

**REPUBLIC OF LITHUANIA**

**LAW ON THE AUDIT OF FINANCIAL STATEMENTS**

15 June 1999 No VIII-1227

(As last amended on 15 December 2016 No XIII-96)

Vilnius

**CHAPTER ONE**  
**GENERAL PROVISIONS**

**Article 1. Purpose of the Law**

1. This Law shall establish the procedure for carrying out the audit of financial statements, the procedure for issuing an auditor's certificate and for entering the auditor on the list of auditors, the procedure for issuing a certificate of an audit firm and entering the audit firm on the list of audit firms, professional activities of auditors and audit firms, the procedure for quality assurance of the audit of financial statements carried out by auditors and audit firms, investigation of the quality of the audit of financial statements carried out by auditors and audit firms, investigation of breaches, issue of instructions and imposition of sanctions and public oversight of auditors and audit firms, the rights and duties of the body authorised by the Government of the Republic of Lithuania to carry out public oversight of auditors and audit firms (hereinafter: the 'Authority') and the activities of the Lithuanian Chamber of Auditors (hereinafter: the 'Chamber of Auditors').

2. Other requirements, in addition to those specified in this Law, for carrying out the audit of financial statements of public-interest entities and audit-related requirements shall be established by Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (hereinafter: 'Regulation (EU) No 537/2014').

3. Where the norms of this Law apply to both a set of financial statements and a set of consolidated financial statements, the term 'financial statements' shall be used. The auditors who perform audits independently shall be *mutatis mutandis* subject to the provisions of this Law regulating the activities of audit firms.

4. The provisions of this Law have been harmonised with the EU legal acts indicated in the Annex to this Law.

## **Article 2. Definitions**

1. **Audit firm** means a firm holding a certificate of an audit firm issued in accordance with the procedure laid down in this Law. This term shall be used where the norms of this Law apply to audit firms of both public-interest and non-public interest entities.

2. **Audit network** means a group of certain undertakings to which an audit firm and other undertakings of any legal form belong, which are aimed at cooperation and which clearly share profit or costs or share common ownership, control or management, common quality-control policies and procedures, a common business strategy, a common brand-name and/or professional resources.

3. **Home Member State of an auditor or an audit firm** (hereinafter: the ‘home Member State’) means the Republic of Lithuania or another Member State in which an auditor or an audit firm are approved as auditor or audit firm in accordance with the requirements of that state.

4. **Host Member State of an auditor or an audit firm** (hereinafter: the ‘host Member State’) means the Republic of Lithuania or another Member State in which an auditor approved as auditor by his or her home Member State is also approved, or in which an audit firm approved as audit firm by its home Member State is recognised.

5. **Auditor’s report** means a document in which an auditor, an auditor of another Member State or an auditor of a non-Member State, in addition to other mandatory items, expresses an opinion on the audited financial statements.

6. **Auditor’s assistant** means a natural person entered on the list of auditor’s assistants and seeking an auditor’s certificate.

7. **Public oversight of auditors and audit firms** (hereinafter: ‘public oversight’) means the totality of measures whereby the competent authority carries out oversight of the activities of auditors and audit firms and seeks to assure the quality and credibility of the audit of financial statements.

8. **Auditor** means a natural person who holds an auditor’s certificate issued in accordance with the procedure established in this Law. This term shall be used where the norms of this Law apply to auditors of both public-interest and non-public interest entities.

9. **Auditor reviewer** (hereinafter: the ‘reviewer’) means an auditor or an auditor of another Member State, approved by the Authority to perform a quality review of the audit of financial statements carried out by auditors and audit firms.

10. **Audited entity** means a legal person, an investment fund, a pension fund, a resource or tax fund or a group of undertakings the financial statements whereof are being audited.

11. **Code of Ethics for Professional Accountants** means the principles of professional ethics developed and approved by the International Ethics Standards Board for Accountants of the International Federation of Accountants.

12. **Audit of financial statements** means independent inspection of financial statements of an audited entity and issuance of the auditor's report in accordance with the requirements of legal acts regulating the carrying out of the audit of financial statements.

13. **Report on the audit of financial statements** means the document issued together with the auditor's report in the cases and in accordance with the procedure laid down in laws and Regulation (EU) No 537/2014, in which an auditor, an auditor of another Member State or an auditor of a non-Member State holding a certificate authorising to carry out the audit of financial statements indicates additional information on the audit of financial statements.

14. **Working papers of the audit of financial statements** (hereinafter: the 'working papers') means the documents prepared in the course of carrying out the audit of financial statements describing the audit procedures carried out and the conclusions of the auditor as well as other collected documents considered by the auditor as suitable evidence of the audit of financial statements.

15. **Quality review of the audit of financial statements** means pre-planned assessment, performed by the reviewer, of the audit of financial statements which was carried out by auditors and audit firms of non-public interest entities for the purpose of quality assurance of the audit of financial statements.

16. **Quality inspection of the audit of financial statements** means pre-planned assessment of the audit of financial statements which was carried out by auditors and audit firms of public-interest entities performed by the Authority's employee assigned to carry out inspections (hereinafter: the 'inspector') for the purpose of quality assurance of the audit of financial statements.

17. **Quality investigation of the audit of financial statements** means quality assessment of the audit of financial statements which was carried out by auditors and audit firms performed by the Authority's employee upon obtaining information on the possibly inadequate audit of financial statements.

18. **Client of the audit of financial statements** (hereinafter: the 'client') means an audited entity or a legal or natural person that chooses or selects an audit firm for carrying out the audit of financial statements and/or that concludes a contract for the audit of financial statements.

19. **Auditor of a group of undertakings** (hereinafter: the ‘group auditor’) means an auditor or an audit firm carrying out the audit of consolidated financial statements of a group of entities.

20. **Another Member State** (hereinafter: the ‘Member State’) means a state of the European Economic Area, except for the Republic of Lithuania.

21. **Audit firm of another Member State** (hereinafter: the ‘audit firm of a Member State’) means an undertaking of any legal form established in a Member State approved as audit firm in that Member State in accordance with the requirements of legal acts of that Member State.

22. **Auditor of another Member State** (hereinafter: the ‘auditor of a Member State’) means a natural person approved as auditor by the competent authority of that Member State.

23. **Competent authority** means the Authority, an institution of a Member State, specified to the European Commission as the competent authority, or an institution of a non-Member State, assigned to carry out public oversight of and/or exercise control over the activities of auditors and audit firms, including the audit of financial statements.

24. **Non-practitioner** means a natural person who has, for at least three years before his or her involvement in decision-making related to public oversight and in the course of involvement in the adoption of the aforementioned decisions, met all the following requirements:

1) has not carried out the audit of financial statements and has not been employed by an audit firm;

2) has not been a participant of an audit firm and/or has had no influence over the audit firm’s governance;

3) has not been a member of the management body of the Chamber of Auditors.

25. **Key partner of the audit of financial statements** (hereinafter: the ‘key partner’) means an auditor carrying out the audit of financial statements:

1) who is designated by an audit firm for a particular audit of financial statements as being responsible for carrying out the audit on behalf of the audit firm and who signs the auditor’s report or

2) who signs the auditor’s report.

26. **Investigation of a breach** means the assessment carried out by an employee of the Authority of conformity of the activities of auditors, audit firms and other natural or legal persons with the provisions of this Law and/or Regulation (EU) No 537/2014 upon obtaining information on the possible non-compliance with the provisions of this Law and/or Regulation (EU) No 537/2014.

27. **International auditing standards** means the International Standards on Auditing developed and approved by the International Auditing and Assurance Standards Board of the International Federation of Accountants, the International Standard on Quality Control 1 and other standards related to the carrying out of audit.

28. **Assurance and other related services** means services subject to the International Standards on Assurance Engagements, International Standards on Review Engagements, International Standards on Related Services and related Statements developed and approved by the International Auditing and Assurance Standards Board of the International Federation of Accountants.

29. **Management position** means the duties of the members of management and supervisory bodies of a legal person and the duties of employees having the overriding authority to issue instructions to subordinate persons to adopt significant decisions relating to the management and activities of the legal person.

30. **Audit firm of a non-Member State** means an undertaking of any legal form carrying out the audit of financial statements of an undertaking established in a non-Member State, except for the cases where the undertaking is approved as audit firm in the Republic of Lithuania or another Member State in accordance with the requirements of that state.

31. **Auditor of a non-Member State** means a natural person carrying out the audit of financial statements of an undertaking established in a non-Member State, except for the cases where the natural person is approved as auditor in the Republic of Lithuania or another Member State in accordance with the requirements of that state.

32. **Public-interest entity** means an entity that is of significant public relevance because of the nature of its business, its size or the number of clients. The public-interest entity shall be:

1) an undertaking whose securities are traded on the regulated market of the Republic of Lithuania and/or any other Member State;

2) a bank and the Central Credit Union;

3) a credit union, where its assets on the last day of the financial year for at least two consecutive financial years exceed EUR 20 million;

4) a financial brokerage firm;

5) a collective investment undertaking as defined in the Law of the Republic of Lithuania on Collective Investment Undertakings, a pension fund as defined in the Law of the Republic of Lithuania on the Accumulation of Pensions and the Law of the Republic of Lithuania on the Supplementary Voluntary Accumulation of Pensions, an occupational pension fund as defined in the Law of the Republic of Lithuania on the Accumulation of Occupational Pensions;

6) a management company which manages at least one of the entities referred to in point 5 of this paragraph, an association of participants of an occupational pension fund/funds;

7) an insurance undertaking, a reinsurance undertaking;

8) the Central Securities Depository of Lithuania, the operator of the regulated market;

9) a state enterprise, a municipal enterprise, a public limited liability company and a private limited liability company whose shares or a part of shares carrying more than ½ of all the votes at the general meeting of shareholders of these enterprises are held by the right of ownership by the State and/or a municipality and which are considered to be large enterprises under the Law of the Republic of Lithuania on Financial Reporting by Undertakings.

**33. Audit firm of public-interest entities** means an audit firm carrying out the audit of financial statements of a public-interest entity.

**34. Auditor of public-interest entities** means an auditor carrying out the audit of financial statements of a public-interest entity.

35. Other concepts used in this Law shall be interpreted as they are defined in the Law of the Republic of Lithuania on Accounting, the Law on Financial Reporting by Undertakings, the Law of the Republic of Lithuania on Consolidated Financial Reporting by Groups of Undertakings, the Law of the Republic of Lithuania on Accountability of the Public Sector, the Law of the Republic of Lithuania on Services, the Law of the Republic of Lithuania on Securities, the Law of the Republic of Lithuania on State and Municipal Enterprises and the Law of the Republic of Lithuania on Legal Protection of Personal Data.

## **CHAPTER TWO**

### **PRINCIPLES AND REQUIREMENTS OF PROFESSIONAL ETHICS FOR AUDITORS AND AUDIT FIRMS**

#### **Article 3. Application of the principles of professional ethics, professional scepticism and other requirements for auditors and audit firms**

1. Auditors and audit firms shall comply with the following principles of professional ethics:

1) independence and objectivity – the auditor and the audit firm may carry out the audit of financial statements only being independent from the audited entity and not being involved in decision-making therein;

2) confidentiality and professional secrecy – the auditor and the audit firm must keep the information entrusted by the client and/or the audited entity confidential and not furnish it to third parties, except for the cases established by this Law and other laws regulating the

mandatory provision of information and not use the information obtained in the course of the audit of financial statements of the client and/or the audited entity to serve the interests of the audit firm and/or third parties;

3) integrity – the auditor must remain honest in all professional and business relationships;

4) professional competence and due diligence – the auditor must maintain such a level of professional knowledge and competence that would ensure the diligent provision of high-level professional services based on the practical experience and in accordance with the requirements of legal acts;

5) social responsibility – the auditor and the audit firm must carry out the audit of financial statements taking into account the fact that the audit results are used by the users of financial statements (participants of enterprises, investors, supervisory and other state institutions, credit institutions, employers, employees and others) in economic decision-making.

2. In addition to the principles of professional ethics specified in paragraph 1 of this Article, when carrying out the audit of financial statements, the auditor and the audit firm must maintain professional scepticism, in particular, when reviewing estimates of the audited entity's management and/or of the persons charged with its governance relating to fair values, the impairment of assets, provisions, and future cash flow relevant to the entity's ability to continue as a going concern and to recognise the possibility of a material misstatement due to facts or behaviour indicating irregularities, including fraud or error, notwithstanding the auditor's or the audit firm's past experience of the honesty and integrity of the audited entity's management and/or of the persons charged with its governance.

3. Professional scepticism referred to in paragraph 2 of this Article must be interpreted as an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of the evidence of the audit of financial statements.

4. In addition to the principles of professional ethics and professional scepticism specified in this Article, when carrying out the audit of financial statements, the auditor and the audit firm must comply with the requirements for the organisation of work of auditors and audit firms and the internal organisation of an audit firm.

5. The procedure for complying with the principles of independence from an audited entity, confidentiality and professional secrecy, persons considered to be in a position to directly or indirectly, or decisively influence the outcome of the audit of financial statements, as well as the requirements for the organisation of work of auditors and audit firms and the internal

organisation of the audit firm shall be established by the Authority upon coordination with the Ministry of Finance of the Republic of Lithuania (hereinafter: the 'Ministry of Finance').

#### **Article 4. Application of the principle of independence and objectivity**

1. When carrying out the audit of financial statements, the auditor and the audit firm as well as any other natural person in a position to directly or indirectly influence the outcome of the audit of financial statements must be independent of the audited entity and not be involved in the decision-taking of the audited entity.

2. The persons referred to in paragraph 1 of this Article must remain independent of the audited entity during both the period during which the audit of financial statements is carried out and the periods covered by the audited financial statements.

3. The manager of an audit firm and/or an audit network to which it belongs, members of the board and/or the supervisory board and participants thereof must not affect the audit of financial statements in such a way that might impair the independence and objectivity of the key partner.

