with the Auditing Act, may conclude their training and receive the title of auditor within four years from the day this Act enters into force according to the provisions of the rules on the acquisition of professional competence for performance of the tasks of auditor and certified auditor, adopted on the basis of the Auditing Act.

Article 173
(Agency for the Public Oversight of Auditing)

(1) The Ministry of Finance shall publish a tender for the appointment of the Director within 15 days from the entering of this Act into force.

(2) Within 15 days from the entering of this Act into force, the Ministry of Finance shall invite the institutions specified in Article 25 of this Act to appoint the members of the expert council.

(3) The Agency must adopt its rules of procedure within 60 days following the appointments.

Article 174
(cessation of force of regulations)

(1) On the day this Act enters into force, the Auditing Act (Official Gazette of the Republic of Slovenia, No. 11/01) shall cease to be in force.

(2) The cooperative referred to in the second paragraph of Article 4 of the Auditing Act may perform services of auditing cooperatives in accordance with this act for a maximum period of 12 months after this Act enters into force.

Article 175
(application of individual provisions)

(1) The provisions of the ninth chapter of this Act shall apply as at 29 June 2009.

(2) The provisions of Article 47 of this Act shall apply for the auditing of financial statements for the period beginning on 1 January 2008.

(3) The seven-year period set out in the first indent of the second paragraph of Article 45 of this Act shall begin as of the first appointment of an audit company after this Act enters into force.

Article 176
(entry into force of the Act)

This Act shall enter into force 15 days following its publication in the Official Gazette of the Republic of Slovenia.