4. The auditor and the audit firm carrying out the audit of financial statements must apply safeguards to ensure that, when carrying out the audit, his, her or its independence is not affected by any existing or potential conflict of interest or business or other direct or indirect relationship involving the auditor or the audit firm and, where appropriate, its network, managers, auditors, employees, any other natural persons whose services are placed at the disposal or under the control of the auditor or the audit firm, or any person directly or indirectly linked to the auditor or the audit firm that can exercise a dominant influence (hereinafter: the 'safeguards').

5. For the purpose of assessing independence from the audited entity, the provision to the audited entity of services referred to in points (a) (i), (a) (iv) to (a) (vii) of the second subparagraph of Article 5(1) of Regulation (EU) No 537/2014, when the requirements specified in Article 5(3) of Regulation (EU) No 537/2014 are fulfilled, shall not be deemed to cause a threat to the independence of the auditor and the audit firm of a public-interest entity.

6. Where the audited entity is a public-interest entity, the key partner may not carry out the audit of financial statements of the same entity for a period exceeding five consecutive financial years.

7. When the audit of financial statements of public-interest entities is carried out by audit firms, the maximum duration of the audit of financial statements shall be ten years.

8. In accordance with the provision of Article 17(2)(a) of Regulation (EU) No 537/2014, the minimum duration of a contract for the audit of financial statements of a public-interest entity shall be two years.



9. In their working papers, the auditor and/or the audit firm shall indicate all significant threats to their independence and the safeguards applied to avoid those threats. Where the safeguards applied to avoid threats to their independence have failed, the auditor and/or the audit firm shall not be allowed to carry out the audit of financial statements.

#### **Article 5. Employment of auditors, former auditors or employees or participants of audit firms in audited entities**

1. Before the expiry of a period of one year and in the case of the audit of financial statements of a public-interest entity – before the expiry of a period of two years from the date of completion of a specific audit engagement or revocation from a specific audit engagement, the auditor or the key partner shall not be allowed to:

- 1) hold a management position in the audited entity;
- 2) become a member of the audit committee of the audited entity and in the absence of such a committee – a member of the body exercising the functions equivalent to those of the audit committee.

2. In the case of the audit of consolidated financial statements of a group of undertakings, the requirements specified in paragraph 1 of this Article shall apply to the group auditor and the key partner/partners of material subsidiaries.

3. Other employees, participants and key partners of audit firms, except for those specified in paragraphs 1 and 2 of this Article, as well as other persons whose services are used or controlled by the auditor, the key partner or the audit firm, where such persons are approved as auditors, shall be subject to the limitations referred to in paragraph 1 of this Article, unless one year has lapsed from their direct participation in the audit of financial statements.

4. A subsidiary which is part of a group of undertakings shall be considered as material in respect of the group of undertakings where its assets at the end of a financial year exceed five per cent of the assets of the parent undertaking, and the net turnover over the reporting year exceeds five per cent of the net turnover of the parent undertaking over the same period.

#### **Article 6. Preparation for the audit of financial statements and assessment of threats to independence**

1. Before accepting or continuing an engagement for the audit of financial statements, an auditor and an audit firm must assess and indicate in the working papers the following:

- 1) whether he, she or it complies with the requirements relating to the application of the principle of independence and objectivity;

2) whether there are threats to his, her or its independence and the safeguards applied to mitigate those threats;

3) whether he, she or it has the competent employees, time and resources needed in order to carry out the audit of financial statements in an appropriate manner.

2. An audit firm must also verify and indicate in the working papers whether the key partner is approved as auditor.

#### **Article 7. Application of the principle of confidentiality and professional secrecy**

1. In carrying out the audit of financial statements, an auditor or an audit firm shall be subject to the principle of confidentiality and professional secrecy and provide the incoming auditor or audit firm with access to all relevant information concerning the audited entity and the most recent audit of financial statements of that entity, where the auditor or audit firm carrying out or having carried out the audit of financial statements is replaced by another auditor or audit firm.

2. The application of the principle of confidentiality and professional secrecy shall not be impeded where:

1) the auditor or the audit firm carries out the audit of financial statements of an undertaking which is part of a group whose parent undertaking is situated in a Member State or a non-Member State and the auditor or the audit firm carrying out the audit of financial statements transfers the working papers concerning the audit work performed to the group auditor that is an auditor of the Member State or the non-Member State if such working papers are necessary for carrying out the audit of consolidated financial statements of the parent undertaking;

2) the auditor or the audit firm carries out the audit of financial statements of an undertaking which has issued securities in a Member State or a non-Member State or which forms part of a group issuing consolidated financial statements in a Member State or a non-Member State and the auditor or the audit firm carrying out the audit of financial statements transfers the working papers or other documents relating to the audit of financial statements of that entity that he, she or it holds to the competent authorities in the relevant Member State or non-Member State in accordance with the procedure laid down in Article 66 of this Law.

#### **Article 8. Fees for the audit of financial statements**

1. Fees for the audit of financial statements must be such as to ensure that the audit is carried out in compliance with the principles of professional ethics and requirements of the international auditing standards.

2. Fees for the audit of financial statements must be set in a contract for the audit of financial statements, which may not contain any contingencies likely to affect the amount of fees for the audit of financial statements.

3. Fees for the audit of financial statements may not be affected by the fees charged by the same audit firm for the non-audit services provided to the audited entity.

### **CHAPTER THREE**

#### **ISSUANCE, SUSPENSION, LIFTING OF SUSPENSION AND WITHDRAWAL OF AN AUDITOR'S CERTIFICATE**

##### **Article 9. Requirements for the issuance of an auditor's certificate**

An auditor's certificate shall be issued to a person where he:

- 1) holds a university degree;
- 2) is of good repute;
- 3) has undergone practical training of a duration not shorter than three years as an auditor's assistant in an audit firm and/or an audit firm of a Member State and where, at the time of submission of an application for the issuance of an auditor's certificate, the practical training as an auditor's assistant in the audit firm was completed not earlier than five years before the date of submission of the application;
- 4) has passed the auditor's qualification examinations within a period not exceeding seven years from the date of passing of/receiving credit for the first qualification examination;
- 5) has taken the oath of the auditor and become a member of the Chamber of Auditors.

##### **Article 10. Good repute**

A person shall not be considered to be of good repute where he:

- 1) was found guilty of a serious or grave crime against property, property rights, property interests, security of electronic data or information systems, the economy, the order of business, the financial system, civil service or public interests and his conviction has not expired or has not been expunged;
- 2) abuses narcotic, toxic, psychotropic substances or alcohol;
- 3) has been dismissed from office for misconduct in office or from work for a breach of discipline and less than three years have passed from the date of dismissal from office or from work;

4) has violated the requirement of good repute, where the person is subject to such requirement pursuant to legal acts, as a result of it, had to discontinue his activities and less than three years have passed from the date of discontinuation of such activities;

5) was the manager of an audit firm whose certificate of an audit firm was withdrawn at the time of emergence of circumstances which led to the withdrawal of the certificate of an audit firm and less than three years have passed from that date. This point shall not apply where the certificate of an audit firm was withdrawn in the cases specified in points 3 and 4 of Article 24(1) of this Law.

### **Article 11. Practical training of an auditor's assistant in an audit firm**

1. An auditor's assistant shall undergo practical training in an audit firm and/or an audit firm of a Member State under the lead of an auditor and/or an auditor of a Member State who has at least three years' work record as an auditor, gives a written consent to lead the practical training of the auditor's assistant and has no sanctions imposed prior to the date of his appointment to lead the practical training of the auditor's assistant.

2. The list of an auditor's assistants shall be administered by the Chamber of Auditors.

3. The Chamber of Auditors shall, upon coordination with the Authority, establish the procedure for undergoing the practical training of an auditor's assistant.

### **Article 12. Auditor's qualification examinations**

1. The auditor's qualification examinations shall be organised by the Chamber of Auditors at least once per calendar year.

2. The Chamber of Auditors shall, upon coordination with the Authority:

- 1) establish the procedure for passing the auditor's qualification examinations;
- 2) set the amount of the fee for the auditor's qualification examinations.

3. The Chamber of Auditors shall, in accordance with its established procedure which has been coordinated with the Authority, assess the person's conformity to the requirements specified in points 1 and 2 of Article 9 of this Law and adopt a decision to admit/refuse admission to the auditor's qualification examinations.

4. The Auditor's Qualification Examination Commission (hereinafter: the 'Examination Commission') shall be comprised of seven members, one of them being the chairperson of the Commission. Members of the Examination Commission must be professionals in law, taxes, audit of financial statements, accounting and/or finance. Four members, including the chairperson, shall be appointed by the Ministry of Finance, and three members who are auditors – by the Chamber of Auditors. A member of the Examination Commission shall be appointed for

a period of three years. The same persons may be appointed to serve as members of the Examination Commission for not more than two successive terms. The composition of the Examination Commission shall be approved by the Minister of Finance. An institution that appointed a member of the Examination Commission shall have the right to recall him before the expiry of his term of office. A member of the Examination Commission may resign before the expiry of his term of office upon informing thereof the institution that appointed him.

5. The Examination Commission shall approve:

- 1) programmes for the auditor's qualification examinations;
- 2) tasks of the auditor's qualification examinations and the methodology for the assessment thereof;
- 3) results of the auditor's qualification examinations.

6. The list of the auditor's qualification examinations, whose tasks include questions from the subjects referred to in paragraphs 8 and 9 of this Article, shall, on the recommendation of the Chamber of Auditors, be approved by the Authority. The tasks of the auditor's qualification examinations shall, on the basis of the programmes approved by the Examination Commission, be prepared by the Chamber of Auditors.

7. The auditor's qualification examinations must be organised in such a way as to ensure that the persons who have successfully passed them have the necessary theoretical knowledge to carry out the audit of financial statements and are able to use that knowledge in the course of carrying out of the audit of financial statements.

8. Theoretical knowledge in the following subjects shall be tested during the auditor's qualification examinations:

- 1) accounting theory and principles;
- 2) legal acts regulating the drawing up of financial statements;
- 3) international accounting standards;
- 4) financial analysis;
- 5) cost and management accounting;
- 6) risk management and internal control;
- 7) audit of financial statements and professional skills;
- 8) legal acts regulating the audit of financial statements and auditors' activities;
- 9) international auditing standards;
- 10) principles of professional ethics.

9. In addition to the theoretical knowledge in the subjects listed in paragraph 8 of this Article, theoretical knowledge in the following subjects, insofar as they are relevant to the audit of financial statements, shall also be tested during the auditor's qualification examinations:

- 1) company law, insolvency law;
- 2) tax law;
- 3) civil and commercial law;
- 4) social security law and employment law;
- 5) information technologies;
- 6) business management, general and financial economics;
- 7) mathematics and statistics;
- 8) principles of the financial management of undertakings.

10. A person seeking to obtain an auditor's certificate may be exempted from the test of knowledge in the subjects (all or any one of them) referred to in point 5 of paragraph 8 of this Article and points 5-8 of paragraph 9 of this Article if he has successfully passed an examination of theoretical knowledge in these subjects (with the examination mark of 'excellent', 'very good', 'good' or 'average') under university study programmes. In that case, the person seeking to obtain an auditor's certificate must submit to the Chamber of Auditors an application for exemption from the test of knowledge in the subjects referred to in point 5 of paragraph 8 of this Article and points 5-8 of paragraph 9 of this Article and evidence that programmes of theoretical knowledge in these subjects at a higher education institution corresponded to the respective programmes approved by the Examination Commission, as well as evidence of passing the examinations. The decision to exempt from the test of knowledge in the subjects referred to in point 5 of paragraph 8 of this Article and points 5-8 of paragraph 9 of this Article shall be adopted by the Chamber of Auditors.

11. After failing to pass the auditor's qualification examinations, a person may re-take these examinations not earlier than after six months. The number of re-takes is not limited.

### **Article 13. Procedure for the issuance of an auditor's certificate**

1. The Chamber of Auditors shall, not later than within 20 working days from the date of receipt of all the documents and within its established procedure which has been coordinated with the Authority, adopt a decision to issue/refuse to issue an auditor's certificate to a person.

2. A person seeking to obtain an auditor's certificate at a distance by electronic means through the point of single contact specified in the Law on Services or by applying directly to the Chamber of Auditors shall submit the following to the Chamber of Auditors:

- 1) an application for the issuance of an auditor's certificate containing, inter alia, the consent to become a member of the Chamber of Auditors;
- 2) documents proving his compliance with the requirements specified in points 1-4 of Article 9 of this Law.

3. Upon adopting a decision to issue an auditor's certificate, the Chamber of Auditors shall inform the person thereof using the contact details indicated by him, invite the person to take the oath of the auditor and pick up the certificate. Upon adopting a decision to refuse the issuance of an auditor's certificate, the Chamber of Auditors shall inform the person thereof in writing or by electronic means through the point of single contact specified in the Law on Services using the contact details indicated by him and specify the reason/reasons for refusal to issue the auditor's certificate.

4. The oath of the auditor shall be as follows:

"I, (name, surname), swear to comply with the Constitution of the Republic of Lithuania, its laws and other legal acts, the Code of Ethics for Professional Accountants and the Statute of the Chamber of Auditors, fulfil the duties of the auditor with honesty and integrity, be objective and independent, observe professional secrecy and participate in continuous professional development."

5. The oath of the auditor shall be heard/administered by the President of the Chamber of Auditors or a person authorised by him.

6. A person who has taken the oath of the auditor and become a member of the Chamber of Auditors shall receive an auditor's certificate and entered on the list of auditors referred to in Article 26 of this Law. Upon receiving an auditor's certificate, a person shall be entitled to carry out the audit of financial statements and it shall be considered that he has been approved as auditor.

#### **Article 14. Suspension and lifting of suspension of an auditor's certificate**

1. The Chamber of Auditors shall, in accordance with its established procedure which has been coordinated with the Authority, suspend an auditor's certificate in the following cases:

1) in the event of failure by auditors of non-public interest entities to enable the performance of a quality review of the audit of financial statements referred to in Article 41 of this Law;

2) in the event of failure by an auditor to submit the data specified in Article 26 of this Law and/or when it transpires that the submitted data are incorrect;

3) at the written request of the auditor.

2. The Authority shall, in accordance with its established procedure, suspend an auditor's certificate in the following cases:

1) in the event of failure by an auditor of a public-interest entity to enable the performance of a quality inspection of the audit of financial statements referred to in Article 45 of this Law;

2) in the event of failure by an auditor to enable the performance of a quality investigation of the audit of financial statements or an investigation of a breach referred to in Article 48 of this Law;

3) upon the imposition of a sanction specified in Article 56(4)(2) of this Law until the expiry of the set time limit or a sanction specified in Article 56(4)(3) of this Law until the specified examination/examinations have been repeatedly passed within a period not exceeding three years.

3. An auditor's certificate shall be suspended in the cases referred to in points 1 and 2 of paragraph 1 of this Article and points 1 and 2 of paragraph 2 of this Article in the event of failure by the auditor to comply with the orders— failure, within the time limit specified in the notification of intended suspension of an auditor's certificate, to submit the necessary and/or correct data specified in Article 26 of this Law, to enable the performance of a quality review of the audit of financial statements referred to in Article 41 of this Law, to enable the performance of a quality inspection of the audit of financial statements referred to in Article 45 of this Law or the performance of a quality investigation of the audit of financial statements or an investigation of a breach referred to in Article 48 of this Law (hereinafter in this Chapter and Chapter Four: the 'orders').— The notification of intended suspension of an auditor's certificate shall establish a time limit for complying with the order of not less than ten working days calculated from the date of dispatch of the notification.

4. The suspension of an auditor's certificate shall revoke the auditor's right to carry out the audit of financial statements during the period of suspension of the certificate, however, he shall be bound by the duty to develop professional qualifications, as specified in Article 36(2)(2) of this Law.

5. Upon the adoption of a decision to suspend an auditor's certificate, a time limit of not less than 15 working days shall be established for complying with the orders.

6. The suspension of an auditor's certificate shall be lifted by a decision of the Authority or the Chamber of Auditors respectively when the reasons for suspension of the auditor's certificate have been eliminated and the auditor submits to the Authority or the Chamber of Auditors which adopted the decision to suspend the auditor's certificate a written application to lift the suspension of the suspended auditor's certificate.

7. Upon suspension of an auditor's certificate or lifting of the suspension of an auditor's certificate, the Authority or the Chamber of Auditors shall inform the person thereof in writing or by electronic means through the point of single contact specified in the Law on Services not later than within three working days from the date of adoption of the respective decision.



8. A decision on the suspension of an auditor's certificate and a decision on the lifting of the suspension of an auditor's certificate shall take effect after three working days from the date of its adoption.

9. Upon suspension of an auditor's certificate or lifting of the suspension of an auditor's certificate, the Authority shall inform thereof the Chamber of Auditors within two working days from the date of adoption of the respective decision.

#### **Article 15. Withdrawal of an auditor's certificate**

1. The Chamber of Auditors shall, in accordance with its established procedure which has been coordinated with the Authority, withdraw an auditor's certificate in the following cases:

- 1) where an auditor no longer meets the requirement of good repute;
- 2) upon the auditor's expulsion from the members of the Chamber of Auditors;
- 3) in the event of failure by the auditor to comply with the orders as a result of which the auditor's certificate was suspended;
- 4) when it transpires that the data and/or information submitted for the issuance of the auditor's certificate were falsified;
- 5) at the written request of the auditor;
- 6) in the event of the auditor's death.

2. The Authority shall, in accordance with its established procedure, withdraw an auditor's certificate in the following cases:

- 1) in the event of failure by an auditor to comply with the orders as a result of which the auditor's certificate was suspended;
- 2) in the event of failure by the auditor to repeatedly pass the examination/examinations specified in Article 56(4)(3) of this Law within a period exceeding three years from the date of issuance of such instruction;
- 3) upon the imposition of the sanction specified in Article 56(4)(4) of this Law.

3. A decision on the withdrawal of an auditor's certificate shall take effect after three working days from the date of its adoption.

4. Upon withdrawal of an auditor's certificate, the Authority or the Chamber of Auditors shall inform the person thereof in writing or by electronic means through the point of single contact specified in the Law on Services not later than within three working days from the date of adoption of the decision.

5. Upon withdrawal of an auditor's certificate, the Authority shall inform thereof the Chamber of Auditors within two working days from the date of adoption of the decision.

6. Upon withdrawal of an auditor's certificate, a person shall be removed from the list of auditors after the entry into effect of the decision on the withdrawal of the auditor's certificate and the auditor shall forfeit the right to carry out the audit of financial statements.

7. Upon withdraw of an auditor's certificate in the cases specified in paragraph 1 of this Article, except for points 5 and 6 of paragraph 1, a person may re-take the auditor's qualification examinations referred to in Article 12 of this Law or the test of knowledge referred to in Article 16 of this Law not earlier than after the lapse of three years from the date of entry into effect of the decision to withdraw the auditor's certificate adopted by the Authority or the Chamber of Auditors. After passing the auditor's qualification examinations or the tests of knowledge, the person shall apply to the Chamber of Auditors for the issuance of a new auditor's certificate.

8. Where an auditor's certificate has been withdrawn for a person who has been approved as auditor in the host Member State, the Authority shall communicate that fact and the reasons for the withdrawal to the competent authority of the host Member State.

#### **Article 16. Issuance of a certificate authorising to carry out the audit of financial statements to auditors of Member States, its suspension, lifting of the suspension and withdrawal**

1. The Authority shall, in accordance with its established procedure, adopt decisions on the issuance of/refusal to issue certificates authorising to carry out the audit of financial statements to auditors of Member States who have been approved as auditors by the competent authorities of the home Member States and shall inform the Chamber of Auditors about the decisions adopted.

2. A certificate authorising to carry out the audit of financial statements for auditors of Member States who have been granted the right to carry out the audit of financial statements by the competent authorities of the Member States shall be issued upon submission of the documents issued by the competent authority of the home Member State proving the right to carry out the audit of financial statements in that Member State and also proving that this right has not been suspended or withdrawn and upon passing the tests of knowledge.

3. The tests of knowledge shall, in accordance with the procedure established by the Authority, be conducted in the state language on the subjects specified in points 2 and 8 of Article 12(8) and points 1-4 of Article 12(9) of this Law.

4. When an auditor of a Member State receives a certificate authorising to carry out the audit of financial statements in accordance with the procedure established in this Article and is entered on the list of auditors referred to in Article 26 of this Law, it shall be considered that he

has been approved as auditor and is allowed to carry out the audit of financial statements and is *mutatis mutandis* subject to the provisions of this Law regulating the activities of auditors.

5. A certificate authorising to carry out the audit of financial statements of an auditor of a Member State shall be suspended, its suspension shall be lifted or the certificate shall be withdrawn in accordance with the general procedure for and cases of suspension, lifting of the suspension or withdrawal of an auditor's certificate laid down in this Law, also in the case where the competent authority of the home Member State suspends the right to carry out the audit of financial statements, lifts the suspension or withdraws such right.

**Article 17. Issuance of a certificate authorising to carry out the audit of financial statements to auditors of non-Member States, its suspension, lifting of the suspension and withdrawal**

1. The Authority shall, in accordance with its established procedure, adopt decisions on the issuance of/refusal to issue certificates authorising to carry out the audit of financial statements to auditors of non-Member States and shall, in accordance with its established procedure, inform the Chamber of Auditors about the decisions adopted.

2. A certificate authorising to carry out the audit of financial statements shall be issued to auditors of non-Member States upon submission of the documents issued by the competent authority of the non-Member State proving that the auditor of the non-Member State meets the requirements equivalent to those specified in points 1-4 of Article 9, Article 10 and paragraphs 8 and 9 of Article 12 of this Law and also proving that this right has not been suspended or withdrawn and upon passing the tests of knowledge, as specified in Article 16(3) of this Law. Where the right to carry out the audit of financial statements has been granted to the auditor of a non-Member State in a Member State, the certificate authorising to carry out the audit of financial statements shall be issued to the auditor of the non-Member State upon passing the tests of knowledge, as specified in Article 16(3) of this Law.

3. When an auditor of a non-Member State receives a certificate authorising to carry out the audit of financial statements in accordance with the procedure established in this Article, he shall be entered on the list of auditors referred to in Article 26 of this Law; it shall be considered that he has been approved as auditor and is allowed to carry out the audit of financial statements and is *mutatis mutandis* subject to the provisions of this Law regulating the activities of auditors.

4. A certificate authorising an auditor of a non-Member State to carry out the audit of financial statements shall be suspended, its suspension shall be lifted or the certificate shall be withdrawn in accordance with the general procedure for and cases of suspension, lifting of the suspension or withdrawal of an auditor's certificate laid down in this Law, also where the

competent authority of the non-Member State, which granted the right to carry out audit, suspends the right to carry out the audit of financial statements, lifts the suspension or withdraws such right.

## **CHAPTER FOUR**

### **ISSUANCE, SUSPENSION, LIFTING OF SUSPENSION AND WITHDRAWAL OF A CERTIFICATE OF AN AUDIT FIRM**

#### **Article 18. Requirements for the issuance of a certificate of an audit firm**

A certificate of an audit firm shall be issued to an undertaking where it:

- 1) is of good repute;
- 2) has its civil liability covered in accordance with the procedure established in Article 21 of this Law;
- 3) is registered in the Register of Legal Entities of the Republic of Lithuania and its registered office is in the Republic of Lithuania;
- 4) meets the requirements laid down in Article 19 of this Law.

#### **Article 19. Audit firms**

1. Participants of an audit firm holding more than 3/4 of the voting rights must be auditors and/or auditors of Member States and/or audit firms and/or audit firms of Member States. Where the audit firm is an individual enterprise, its owner must be an auditor.
2. The manager of an audit firm must be an auditor or an auditor of a Member State.
3. Where the board is formed in an audit firm, more than half of the board members must be auditors and/or auditors of Member States. Where the board is formed of two members, one of them must be an auditor and/or an auditor of a Member State.
4. Persons who have been found guilty of a serious or grave crime against property, property rights, property interests, security of electronic data or information systems, the economy, the order of business, the financial system, civil service or public interests and whose conviction has not expired or has not been expunged may not hold the management positions in an audit firm and may not be its participants who are not auditors.
5. Audit firms of Member States that have obtained a certificate authorising to carry out the audit of financial statements shall, in accordance with the procedure established in Article 25 of this Law, be *mutatis mutandis* subject to requirements set for audit firms by this Law.

#### **Article 20. Good repute of audit firms**

An audit firm shall not be considered to be of good repute where a judgment of conviction has come into effect against such an audit firm or its parent undertaking for a serious or grave crime against property, property rights, property interests, the economy, the order of business, the financial system, public interests, justice or social security, or a judgment of conviction for another premeditated criminal act has come into effect within the last three years and its conviction has not expired or has not been expunged.

#### **Article 21. Insurance of audit firms against civil liability**

1. An audit firm must have its civil liability covered by professional indemnity insurance. A professional indemnity insurance contract shall be concluded in accordance with the procedure established by the Civil Code of the Republic of Lithuania and pursuant to the Description of the Procedure for Professional Indemnity Insurance of Audit Firms, which is drawn up and, upon coordination with the Authority, approved by the Bank of Lithuania. The policyholder of professional indemnity insurance of an audit firm shall be the audit firm or an undertaking specified in Article 22(2) of this Law.

2. Where an audit firm carries out the audit of financial statements of non-public interest entities, the annual amount of professional indemnity insurance must be not less than EUR 29 000. Professional indemnity insurance shall cover the civil liability of the audit firm for damage that would be caused to the client and/or third parties in the course of carrying out of the audit of financial statements of the non-public interest entities.

3. Where an audit firm carries out the audit of financial statements of public-interest entities, the amount of professional indemnity insurance must be not less than EUR 58 000 for one insured event and EUR 145 000 for all the insured events per year. Professional indemnity insurance shall cover the civil liability of the audit firm for damage that would be caused to the client and/or third parties in the course of carrying out of the audit of financial statements of the public-interest entities.

4. An audit firm must be covered by professional indemnity insurance for the whole period during which the audit firm is entered on the list of audit firms in accordance with the procedure established by this Law and a certificate of the audit firm has not been suspended.

#### **Article 22. Procedure for the issuance of a certificate of an audit firm**

1. The Chamber of Auditors shall, in accordance with its established procedure which has been coordinated with the Authority, adopt a decision on the issuance of/refusal to issue a certificate of an audit firm and issue the certificate of an audit firm to the audit firm.

2. An undertaking seeking to obtain a certificate of an audit firm at a distance by electronic means through the point of single contact specified in the Law on Services or by applying directly to the Chamber of Auditors shall submit the following to the Chamber of Auditors:

- 1) an application containing the data specified in points 1-8 of Article 28(2) of this Law;
- 2) the documents proving that the undertaking has its civil liability covered in accordance with the procedure established in Article 21 of this Law.

3. The Chamber of Auditors shall, not later than within 20 working days from the date of receipt of all the documents, adopt a decision to issue/refuse to issue a certificate of an audit firm.

4. Upon adopting a decision to issue a certificate of an audit firm, the Chamber of Auditors shall inform the audit firm thereof in writing or by electronic means through the point of single contact specified in the Law on Services using the contact details indicated by the audit firm. Upon adopting a decision to refuse the issuance of a certificate of an audit firm, the Chamber of Auditors shall inform the audit firm thereof in writing or by electronic means using the contact details indicated by the audit firm and specify the reason/reasons for refusal to issue the certificate of an audit firm.

5. When an undertaking receives a certificate of an audit firm in accordance with the procedure established in this Article and is entered on the list of audit firms referred to in Article 28 of this Law, it shall be allowed to carry out the audit of financial statements and it shall be considered that it has been approved as audit firm.

### **Article 23. Suspension and lifting of suspension of a certificate of an audit firm**

1. The Chamber of Auditors shall, in accordance with its established procedure which has been coordinated with the Authority, suspend a certificate of an audit firm in the following cases:

- 1) in the event of failure by an audit firm to enable the performance of a quality review of the audit of financial statements referred to in Article 41 of this Law;

- 2) in the event of failure by the audit firm to pay, in due time, the deductions referred to in Article 74 of this Law;

- 3) in the event of failure by the audit firm to submit to the Chamber of Auditors the data specified in Article 28(2) of this Law and/or the information specified in point 7 of Article 38 of this Law and/or when it transpires that the submitted data are incorrect;

- 4) in the event of failure by the audit firm to comply with the requirements set in Article 19 and/or Article 21 of this Law;

- 5) at the written request of the audit firm.

2. The Authority shall, in accordance with its established procedure, suspend a certificate of an audit firm in the following cases:

1) in the event of failure by an audit firm to submit to the Authority the information specified in point 7 of Article 38 of this Law and/or when it transpires that the submitted data are incorrect;

2) in the event of failure to enable the audit firm of public-interest entities to perform a quality inspection of the audit of financial statements referred to in Article 45 of this Law;

3) in the event of failure to enable the audit firm to perform a quality investigation of the audit of financial statements or an investigation of a breach referred to in Article 48 of this Law;

4) upon performing a quality review, inspection, investigation of the audit of financial statements carried out by the audit firm or an investigation of a breach and upon the imposition of the sanction specified in Article 56(4)(2) of this Law until the expiry of the set time limit.

3. A certificate of an audit firm shall be suspended in the cases referred to in points 1-3 of paragraph 1 of this Article and points 1-3 of paragraph 2 of this Article in the event of failure by an audit firm to comply with the orders within the time limit specified in the notification of intended suspension of the certificate of an audit firm which is not shorter than 15 working days. The notification of intended suspension of the certificate of an audit firm establishing the time limit for complying with the orders shall be issued to the audit firm in writing or by electronic means by the Chamber of Auditors in the cases specified in points 1-3 of paragraph 1 of this Article and by the Authority in the cases specified in points 1-3 of paragraph 2 of this Article.

4. The suspension of a certificate of an audit firm shall revoke the audit firm's right to carry out the audit of financial statements during the period of suspension of the certificate. Where the certificate of an audit firm is suspended while the audit firm is carrying out the audit of financial statements, the audit firm must forthwith inform thereof the audited entity and the client.

5. Upon the adoption of a decision to suspend a certificate of an audit firm, a time limit of not less than 20 working days shall be established for complying with the orders.

6. The suspension of a certificate of an audit firm shall be lifted by a decision of the Authority or the Chamber of Auditors respectively when the reasons for suspension of the certificate of an audit firm have been eliminated and the audit firm submits to the Authority or the Chamber of Auditors which adopted the decision to suspend the certificate of an audit a written application to lift the suspension of the certificate of an audit firm. After the audit firm whose certificate of an audit firm has been suspended by the decision of the Chamber of Auditors, as specified in point 5 of paragraph 1 of this Article, submits an application to the Chamber of Auditors for lifting the suspension of the certificate of an audit firm, where the

participants of the audit firm holding more than 1/2 of the voting rights agree thereto, the suspension of the certificate of an audit firm shall be lifted.

7. A decision of the Authority or the Chamber of Auditors to suspend a certificate of an audit firm or lift its suspension shall be communicated to the audit firm in writing or by electronic means through the point of single contact specified in the Law on Services not later than within three working days from the date of adoption of the decision.

8. A decision on the suspension of a certificate of an audit firm and a decision on the lifting of the suspension of a certificate of an audit firm shall take effect after three working days from the date of its adoption.

9. Upon suspension of a certificate of an audit firm or lifting the suspension of a certificate of an audit firm, the Authority shall inform thereof the Chamber of Auditors within two working days from the date of adoption of the respective decision.

#### **Article 24. Withdrawal of a certificate of an audit firm**

1. The Chamber of Auditors shall, in accordance with its established procedure which has been coordinated with the Authority, withdraw a certificate of an audit firm in the following cases:

- 1) where the audit firm no longer complies with the requirements set in Article 20 of this Law;
- 2) in the event of failure by the audit firm to comply with the orders as a result of which the certificate of an audit firm was suspended;
- 3) at the written request of the audit firm;
- 4) where there is an effective court ruling on the initiation of bankruptcy proceedings in respect of the audit firm or a resolution of the meeting of creditors has been adopted to carry out extrajudicial bankruptcy procedures, or where the audit firm is liquidated.

2. The Authority shall, in accordance with its established procedure, withdraw a certificate of an audit firm in the following cases:

- 1) in the event of failure by the audit firm to comply with the orders as a result of which the certificate of an audit firm was suspended;
- 2) upon performing a quality review, inspection, investigation of the audit of financial statements carried out by the audit firm or an investigation of a breach and upon the imposition of the sanction specified in Article 56(4)(4) of this Law.

3. A decision on the withdrawal of a certificate of an audit firm shall take effect on the next working day from the date indicated in the decision adopted in the cases specified in paragraphs 1 and 2 of this Article.



4. Upon withdrawal of a certificate of an audit firm, the Authority or the Chamber of Auditors shall inform the audit firm thereof in writing or by electronic means through the point of single contact specified in the Law on Services not later than within three working days from the date of adoption of the decision.

5. Upon withdrawal of a certificate of an audit firm, the Authority shall inform thereof the Chamber of Auditors within two working days from the date of adoption of the decision on the withdrawal of the certificate of an audit firm.

6. After the entry into effect of a decision on the withdrawal of a certificate of an audit firm, the audit firm shall be removed from the list of audit firms on the day of entry into effect of the decision and forfeit the right to carry out the audit of financial statements.

7. Upon withdrawal of a certificate of an audit firm in the cases specified in point 2 of paragraph 1 and paragraph 2 of this Article, the enterprise may apply to the Chamber of Auditors for the issuance of a new certificate of an audit firm not earlier than after the lapse of three years from the date of entry into effect of the decision of the Authority or the Chamber of Auditors on the withdrawal of the certificate of an audit firm. Upon withdrawal of the certificate of an audit firm in the cases specified in points 1 and 4 of paragraph 1 of this Article, the enterprise may re-apply for the issuance of a certificate of an audit firm in accordance with the procedure laid down in Article 22 of this Law when the reasons for withdrawal of the certificate of an audit firm have been eliminated.

8. In the case specified in point 4 of paragraph 1 of this Article, an audit firm must, within three months from the date of entry into effect of the decision – a court ruling on the initiation of bankruptcy proceedings or adoption of a resolution by the meeting of creditors to carry out extrajudicial bankruptcy procedures, complete, amend or terminate contracts for the audit of financial statements concluded before the adoption of the decision. In this case, it shall be considered that the decision on the withdrawal of the certificate of an audit firm shall enter into effect on the following day after the lapse of three months from the date of adoption of the decision.

9. Where a certificate of an audit firm has been withdrawn for an audit firm which has been approved as audit firm in the host Member State, the Authority shall communicate that fact and the reasons for the withdrawal to the competent authority/authorities of the host Member State.

**Article 25. Issuance of a certificate authorising to carry out the audit of financial statements to audit firms of Member States, its suspension, lifting of the suspension and withdrawal**

1. The Authority shall, in accordance with its established procedure, adopt decisions on the issuance of certificates authorising to carry out the audit of financial statements to audit firms of Member States which have been approved as audit firms by the competent authorities of the home Member States and shall inform thereof the Chamber of Auditors.

2. An audit firm approved in a Member State shall have the right to carry out the audit of financial statements in accordance with the procedure established by this Law where its key partner complies with the requirements specified in paragraphs 2 and 3 of Article 16 of this Law and holds an auditor's certificate or a certificate authorising to carry out the audit of financial statements issued in accordance with the procedure laid down in Article 13 or Article 16 of this Law.

3. When an audit firm of a Member State receives a certificate authorising to carry out the audit of financial statements in accordance with the procedure established in this Article and is entered on the list of audit firms referred to in Article 28 of this Law, it shall be allowed to carry out the audit of financial statements, be considered as an approved audit firm and be *mutatis mutandis* subject to the provisions of this Law regulating the activities of audit firms. The Authority shall inform the competent authority of the home Member State about the audit firm that has been issued a certificate authorising to carry out the audit of financial statements.

4. A certificate authorising to carry out the audit of financial statements of an audit firm of a Member State shall be suspended, its suspension shall be lifted or the certificate shall be withdrawn in accordance with the general procedure for and cases of suspension, lifting of the suspension or withdrawal of a certificate of an audit firm laid down in this Law, also where the competent authority of a non-Member State, which granted the right to carry out audit, suspends the right to carry out the audit of financial statements, lifts the suspension or withdraws such right.

## **CHAPTER FIVE**

### **LISTS OF AUDITORS AND AUDIT FIRMS. INFORMATION SUBMITTED BY AUDITORS AND AUDIT FIRMS**

#### **Article 26. List of auditors and information submitted by auditors**

1. The Chamber of Auditors shall enter on the list of auditors:
  - 1) auditors who have been issued auditor's certificates;
  - 2) auditors of Member States who have been issued certificates authorising to carry out the audit of financial statements;

3) auditors of non-Member States who have been issued certificates authorising to carry out the audit of financial statements;

4) auditors of non-Member States who have made an application to be entered on the list of auditors and who have carried out the audit of financial statements of an undertaking registered in a non-Member State whose securities are publicly offered or traded on the regulated market of the Republic of Lithuania.

2. The list of auditors shall contain the following data about an auditor:

1) the name, surname, registration number, number of the auditor's certificate;

2) the name/names of an audit firm/firms by which the auditor is employed or the manager of which he is, the number/numbers of the certificate/certificates of an audit firm/firms, the address/addresses of the registered office/offices, e-mail address/addresses (if any), telephone and fax number/numbers (if any) and website/websites (if any);

3) where the auditor is a participant of an audit firm/firms – the name/names of the audit firm/firms, the number/numbers of the certificate of the audit firm/firms, the address/addresses of the registered office/offices, telephone and fax number/numbers (if any) and website/websites (if any);

4) where the auditor's certificate is suspended in the cases specified in Article 14 of this Law – the date of and grounds for suspension of the certificate and the number and date of the document whereby the decision of the Authority to suspend the auditor's certificate is executed;

5) where the auditor has been approved as auditor of a Member State or a non-Member State by the competent authorities of the Member State or the non-Member State – the name/names of the competent authority/authorities of the host Member State or the non-Member State, registration number/numbers and other information relating to such registration;

6) effective and disputed instructions and sanctions specified in paragraphs 3 and 4 of Article 56 of this Law, the number and date of the Authority's decision to issue an instruction or impose a sanction, if any – information on appealing against the disputed instruction or sanction or the substance of the decision delivered by the court in the appeal proceedings. Where the information on the sanction specified in Article 56(4)(1) of this Law is submitted, the grounds for the imposition of the sanction shall also be specified.

3. An auditor must inform the Chamber of Auditors about any changes in the data specified in paragraph 2 of this Article, except for the information specified in points 4 and 6 of paragraph 2 of this Article, not later than within ten working days from the date of the changes in the data. The Authority shall establish the procedure for submission of information relating to the audits of financial statements of public-interest entities carried out by the auditor to the Authority and the Chamber of Auditors. The Chamber of Auditors shall establish the procedure for

submission of information to the Chamber of Auditors about an undertaking/undertakings other than the undertaking/undertakings by which the auditor is employed or the manager of which he is. The information submitted by the auditor must be signed by him personally or in accordance with the procedure laid down in the Law of the Republic of Lithuania on Electronic Signature.

4. Upon receiving information about changes in the list of auditors, the Chamber of Auditors shall, not later than on the next working day from the date of receipt thereof, amend the data.

5. The Chamber of Auditors shall establish the procedure for submission of information necessary for drawing up, updating and publishing the list of auditors referred to in paragraph 2 of this Article.

#### **Article 27. Entering of auditors of a non-Member State on the list of auditors**

1. Auditors of a non-Member State who have carried out the audit of financial statements of an undertaking registered in a non-Member State whose securities are publicly offered or traded on the regulated market of the Republic of Lithuania must, prior to submission of the financial statements and the auditor's report in accordance with the procedure established by legal acts, apply to the Authority to be entered on the list of auditors. Upon receiving such an application for the auditor of the non-Member State to be entered on the list of auditors, the Authority shall, in accordance with its established procedure, within five working days from the date of receipt of the documents, inform the Chamber of Auditors and the latter shall enter the auditor on the list of auditors on the next working day following the receipt of the application from the Authority. The Authority shall inform the auditor of the non-Member State about his entry on the list of auditors within two working days from the date of the Authority's application to the Chamber of Auditors.

2. The auditor's report submitted by an auditor of a non-Member State prior to his entry on the list of auditors shall have no legal validity in the Republic of Lithuania.

#### **Article 28. List of audit firms and information submitted by audit firms**

1. The Chamber of Auditors shall enter on the list of audit firms:

1) audit firms that have been issued certificates of an audit firm;  
2) audit firms of Member States that have been issued certificates authorising to carry out the audit of financial statements;

3) audit firms of non-Member States that have made an application to be entered on the list of auditors and that have carried out the audit of financial statements of an undertaking

registered in a non-Member State whose securities are publicly offered or traded on the regulated market of the Republic of Lithuania.

2. The list of audit firms shall contain the following data about an audit firm:

1) the undertaking's name, registered office/address, registration number, the number of the certificate of an audit firm;

2) the legal form of the audit firm;

3) telephone and fax number (if any), website (if any) and other data necessary for maintaining contact;

4) the names and surnames of auditors employed by the audit firm or being managers or participants of the audit firm, indicating separately the auditors and other employees of the audit firm who are participants of the audit firm and numbers of the auditor's certificates, where the persons are auditors;

5) the names and surnames of participants, contact addresses indicated by them, and where the participants are legal persons – their names, codes and registered offices/addresses;

6) the names and surnames of members of the management and supervisory bodies (where formed) and contact addresses indicated by them, and where the members of the management and supervisory bodies are legal persons – their names, codes and registered offices/addresses;

7) where the audit firm is part of an audit network – the names and addresses of other undertakings belonging to the audit network or indications of where such information can be obtained; where the audit firm is linked by common participants, shares common control or management with another undertaking/undertakings – the name/names of such undertaking/undertakings, registered office/offices and address/addresses or indication/indications of where such information can be obtained;

8) where the audit firm has branches and representative offices – their names and registered offices/addresses;

9) where the certificate of an audit firm is suspended in the cases specified in Article 23(3) of this Law – the date of and grounds for suspension of the certificate and the number and date of the document whereby the decision of the Authority to suspend the certificate of an audit firm is executed;

10) where the competent authority of a Member State has recognised the audit firm to be an audit firm of the Member State – all the information relating thereto and the name of the competent authority of the host Member State;

11) effective and disputed instructions and sanctions specified in paragraphs 3 and 4 of Article 56 of this Law, indicating the number and date of the Authority's decision to issue an

instruction or impose a sanction, if any – information on appealing against the disputed instruction or sanction or the substance of the decision delivered by the court in the appeal proceedings. Where the information on the sanction specified in Article 56(4)(1) of this Law is submitted, the grounds for the imposition of the sanction shall also be specified.

3. An audit firm must inform the Chamber of Auditors about any changes in the data specified in paragraph 2 of this Article, except for the information specified in points 9 and 11 of paragraph 2 of this Article, not later than within ten working days from the date of the changes in the data. The Authority shall establish the procedure for submission of information relating to the audits of financial statements of public-interest entities carried out by the audit firm to the Authority and the Chamber of Auditors. The information submitted by the audit firm must be signed by the participants and/or manager of the audit firm personally or in accordance with the procedure laid down in the Law on Electronic Signature.

4. Upon receiving information about changes in the list of audit firms, the Chamber of Auditors shall, not later than on the next working day from the date of receipt thereof, amend the data.

5. The Chamber of Auditors shall establish the procedure for submission of information necessary for drawing up, updating and publishing the list of audit firms referred to in paragraph 2 of this Article.

## **Article 29. Entering of an audit firm of a non-Member State on the list of audit firms**

1. Audit firms of a non-Member State that have carried out the audit of financial statements of an undertaking registered in a non-Member State whose securities are publicly offered or traded on the regulated market of the Republic of Lithuania must, prior to submission of the financial statements and the auditor's report in accordance with the procedure established by legal acts, apply to the Authority to be entered on the list of audit firms. Upon receiving such an application for the audit firm of the non-Member State to be entered on the list of audit firms, the Authority shall, in accordance with its established procedure, within five working days from the date of receipt of the documents, inform the Chamber of Auditors and the latter shall enter the audit firm on the list of audit firms on the next working day following the receipt of the application from the Authority. The Authority shall inform the audit firm of the non-Member State about its entry on the list of audit firms within two working days from the date of the Authority's application to the Chamber of Auditors.

2. The auditor's report submitted by an audit firm of a non-Member State prior to its entry on the list of audit firms shall have no legal validity in the Republic of Lithuania.

### **Article 30. Publication of the lists of auditors and audit firms**

1. The lists of auditors and audit firms shall be published on the website of the Chamber of Auditors and must be available on the website of the Authority.
2. The lists of auditors and audit firms shall be published in the Lithuanian language.
3. The lists of auditors and audit firms must indicate the name and registered office/address of the Authority and the date of the update of the list.

### **Article 31. Storage of data from the lists of auditors and audit firms**

The data from the lists of auditors and audit firms shall be stored on digital media in accordance with the procedure laid down in the Law of the Republic of Lithuania on Documents and Archives.

## **CHAPTER SIX**

### **OBJECTIVES OF THE AUDIT OF FINANCIAL STATEMENTS, INTERNATIONAL AUDITING STANDARDS, AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS AND THE AUDITOR'S REPORT**

#### **Article 32. Objectives and scope of the audit of financial statements**

1. The objectives of the audit of financial statements shall be:
  - 1) to establish whether the financial statements in all relevant cases give a true and fair view of the audited entity's financial position, performance and cash flows in accordance with the applicable financial reporting framework;
  - 2) to establish whether the financial statements have been prepared in compliance with the legal acts regulating accountancy and drawing up of financial statements.
2. When carrying out the audit of financial statements of a profit-making legal person, an auditor or an audit firm shall also:
  - 1) express an opinion on whether the annual report/consolidated annual report, to the extent specified in the Law on Financial Reporting by Undertakings/Law on Consolidated Financial Reporting by Groups of Undertakings, or the enterprise's activity report, as specified in the Law on State and Municipal Enterprises, have been prepared in compliance with legal acts;
  - 2) give an opinion on whether the financial data presented in the annual report/consolidated annual report, to the extent specified in the Law on Financial Reporting by Undertakings/Law on Consolidated Financial Reporting by Groups of Undertakings, or the enterprise's activity report, as specified in the Law on State and Municipal Enterprises, are

consistent with the data of the annual financial statements/consolidated annual financial statements;

3) state whether, in the light of the knowledge and understanding of the undertaking and its environment obtained in the course of the audit of financial statements, any material misstatements have been identified in the annual report/consolidated annual report, to the extent specified in the Law on Financial Reporting by Undertakings/Law on Consolidated Financial Reporting by Groups of Undertakings, or the enterprise's activity report, as specified in the Law on State and Municipal Enterprises. Where misstatements have been identified, an indication of the nature of any such misstatement shall be specified.

3. When carrying out the audit of financial statements of a non-profit-making legal person, an auditor or an audit firm shall establish and indicate in the auditor's report whether the financial data presented in the annual report or activity report, where they are prepared in accordance with the requirements of legal acts, are consistent with the data of the annual financial statements.

4. The audit of financial statements of an audited entity, including that of a public-interest entity, shall not provide assurance relating to the audited entity's going concern or assurance relating to how effectively the manager or the collegiate management body of the audited entity conducted or will conduct its business.

### **Article 33. International auditing standards**

1. Auditors and audit firms shall carry out the audit of financial statements in compliance with the international auditing standards.

2. The international auditing standards approved by the European Commission shall apply after approval by the European Commission of the international auditing standards.

### **Article 34. Audit of consolidated financial statements**

1. The group auditor shall bear responsibility for the auditor's report concerning the audit of financial statements indicated in Article 35 of this Law and, where applicable, in Article 10 of Regulation (EU) No 537/2014, as well as, where applicable, for the additional report to the audit committee indicated in Article 11 of Regulation (EU) No 537/2014.

2. In carrying out the audit of financial statements of a group of undertakings, where the audit of financial statements of the components of the group of undertakings has been carried out by other auditors and/or audit firms, auditors and/or audit firms of Member States and auditors and/or audit firms of non-Member States, the group auditor shall:



1) in order to rely on the work done by the auditors and/or audit firms, refer to those auditors and/or audit firms requesting to transfer the necessary documents relating to the audit of consolidated financial statements for reviewing their work;

2) for the purpose of the audit of consolidated financial statements, assess the audit of financial statements carried out and execute the documents, indicating therein the nature of the work carried out by those auditors and/or audit firms, its timing and volume;

3) for the purpose of the audit of consolidated financial statements, review the audit of financial statements carried out by those auditors and/or audit firms and the documents submitted by them, documenting such a review.

3. The documents stored by the group auditor must be such as to enable the competent authority to verify the work carried out by the group auditor specified in paragraphs 1 and 2 of this Article.

4. Where the group auditor is unable to comply with the provisions of paragraph 2 of this Article, he shall:

1) directly carry out additional work related to the audit of financial statements in a subsidiary, or

2) assign another auditor or audit firm to carry out the additional work related to the audit of financial statements.

5. Where the group auditor is unable to fulfil the requirements set in paragraphs 2 and 4 of this Article due to the circumstances beyond his control, he shall state the reasons for his inability to fulfil them in the working papers.

6. The group auditor shall inform the Authority where he has taken the actions indicated in paragraph 4 of this Article and where the circumstances indicated in paragraph 5 of this Article arose.

### **Article 35. Auditor's report**

1. An auditor/auditors or an audit firm/firms shall present the results of the audit of financial statements in an auditor's report. The auditor's report shall be prepared in accordance with the international auditing standards.

2. An auditor's report shall be prepared in writing and shall:

1) identify the audited entity whose annual financial statements or consolidated financial statements are the subject of the audit; specify the annual financial statements or consolidated financial statements whose audit has been carried out and the date and period they cover; and identify the accounting standards, as laid down in the Law on Accounting, in accordance with which and/or the legal acts pursuant to which the financial statements have been prepared;

2) include a description of the scope of the audit of financial statements, specifying that the audit has been carried out in accordance with the international auditing standards;

3) include a clear opinion of the auditor on the objectives specified in Article 32(1) of this Law, which may be either unqualified, qualified or an adverse opinion. If the auditor/auditors or the audit firm/firms are unable to express their opinion, the auditor's report shall contain a disclaimer of opinion;

4) refer to any other matters to which the auditor/auditors or the audit firm/firms draw/draws attention by way of emphasis without qualifying the auditor's opinion specified in point 3 of this paragraph;

5) include an opinion and statement, both of which shall be based on the work undertaken in the course of the audit, as specified in Article 32(2) of this Law;

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

7) the address/addresses of the registered office/offices of the auditor/auditors or the audit firm/firms.

3. In addition to the requirements specified in paragraph 2 of this Article, an auditor's report must also indicate whether it contains the information to be included in the annual report/consolidated annual report as specified in the Law on Financial Reporting by Undertakings/Law on Consolidated Financial Reporting by Groups of Undertakings.

4. Where the audit of financial statements of a non-profit-making legal person has been carried out, point 5 of paragraph 2 of this Article shall not apply and an auditor's report must contain an opinion on whether the financial data presented in the annual report or activity report are consistent with the data of the annual financial statements.

5. In addition to the requirements specified in paragraph 2 of this Article, an auditor's report must contain the information indicated in the international auditing standards.

6. Where the same audit of financial statement is carried out by more than one audit firm, the key partners of all the audit firms shall agree on the results of the audit and submit a joint auditor's report. In the case of disagreement, the key partner/partners of the audit firm/firms that disagree shall submit his, her or its opinion in a separate paragraph of the auditor's report and shall state the reason for the disagreement.

7. An auditor's report shall be signed and dated by the key partner. Where the same audit of financial statement is carried out by more than one audit firm, the auditor's report must bear the signature of the key partner of each of the audit firms.

8. Where the audit of consolidated financial statements is carried out, the opinion and statement submitted by an auditor or an audit firm must be based on the work undertaken in the

course of the audit of consolidated financial statements and a review of the consolidated annual report. Where the annual financial statements of the parent undertaking are attached to the consolidated financial statements, the auditor's reports may be combined.

## **CHAPTER SEVEN**

### **ACTIVITIES, RIGHTS, DUTIES AND RESPONSIBILITY OF AUDITORS AND AUDIT FIRMS**

#### **Article 36. Rights and duties of auditors in the course of the audit of financial statements**

1. In carrying out the audit of financial statements, an auditor shall have the following rights:

1) making use of his professional knowledge and skills and having regard to the methodology for carrying out the audit of financial statements, choose the procedures for carrying out the audit of financial statements;

2) obtain from the audited entity the documents and/or copies thereof necessary for carrying out the audit of financial statements and have access to all accumulated information;

3) require the audited entity to provide explanations and carry out any other actions necessary for carrying out the audit of financial statements;

4) require the employees of the audited entity to provide explanations in writing;

5) require that conditions be created in the audited entity for carrying out the audit of financial statements;

6) other rights specified in the international auditing standards and the contract for the audit of financial statements.

2. An auditor must:

1) in carrying out the audit of financial statements, comply with the procedure for complying with the principles of independence from an audited entity, confidentiality and professional secrecy specified in Article 3(5) of this Law, the requirements for the organisation of work of auditors and audit firms and the internal organisation of an audit firm and, where applicable, the procedure specified in Article 37(1);

2) continuously develop his professional qualifications in professional development courses for auditors (to complete, every three consecutive years, at least 120 hours of courses in professional development courses organised by the Chamber of Auditors or in courses other than those organised by the Chamber of Auditors or to complete an equivalent course of improvement of professional qualifications);

3) provide the information specified in Article 26 of this Law to the Authority and the Chamber of Auditors;

4) where he carries out the audit of financial statements of a public-interest entity, perform the duties specified in paragraphs 2 and 3 of Article 68 of this Law;

5) in the case of a quality review, inspection, investigation of the audit of financial statements carried out by him or an investigation of a breach, provide to the Authority and the Chamber of Auditors the documents and/or copies thereof and explanations necessary for performing the quality review, inspection, investigation of the audit of financial statements carried out or the investigation of the breach.

### **Article 37. Activities, rights and responsibility of audit firms in the course of the audit of financial statements**

1. The same audit of financial statements of one audited entity may be carried out by one or jointly by several audit firms. The Chamber of Auditors shall, upon coordination with the Authority, establish the procedure for sharing responsibility and duties of the audit firms and the auditors in such cases.

2. An audit firm shall have the right:

- 1) to provide assurance and other related services;
- 2) to engage in other activities not contravening the principles of professional ethics specified in the Code of Ethics for Professional Accountants.

3. The responsibility of audit firms in the course of the audit of financial statements shall be established in a written contract for the audit of financial statements concluded with the client. An audit firm shall be responsible for carrying out the audit of financial statements and for the auditor's report in accordance with the procedure laid down in the legal acts regulating responsibility and the signed contract for the audit of financial statements.

### **Article 38. Duties of audit firms**

An audit firm must:

1) in carrying out the audit of financial statements, comply with the procedure for complying with the principles of independence from an audited entity, confidentiality and professional secrecy specified in Article 3(5) of this Law, requirements for the organisation of work of auditors and audit firms and the internal organisation of an audit firm and, where applicable, the procedure specified in Article 37(1);

2) upon conclusion of a contract for the audit of financial statements, designate the key partner and inform the client thereof;

3) establish the procedure whereby its employees report a possible breach/breaches of the provisions of this Law and/or Regulation (EU) No 537/2014;

4) upon carrying out the audit of financial statements at state-owned and municipal enterprises, public limited liability companies and private limited liability companies in which the shares held by the right of ownership by the State or a municipality carry over ½ of votes at the general meeting of shareholders, prepare a report on the audit of financial statements together with the auditor's report. This report shall be submitted to the audited entity and the client together with the auditor's report;

5) where it carries out the audit of financial statements of a public-interest entity, perform the duties specified in paragraphs 2 and 3 of Article 68 of this Law;

6) provide the information specified in Article 28 of this Law to the Authority and the Chamber of Auditors;

7) provide to the Chamber of Auditors and, where the audit firm is the audit firm of a public-interest entity, also to the Authority information on the net turnover, indicating separately the income from the firm's activities of the audit of financial statements, for each activity indicated in Article 37(2) of this Law, within four months from the close of the audit firm's financial year;

8) store the working papers in accordance with the procedure laid down in the Law on Documents and Archives;

9) inform the Authority within ten working days about the termination of a contract for the audit of financial statements with the audited entity, where it was terminated during the period when the audit of financial statements was carried out, indicating the reasons for the termination of the contract;

10) in the case of a quality review, inspection, investigation of the audit of financial statements carried out by it or an investigation of a breach, provide to the Chamber of Auditors and the Authority the documents and/or copies thereof and explanations necessary for performing the quality review, inspection, investigation of the audit of financial statements carried out or the investigation of the breach.

### **Article 39. Relationship between an audit firm and a client**

1. The client shall, at his own discretion or by tender, choose or select an audit firm with which he signs a contract for the audit of financial statements.

2. Any agreements between persons or instructions restricting the choice by the meeting of members of an entity choosing an audit firm to carry out the audit of financial statements to

certain categories or lists of audit firms as regards the appointment of the audit firm to carry out the audit of financial statements of that entity shall be considered null and void.

3. A contract for the audit of financial statements may not be terminated in the absence of valid grounds during the period when the audit of financial statements is carried out. Differences of opinion on the audit procedures and/or accounting may not be considered as valid grounds for terminating the contract for the audit of financial statements.

4. In the case of the audit of financial statements of a public-interest entity, an application to the court for the termination of the contract for the audit of financial statements with an audit firm or an auditor in the presence of valid grounds may be made by the following:

1) participants of the audited entity holding five per cent or more of the voting rights or capital;

2) the Authority, the Bank of Lithuania, the competent authorities of Member States responsible for carrying out public oversight and/or considered as such pursuant to Article 20(2) of Regulation (EU) No 537/2014.

5. The audited entity must provide to an audit firm all the correct information necessary for carrying out the audit of financial statements and create conditions for carrying out the audit of financial statements.

#### **Article 40. Working papers**

1. Working papers shall be the property of an audit firm.

2. In performing the functions specified in Article 62(1) of this Law, the Authority may temporarily seize the working papers from an audit firm, transfer them to the competent authority of a Member State and/or a non-Member State for carrying out public oversight upon drawing up a statement of seizure of the working papers. The Authority may receive and/or take copies of the working papers. In the cases where the Authority transfers the temporarily seized working papers or copies thereof to the competent authority of the Member State and/or the non-Member State, it must inform the audit firm thereof.

3. Law enforcement or other institutions may seize or examine the working papers obtained or prepared by an auditor in the course of carrying out the audit of financial statements only in the cases established by laws.

4. An auditor and/or an audit firm shall have the right to take copies of the working papers seized in the cases specified in paragraphs 2 and 3 of this Article.

## **CHAPTER EIGHT**

## **QUALITY ASSURANCE OF THE AUDIT OF FINANCIAL STATEMENTS CARRIED OUT BY AUDITORS AND AUDIT FIRMS OF NON-PUBLIC INTEREST ENTITIES**

### **Article 41. Principles of organisation of quality assurance of the audit of financial statements carried out by auditors and audit firms of non-public interest entities**

1. The Authority shall be responsible for quality assurance of the audit of financial statements carried out by auditors and audit firms of non-public interest entities.

2. An auditor and an audit firm that have carried out no audits of financial statements of a public-interest entity since the last quality review or inspection of the audit of financial statements performed shall be considered to be an auditor and an audit firm of non-public interest entities.

3. The quality of the audit of financial statements shall be assured by way of performing quality reviews of the audit of financial statements, which shall be organised in a manner to be independent from the auditor and the audit firm of a non-public interest entity the quality of the audit of financial statements whereof is reviewed.

4. In assuring the quality of the audit of financial statements carried out by auditors and audit firms of non-public interest entities, the Authority shall:

1) establish the procedure for organising quality assurance of the audit of financial statements carried out by the auditors and audit firms of non-public interest entities;

2) draft and approve a description of the procedure for performing a quality review of the audit of financial statements, singling out the cases when quality reviews of the audit of financial statements carried out by the auditor and/or audit firm that have carried out the audit of consolidated financial statements are performed;

3) consider and deliver an opinion on the annual plans for quality reviews of the audit of financial statements, drawn up on the basis of conclusions of an analysis of the risk, verify the actual fulfilment of these plans;

4) establish the procedure for selecting, training and development of professional qualifications of reviewers;

5) consider and deliver an opinion on candidates for reviewers;

6) establish requirements for a report on the quality review of the audit of financial statements.

5. In assuring the quality of the audit of financial statements carried out by auditors and audit firms of non-public interest entities, the Chamber of Auditors shall be assigned the following functions:

1) to establish, in compliance with the requirements of this Chapter, the procedure for quality assurance of the audit of financial statements at the Chamber of Auditors and coordinate it with the Authority;

2) to draw up and, upon coordination with the Authority, approve the annual plans for quality reviews of the audit of financial statements (specifying the auditors and audit firms of non-public interest entities the quality reviews of the audit of financial statements whereof are envisaged and reviewers to perform such reviews), drawn up on the basis of conclusions of an analysis of the risk, submit them to the Authority for verification of the actual fulfilment of these plans;

3) to select the candidates for reviewers and, upon coordination with the Authority, approve them;

4) to organise and coordinate quality reviews of the audit of financial statements performed by the reviewers;

5) to inform the Authority about any members and employees of the Chamber of Auditors other than the reviewers appointed responsible for quality assurance of the audit of financial statements and any other persons involved in performing this function;

6) to examine reports on quality reviews of the audit of financial statements and other information relating to such reviews;

7) to submit to the Authority reports on all the quality reviews of the audit of financial statements performed and information relating to such reviews and their examination at the Chamber of Auditors;

8) to control compliance by an auditor and/or an audit firm of non-public interest entities with the instructions imposed, coordinate with the auditor and/or audit firm of non-public interest entities a plan for the elimination of deficiencies of the audit of financial statements, where such a plan has to be coordinated, as specified in Article 56(3)(1) of this Law.

6. With a view to assuring the quality of the audit of financial statements carried out by auditors and audit firms of non-public interest entities, the Authority shall have the right to observe quality reviews of the audit of financial statements and meetings of collegiate bodies of the Chamber of Auditors when issues relating to such reviews are considered.

7. The Authority, in assuring the quality of the audit of financial statements, and the Chamber of Auditors, when assigned to perform the functions specified in paragraph 5 of this Article, shall have the right to:

1) review the working papers and the methodology for carrying out the audit of financial statements;



2) require the auditors or audit firms of non-public interest entities to provide explanations as to the way the audit of financial statements was carried out;

3) review the documents of the quality review of the audit of financial statements performed by the reviewer;

4) involve experts/professionals, except for auditors, possessing knowledge for resolving issues arising in the course of the quality review of the audit of financial statements;

5) obtain explanations from each employee or participant of the audit firm of non-public interest entities involved in the course of the audit of financial statements;

6) obtain from other persons information necessary for assuring the quality of the audit of financial statements.

8. The Chamber of Auditors shall forthwith submit to the Authority the information requested by it necessary for quality assurance of the audit of financial statements carried out by the auditors and audit firms of non-public interest entities.

#### **Article 42. Organisation of quality reviews of the audit of financial statements**

1. With a view to assuring the quality of the audit of financial statements carried out by the auditors and audit firms of non-public interest entities, quality reviews of the audit of financial statements shall be organised in such a manner that all the auditors and audit firms of non-public interest entities are reviewed at least once every six years.

2. Quality reviews of the audit of financial statements shall be performed on the basis of conclusions of an analysis of the risk, taking into account the scale and complexity of the business of the undertaking whose audit of financial statements was carried out by the reviewed auditor or audit firm of non-public interest entities, selecting the appropriate and proportionate procedures.

3. Quality reviews of the audit of financial statements carried out by auditors and audit firms of non-public interest entities of Member States and the auditors of non-Member States who have obtained certificates authorising to carry out the audit of financial statements shall be performed to the extent they are related to the audit of financial statements of non-public interest entities carried out in accordance with the procedure laid down in the legal acts of the Republic of Lithuania.

#### **Article 43. Requirements for candidates for reviewers, the rights and duties of reviewers**

1. Quality reviews of the audit of financial statements shall be performed by reviewers who must meet the following requirements:

1) to have at least five years of work experience of the audit of financial statements and/or as an auditor of a Member State, and not more than three years have elapsed from the acquisition thereof until the conclusion of the contract specified in paragraph 3 of this Article;

2) to be a citizen of the Republic of Lithuania and/or a Member State;

3) to have no sanctions imposed;

4) to have recommendations from two practising auditors;

5) to have no pending claims by clients or third parties regarding the quality of the audit of financial statements carried out or compliance with the Code of Ethics for Professional Accountants;

6) to have a good knowledge of legal acts regulating the bookkeeping and preparation of financial statements, the audit of financial statements, performance of quality reviews of the audit of financial statements carried out.

2. The Chamber of Auditor shall ensure special training of reviewers, allowing to perform quality reviews of the audit of financial statements.

3. After the Authority, as specified in Article 41(4)(5) of this Law, approves candidates for reviewers, the Chamber of Auditors shall, in accordance with the established procedure, conclude with them contracts for the supply of services. The contracts shall, among other things, establish that the reviewers performing a quality review of the audit of financial statements shall be materially and technically supported by the Chamber of Auditors.

4. In performing a quality review of the audit of financial statements assigned to him, a reviewer shall have the right to:

1) use the information accumulated by an auditor and an audit firm of non-public interest entities necessary for carrying out his work, submitting a report on the quality review of the audit of financial statements and adopting decisions;

2) review the working papers and the methodology for carrying out the audit of financial statements;

3) in the case of performing a quality review of the audit of financial statements carried out by the auditor and/or the audit firm of non-public interest entities carrying out the audit of consolidated financial statements – review the working papers of a subsidiary;

4) obtain explanations from the auditor and the audit firm of non-public interest entities as to the way the audit of financial statements was carried out;

5) obtain explanations from each employee or participant of the audit firm of non-public interest entities involved in the course of the audit of financial statements;

6) obtain from other natural and legal persons the information necessary for performing the quality review of the audit of financial statements;

7) involve experts/professionals, except for auditors, possessing knowledge for resolving issues arising in the course of the quality review of the audit of financial statements.

5. A reviewer must:

1) not perform a quality review of the audit of financial statements carried out by an auditor and an audit firm of non-public interest entities unless at least three years have elapsed since that reviewer was a partner or employee of that audit firm or was otherwise associated with that audit firm or auditor;

2) prior to performing a quality review of the audit of financial statements, declare that there are no conflicts of interest between him and the auditor and the audit firm of non-public interest entities the quality reviews of the audit of financial statements carried out by whom will be performed;

3) in performing quality reviews of the audit of financial statements, act pursuant to this Law, the methodology for the quality review of the audit of financial statements approved by the Authority and the Code of Ethics for Professional Accountants;

4) refuse to perform a quality review of the audit of financial statements and inform the Chamber of Auditors and the Authority thereof where a conflict of interest may arise or the requirement of independence, as specified in Chapter Twelve of this Law, may be compromised in the course of performing the quality review of the audit of financial statements;

5) draw up a report on the quality review of the audit of financial statements and submit it in accordance with Article 44(3) of this Law.

#### **Article 44. Scope and results of a quality review of the audit of financial statements and approval of the results**

1. In the course of performing quality reviews of the audit of financial statements:

1) compliance with the provisions of the international auditing standards shall be established;

2) compliance with the principle of independence and other principles of professional ethics shall be established;

3) assessment of the quality and quantity of resources used for the audit of financial statements and remuneration received for the audit shall be made;

4) assessment of the system of internal quality control of an audit firm shall be made;

5) compliance with the requirements of this Law shall be established.

2. Upon performing a quality review of the audit of financial statements, a reviewer must draw up a report on the quality review of the audit of financial statements. The report must

indicate whether or not any deficiencies of the audit of financial statements have been identified. Where deficiencies have been identified, the report on the quality review of the audit of financial statements shall contain the following:

- 1) information on the deficiencies of the audit of financial statements, indicating whether they are recurring, where such deficiencies have been identified;

- 2) recommendations on the elimination of the identified deficiencies of the audit of financial statements and/or improvement of the quality of the audit of financial statements.

3. Upon drawing up a report on the quality review of the audit of financial statements, a reviewer shall, not later than within three working days, provide one copy of it in writing or by electronic means to the Chamber of Auditors, the auditor and the audit firm of non-public interest entities and the Authority.

4. The Chamber of Auditors shall examine reports on quality reviews of the audit of financial statements and, where necessary, propose to the Authority to issue to an auditor and an audit firm the instruction/instructions specified in Article 56(3) of this Law and/or to impose the sanction/sanctions specified in Article 56(4) of this Law or shall propose to perform a quality investigation of the audit of financial statements.

5. Upon receiving the results of a quality review of the audit of financial statements, i.e., a report on the quality review of the audit of financial statements and all the information relating to the review, the Authority shall assess them and:

- 1) approve the proposal by the Chamber of Auditors to issue an instruction/instructions and/or to impose a sanction/sanctions and issue and/or impose it/them;

- 2) not approve the proposal by the Chamber of Auditors and issue another/other instruction/instructions and/or impose another/other sanction/sanctions;

- 3) not approve the results of the quality review of the audit of financial statements and assign the reviewer to perform an additional quality review of the audit of financial statements or another reviewer to perform a repeated quality review of the audit of financial statements or adopt a decision to perform a quality investigation of the audit of financial statements;

- 4) approve the proposal by the Chamber of Auditors to perform a quality investigation of the audit of financial statements.

6. Where, upon performing a quality review of the audit of financial statements, the Authority adopts a decision to perform a quality investigation of the audit of financial statements, the Authority shall have the right to involve the reviewer who has performed the review of the auditor or the audit firm the quality of the audit of financial statements whereof is investigated.

**CHAPTER NINE**  
**QUALITY ASSURANCE OF THE AUDIT OF FINANCIAL STATEMENTS CARRIED**  
**OUT BY AUDITORS AND AUDIT FIRMS OF PUBLIC-INTEREST ENTITIES**

**Article 45. Principles of organisation of quality assurance of the audit of financial statements carried out by auditors and audit firms of public-interest entities**

1. The Authority shall be responsible for quality assurance of the audit of financial statements carried out by auditors and audit firms of public-interest entities. The quality of the audit of financial statements carried out by the auditors and audit firms of public-interest entities shall be assured by way of performing quality inspections of the audit of financial statements.

2. The following shall be considered as an auditor and an audit firm of public-interest entities:

1) the auditor and the audit firm that have carried out the audit of financial statements of at least one public-interest entity since the last quality inspection or review of the audit of financial statements performed;

2) the auditor employed by the audit firm of public-interest entities irrespective of whether he has carried out the audit of a public-interest entity.

3. Acting in compliance with the provisions of Regulation (EU) No 537/2014 and this Law, the Authority shall establish:

1) the procedure for organising quality assurance of the audit of financial statements carried out by auditors and audit firms of public-interest entities;

2) the procedure for performing a quality inspection of the audit of financial statements;

3) annual plans for quality inspections of the audit of financial statements, drawn up on the basis of conclusions of an analysis of the risk.

4. In performing a quality inspection of the audit of financial statements, in addition to the matters specified in paragraphs 6 and 7 of Article 26 of Regulation (EU) No 537/2014, compliance by an auditor and an audit firm of public-interest entities with the requirements of this Law shall be verified and assessed.

5. Quality inspections of the audit of financial statements carried out by auditors and audit firms of public-interest entities of Member States and the auditors of non-Member States who have obtained certificates authorising to carry out the audit of financial statements shall be performed to the extent they are related to the audit of financial statements of public-interest entities carried out in accordance with the procedure laid down in the legal acts of the Republic of Lithuania regulating the audit of financial statements.

6. Quality inspections of the audit of financial statements carried out by the auditors of non-Member States specified in Article 27 of this Law and the audit firms of non-Member States specified in Article 29 of this Law shall be performed in accordance with the procedure laid down in this Law.

**Article 46. Requirements for inspectors, their rights and duties in the course of performance of a quality inspection of the audit of financial statements**

1. Quality inspections of the audit of financial statements shall be performed by inspectors who are employees of the Authority managed by an employee with at least five years of work experience of the audit of financial statements and/or as an auditor of a Member State and who are subject to the requirements laid down in Article 26(5) of Regulation (EU) No 537/2014.

2. In performing a quality inspection of the audit of financial statements assigned to him, an inspector shall have the right to:

1) use the information accumulated by an auditor and an audit firm of public-interest entities necessary for carrying out his work, submitting a report on the quality inspection of the audit of financial statements and adopting decisions;

2) inspect the working papers and the methodology for carrying out the audit of financial statements;

3) in the case of performing the quality inspection of the audit of financial statements carried out by the auditor and/or the audit firm of public-interest entities carrying out the audit of consolidated financial statements – inspect the working papers of a subsidiary;

4) obtain explanations from the auditor and the audit firm of public-interest entities as to the way the audit of financial statements was carried out;

5) obtain explanations from each employee or participant of the audit firm of public-interest entities involved in the course of the audit of financial statements;

6) obtain from other natural and legal persons information necessary for performing the quality inspection of the audit of financial statements.

3. In performing quality inspections of the audit of financial statements, an inspector must act in compliance with Regulation (EU) No 537/2014, this Law and the procedure for performing a quality inspection of the audit of financial statements.

4. Upon performing a quality inspection of the audit of financial statements, an inspector shall draw up a report on the quality inspection of the audit of financial statements.

**Article 47. Rights and duties of the Authority in carrying out quality assurance of the audit of financial statements carried out by auditors and audit firms of public-interest entities**

1. In assuring the quality of the audit of financial statements, as specified in this Chapter, the Authority shall have the right to:

- 1) review the working papers;
- 2) require auditors and audit firms to provide explanations as to the way the audit of financial statements was carried out;
- 3) involve experts/professionals, except for auditors, possessing knowledge for resolving issues arising in the course of a quality inspection of the audit of financial statements;
- 4) obtain explanations from each employee or participant of the audit firm involved in the course of the audit of financial statements;
- 5) obtain from the Chamber of Auditors and other natural and legal persons the information and explanations necessary for assuring the quality of the audit of financial statements and performing a quality inspection of the audit of financial statements.

2. The Authority shall submit a report on the quality inspection of the audit of financial statements to an auditor and an audit firm of public-interest entities within the time limits set in accordance with the procedure for performing a quality inspection of the audit of financial statements specified in Article 45(3)(2) of this Law.

**CHAPTER TEN**  
**QUALITY INVESTIGATION OF THE AUDIT OF FINANCIAL STATEMENTS AND**  
**AN INVESTIGATION OF A BREACH**

**Article 48. Initiation of a quality investigation of the audit of financial statements and an investigation of a breach**

1. A quality investigation of the audit of financial statements may be initiated by a decision of the Authority:

- 1) in the cases specified in points 3 and 4 of Article 44(5) of this Law;
- 2) when state institutions, the Chamber of Auditors, other legal and natural persons apply to the Authority with a request to perform a quality investigation of the audit of financial statements carried out by an auditor and/or an audit firm;
- 3) at the request of the competent authorities of Member States and non-Member States;
- 4) in the event of availability of information or reasonable suspicion regarding quality deficiencies of the audit of financial statements.

2. An investigation of a breach may be initiated by a decision of the Authority:

1) when legal and natural persons apply to the Authority informing about a possible breach/breaches of the provisions of this Law and/or Regulation (EU) No 537/2014 and provide information thereon;

2) in the event of availability of information or reasonable suspicion regarding the possible breach/breaches of the provisions of this Law and/or Regulation (EU) No 537/2014.

3. The Authority shall establish the procedure for legal and natural persons to apply to the Authority informing about a possible breach/breaches of the provisions of this Law and/or Regulation (EU) No 537/2014.

4. Quality investigations of the audit of financial statements carried out by auditors and audit firms of Member States and the auditors of non-Member States who have obtained certificates authorising to carry out the audit of financial statements and investigations of breaches may be performed to the extent they are related to the audit of financial statements carried out in accordance with the procedure laid down in the legal acts of the Republic of Lithuania regulating the audit of financial statements.

5. Quality investigations of the audit of financial statements carried out by the auditors and audit firms of non-Member States and investigations of breaches specified in Article 27 and Article 29 of this Law shall be performed in accordance with the procedure laid down in this Law.

6. Applications made to the Authority by legal and natural persons informing about a possible breach/breaches of the provisions of this Law and/or Regulation (EU) No 537/2014 or proposing to perform the investigations indicated in paragraphs 1, 2 and 4 of this Article shall be examined in accordance with the procedure established by the Authority. The applications referred to in this paragraph may be made by legal and natural persons not later than within 24 months from the emergence of the circumstances forming a basis for initiation of an investigation.

7. When the Authority adopts a decision to initiate an investigation, an auditor and an audit firm shall be notified in writing or by electronic means about the quality investigation of the audit of financial statements and the person whose act will be investigated – about an investigation of a breach not later than ten working days prior to the initiation of such an investigation. The Authority shall have the right to initiate the investigation without a notification about the quality investigation of the audit of financial statements in the cases where there are reasonable grounds for believing that the auditor, the audit firm or the person whose act will be investigated may hide or destroy the documents necessary for performing the



investigation, or there are other circumstances which would make the investigation impossible or particularly difficult to perform.

8. A quality investigation of the audit of financial statements or an investigation of a breach must be completed within a time limit not exceeding 12 months from the date of adoption of a decision on the initiation of the investigation. The description of the procedure specified in Article 49(4) of this Law shall establish the cases in which the investigation is suspended. The time limit for the investigation may be extended by a decision of the Authority, an opinion on which shall be issued by the Audit Oversight Committee, as specified in Article 62(1)(2) of this Law, taking into account the specific circumstances which arose in the course of the investigation.

#### **Article 49. Organisation of a quality investigation of the audit of financial statements or an investigation of a breach**

1. A quality investigation of the audit of financial statements or an investigation of a breach shall be performed by the employees of the Authority with at least one year of work experience in the areas of the audit of financial statements, accounting, financial reporting, and/or law. In the case of the quality investigation of the audit of financial statements of a public-interest entity, the employees of the Authority performing such an investigation shall be managed by the employee with at least five years of work experience of the audit of financial statements and/or as an auditor of a Member State.

2. In performing a quality investigation of the audit of financial statements or an investigation of a breach, the employees of the Authority shall have the right to:

1) use the information accumulated by the auditor and the audit firm, other natural and legal persons necessary for carrying out their work, submitting a report on the quality investigation of the audit of financial statements or a report on the investigation of the breach and adopting decisions;

2) inspect the working papers and the methodology for carrying out the audit of financial statements;

3) in the case of performing a quality investigation of the audit of financial statements carried out by the auditor and/or audit firm carrying out the audit of consolidated financial statements – inspect the working papers of a subsidiary;

4) obtain explanations from the auditor and the audit firm as to the way the audit of financial statements was carried out;

5) obtain explanations from each employee or participant of the audit firm involved in the course of the audit of financial statements;

6) obtain from natural and legal persons the information and explanations necessary for performing the quality investigation of the audit of financial statements or the investigation of the breach.

3. The Authority shall have the right to involve experts/professionals, except for auditors, possessing knowledge for resolving issues arising in the course of a quality investigation of the audit of financial statements or an investigation of a breach.

4. The Authority shall establish the procedure for performing a quality investigation of the audit of financial statements or an investigation of a breach and the procedure for selecting, training, and professional development of the employees performing such investigations.

5. In performing quality investigations of the audit of financial statements or investigations of a breach, the Authority shall have the rights indicated in Article 47(1) of this Law.

#### **Article 50. Results of a quality investigation of the audit of financial statements or an investigation of a breach**

1. Upon performing a quality investigation of the audit of financial statements or an investigation of a breach, the employee of the Authority must draw up a report on the quality investigation of the audit of financial statements or a report on the investigation of the breach. The report on the quality investigation of the audit of financial statements must indicate whether or not any quality deficiencies of the audit of financial statements have been identified. The report on the investigation of the breach must indicate whether or not any quality breaches of the provisions of this Law and/or Regulation (EU) No 537/2014 have been identified.

2. The Authority shall, in writing or by electronic means, submit a report on the quality investigation of the audit of financial statements to the auditor and the audit firm and, in the case of an investigation of a breach, a report on the investigation of the breach shall be submitted to the person in respect of whose act/omission the investigation of the breach was carried out within the time limits set in accordance with the procedure for performing investigations of breaches specified in Article 49(4) of this Law.

#### **Article 51. Protection of information on persons reporting breaches and on ongoing quality investigations of the audit of financial statements or investigations of a breach**

1. Information on the personal data of a person reporting a possible breach/breaches of the provisions of this Law and/or Regulation (EU) No 537/2014 shall not be provided unless the Authority has received the person's consent regarding the disclosure of his sensitive data, except for the cases where the laws of the Republic of Lithuania obligate to disclose such information.

2. Information on an ongoing quality investigation of the audit of financial statements or an investigation of a breach shall not be provided to unrelated parties until a decision relating to it is adopted, except for the cases where the Authority may provide information on the fact of the ongoing investigation.

3. Personal data shall be processed in accordance with the procedure laid down in legal acts regulating the protection of personal data.

## **CHAPTER ELEVEN**

### **QUALITY ASSURANCE AND A QUALITY INVESTIGATION OF THE AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS**

#### **Article 52. Quality review, inspection and investigation of the audit of consolidated financial statements**

1. In the cases when a quality review, inspection or investigation of the audit of consolidated financial statements is performed, the group auditor shall, at the request of the Authority, provide thereto all the documents held by him and relating to the audit of consolidated financial statements of the group of undertakings which has been carried out, including the working papers of an auditor, an auditor/auditors of a Member State, an auditor/auditors of a non-Member State, an audit firm, an audit firm/firms of a Member State or an audit firm/firms of a non-Member State and other working papers related to the audit of consolidated financial statements of the group of undertakings.

2. The Authority may request competent authorities of Member States to present additional documents regarding work related to the audit of financial statements which, for the purposes of the audit of consolidated financial statements of a group of undertakings, has been carried out by an auditor/auditors, an auditor/auditors of a Member State or an audit firm/firms and an audit firm/firms of a Member State.

3. In the cases when the audit of financial statements of the parent undertaking or a subsidiary of a group of undertakings is carried out by an auditor/auditors of a non-Member State or an audit firm/firms of a non-Member State, the Authority shall have the right to request the competent authorities of the non-Member State to provide additional documents regarding work related to the audit of financial statements carried out by the auditor/auditors of the non-Member State or the audit firm/firms of the non-Member State as specified in Article 66 of this Law.

4. In the cases when the audit of consolidated financial statements is carried out and where the audit of financial statements of subsidiaries is carried out by an auditor/auditors of a non-Member State and/or an audit firm/firms of a non-Member State and where an agreement on

cooperation as referred to in Article 66 of this Law has not been concluded with the competent authority of that non-Member State, the group auditor shall be responsible for the appropriate provision of documents of the auditor/auditors and/or the audit firm/firms of the non-Member State to the Authority, including the working papers which are material for the audit of consolidated financial statements of the group of undertakings. For the group auditor to be able to provide the required documents, he shall retain copies of such documents or agree with the auditor/auditors and/or the audit firm/firms of the non-Member State his proper and unrestricted access to the documents upon request or take any other appropriate action. If legal or other impediments prevent the working papers from being passed from the auditor and/or audit firm of the non-Member State to the group auditor, the documentation retained by the group auditor must include evidence that he has undertaken the appropriate procedures in order to gain access to the working papers, and in the case of impediments other than legal ones, evidence supporting such impediments.

## **CHAPTER TWELVE**

### **REQUIREMENTS FOR COMPLIANCE WITH THE PRINCIPLES OF INDEPENDENCE, CONFIDENTIALITY AND PROFESSIONAL SECRECY IN CARRYING OUT PUBLIC OVERSIGHT AND QUALITY ASSURANCE AND PERFORMING A QUALITY INVESTIGATION OF THE AUDIT OF FINANCIAL STATEMENTS OR AN INVESTIGATION OF A BREACH**

**Article 53. Duty to comply with requirements for compliance with the principles of independence, confidentiality and professional secrecy in carrying out quality assurance and performing a quality investigation of the audit of financial statements or an investigation of a breach**

The following persons must comply with requirements for compliance with the principles of independence, confidentiality and professional secrecy in carrying out public oversight and quality assurance and performing a quality investigation of the audit of financial statements or an investigation of a breach:

- 1) employees of the Authority;
- 2) members of the Audit Oversight Committee;
- 3) reviewers;
- 4) experts/professionals referred to in Article 41(7)(4), Article 43(4)(7), Article 47(1)(3) and Article 49(3) of this Law;

5) members and employees of the Chamber of Auditors carrying out the actions related to quality assurance of the audit of financial statements.

**Article 54. Requirements for compliance with the principle of independence in carrying out public oversight and quality assurance and performing a quality investigation of the audit of financial statements or an investigation of a breach**

1. The Authority shall set forth the requirements for compliance with the principle of independence applicable to the persons listed in points 1-4 of Article 53 of this Law.

2. The Chamber of Auditors shall, upon coordination with the Authority, set forth the requirements for compliance with the principle of independence applicable to the persons indicated in point 5 of Article 53 of this Law.

**Article 55. Requirements for compliance with the principle of confidentiality and professional secrecy in carrying out public oversight and quality assurance and performing a quality investigation of the audit of financial statements or an investigation of a breach**

1. The Authority shall set forth the requirements for compliance with the principle of confidentiality and professional secrecy applicable to the persons listed in points 1-4 of Article 53 of this Law. These requirements shall apply to current and former reviewers, employees of the Authority, members of the Audit Oversight Committee and experts/professionals.

2. The Chamber of Auditors shall, upon coordination with the Authority, set forth the requirements for compliance with the principle of confidentiality and professional secrecy applicable to the persons indicated in point 5 of Article 53 of this Law. These requirements shall apply to current and former members and employees of the Chamber of Auditors.

3. Under this Law, confidential information shall mean the data or information which become known in exercising rights and/or performing functions, where such data or information constitute a secret protected by laws or have been obtained from the working papers indicated in Article 40 of this Law.

4. Employees of the Authority and members of the Audit Oversight Committee may not use confidential information, including the information obtained from the competent authorities of other Member States and non-Member States, for purposes other than those specified in this Law.

**CHAPTER THIRTEEN**  
**INSTRUCTIONS, SANCTIONS AND PUBLICATION THEREOF**

**Article 56. Instructions and sanctions, the procedure for examining their issuance/imposition, notification of the issuance/imposition thereof**

1. Having regard to results of a quality review of the audit of financial statements as specified in Article 44(5) of this Law and results of an inspection of the audit of financial statements, that is, a report on a quality inspection of the audit of financial statements and all the information related to the inspection, a report on a quality investigation of the audit of financial statements or a report on an investigation of a breach and all the information related to the investigation, and the clarifications indicated in paragraph 2 of this Article, the Authority may issue to an auditor, an audit firm, an employee of the audit firm, an audited entity, the manager of a public-interest entity, a member of a collegiate management body, other natural and legal persons indicated in this Law not complying with the requirements set forth by this Law and Regulation (EU) No 537/2014 one or more instructions specified in paragraph 3 of this Article and/or impose one sanction indicated in paragraph 4 of this Article not later than within three months from receipt of the results of the quality review of the audit of financial statements as specified in Article 44(5) of this Law, submission of the report on the inspection of the audit of financial statements as specified in Article 47(2) of this Law, the report on the quality investigation of the audit of financial statements or the report on the investigation of the breach as specified in Article 50(2) of this Law.

2. The Authority shall, prior to issuing one or more instructions specified in paragraph 3 of this Article and/or imposing one of the sanctions indicated in paragraph 4 of this Article, lay down a time limit of not less than five days for the persons listed in paragraph 1 of this Article to present clarifications to the Authority regarding a report on a review, a report on an inspection, and a report on an investigation of the audit of financial statements or a report on an investigation of a breach. The Authority shall, not later than five working days in advance, give a notice by registered mail to the persons listed in paragraph 1 of this Article of the date and time of a meeting whereat the issue of the issuance of an instruction specified in paragraph 3 of this Article and/or a sanction specified in paragraph 4 of this Article is to be considered. Representatives of the persons indicated in paragraph 1 of this Article shall have the right to participate in the consideration of this issue at the meeting. A failure of the representative of the person whose actions have given rise to consideration of the issue of the issuance of the instruction specified in paragraph 3 of this Article and/or imposition of the sanction specified in paragraph 4 of this Article to appear at the meeting shall not hinder the consideration of the issue of the issuance of the instruction and/or imposition of the sanction, provided that the person has been notified of the consideration. The representatives of the persons indicated in paragraph 1 of this Article shall have the right to familiarise themselves with the report on the review, the report

on the inspection and the report on the investigation of the audit of financial statements or the report on the investigation of the breach, provide clarifications at the meeting, present evidence and make use of the services of a lawyer.

3. In the event of a failure to comply with the requirements set forth by this Law and Regulation (EU) No 537/2014, the Authority shall issue one or more instructions specified in points 1-4 of this paragraph and/or make a declaration as specified in point 5 of this paragraph:

1) assign a natural or legal person to eliminate the identified deficiencies of the audit of financial statements within a set time limit of not less than 15 working days. Where the instruction to eliminate the identified deficiencies is issued to an auditor or an audit firm, it shall also be indicated whether the Authority or the Chamber of Auditors will control compliance with the instruction and whether a plan for the elimination of the deficiencies will have to be coordinated with the Authority or with the Chamber of Auditors;

2) assign an auditor to additionally develop his professional qualifications (specify the number of hours and indicate a time limit). The Chamber of Auditors shall control compliance with this instruction and shall give a notice thereof to the Authority;

3) instruct a natural or legal person that has breached provisions of this Law and/or Regulation (EU) No 537/2014 to discontinue a breach/breaches and eliminate it/them within a set time limit of not less than 15 working days. The Authority shall control compliance with this instruction or shall assign the Chamber of Auditors to control it;

4) instruct an audit firm and the client to terminate a contract for the audit of financial statements where it is established that the client selected the audit firm while being limited by the circumstances indicated in Article 39(2) of this Law. The Authority shall control compliance with this instruction;

5) declare that an auditor's report does not meet the requirements set forth in Article 35 of this Law or, where Regulation (EU) No 537/2014 is applicable, the requirements set forth in Article 10 of this Regulation.

4. In the event of non-compliance with the requirements laid down by this Law and Regulation (EU) No 537/2014 and where an auditor or an audit firm fails to comply with the instructions specified in paragraph 3 of this Article, the Authority shall, having regard to provisions of Article 57 of this Law, impose one of the following sanctions:

1) issue a warning to the auditor or the audit firm;

2) suspend an auditor's certificate or a certificate of the audit firm for a period not exceeding three years;

3) suspend the auditor's certificate and instruct the auditor to retake one or more qualification examinations, as indicated in Article 12 of this Law, within a time limit not exceeding three years from the issuance of the instruction;

4) withdraw the auditor's certificate and/or the certificate of the audit firm;

5) ban an employee of the audit firm or the manager of a public-interest entity or a member of a collegiate management body from holding a management position in audit firms or public-interest entities for a period not exceeding three years;

6) take a decision on the imposition of a fine.

5. The Authority shall, having regard to the circumstances indicated in Article 57 of this Law, impose a fine in the following cases:

1) where a legal person carries out the audit of financial statements in the absence of a certificate of an audit firm or where the certificate of the audit firm has been suspended – in the amount from EUR 1 000 up to EUR 100 000;

2) where a natural person who is engaged in economic and commercial activities and/or a legal person fails to comply with the instructions of the Authority specified in paragraph 3 of this Article, fails to provide to the Authority the information indicated in this Law or hinders the performance of a quality review, inspection and investigation of the audit of financial statements and an investigation of a breach – in the amount from EUR 100 up to EUR 10 000, and where the natural and/or legal person is the auditor of a public-interest entity, the audit firm of a public-interest entity and/or a public-interest entity – in the amount from EUR 1 000 up to EUR 100 000;

3) where a natural person who is engaged in economic and commercial activities and/or a legal person fails to comply with the requirements set forth in Regulation (EU) No 537/2014 - in the amount from EUR 1 000 up to EUR 100 000.

6. Upon performing a quality review, inspection, and investigation of the audit of financial statements of a group of undertakings or an investigation of a breach, the sanctions specified in paragraph 4 of this Article shall be imposed on the group auditor and/or the key partner/partners of material subsidiaries.

7. Instructions shall be issued to and sanctions shall be imposed on the auditors and audit firms of non-Member States indicated in Article 27 and Article 29 of this Law in accordance with the procedure laid down by this Law.

8. Upon taking a decision on the issuance of an instruction/instructions or the imposition of a sanction/sanctions, the Authority shall, within seven working days, give a notice thereof in writing or by electronic means to the auditor and/or the audit firm whose audit of financial statements has been subject to a quality review, inspection and investigation and an investigation



of a breach and to an institution and a natural or legal person at a proposal whereof the investigation has been initiated and, in the case of the investigation of the breach, to a person in respect of whose act/omission the investigation of the breach has been undertaken and to an institution and a natural or legal person at a proposal whereof the investigation has been initiated. Upon taking the decision on the issuance of the instruction/instructions to or the imposition of the sanction/sanctions on the auditor and/or the audit firm, the Authority shall, within five working days, give a notice thereof to the Chamber of Auditors.

9. The instructions and sanctions, as specified in this Article, which have been issued/imposed upon performing a quality review, inspection and investigation of the audit of financial statements or an investigation of a breach may be issued/imposed not later than within seven years from the signing of an auditor's report or from the commission of the breach of provisions of this Law or Regulation (EU) No 537/2014.

10. A sanction indicated in point 1 of paragraph 4 of this Article shall be effective for a period of one year from the imposition thereof, whereas a sanction indicated in point 6 of paragraph 4 of this Article shall be effective for a period of one year from the compliance therewith. The sanctions indicated in points 2, 3 and 5 of paragraph 4 of this Article shall be effective for a period for which they have been imposed.

#### **Article 57. Principles of issuance of instructions and imposition of sanctions**

1. In taking a decision on the issuance of an instruction/instructions or the imposition of a sanction/sanctions, the Authority shall have regard to the following related circumstances:

1) the materiality of a deficiency of the audit of financial statements and a breach of the requirements set forth by this Law and Regulation (EU) No 537/2014 (hereinafter: a 'breach'), taking into account also the deficiency/deficiencies identified during the latest inspection, review and investigation;

2) the scope of responsibility of a responsible natural or legal person in respect whereof the Authority intends to take a decision on the issuance of an instruction/instructions or the imposition of a sanction/sanctions (hereinafter: a 'responsible natural or legal person');

3) the financial capacity of the responsible natural or legal person, the amount of proceeds from breaches, other pecuniary benefit, avoided losses or the damage incurred, if it is possible to determine it, previous deficiencies of the audit of financial statements, breaches and an instruction/instructions issued and/or a sanction/sanctions imposed;

4) whether the responsible natural or legal person cooperates with the competent authority;

5) the circumstances aggravating or mitigating the responsibility of the responsible natural or legal person.

2. Mitigating circumstances shall constitute the actions whereby a responsible natural or legal person:

- 1) voluntarily prevents detrimental consequences of a breach;
- 2) compensates for losses or eliminates the damage incurred;
- 3) takes measures to eliminate the breach.

3. In taking a decision on the issuance of an instruction/instructions or the imposition of a sanction/sanctions, the Authority may recognise as mitigating circumstances also the circumstances other than those indicated in this Article.

4. Aggravating circumstances shall constitute the actions whereby a responsible natural or legal person:

- 1) commits a breach intentionally;
- 2) conceals the committed breach;
- 3) persists in the breach disregarding the instruction to discontinue unlawful actions;
- 4) repeats the breach for which he has been imposed a sanction specified in this Law within three years from the imposition of the sanction.

#### **Article 58. Publication of information on the instructions issued and the sanctions imposed**

1. Where the Authority takes a decision to issue an instruction/instructions specified in Article 56(3) of this Law to or to impose a sanction/sanctions specified in Article 56(4) of this Law on an auditor or an audit firm, the manager of a public-interest entity or a member of a collegiate management body or another person and upon notifying them of the instruction/instructions issued or the sanction/sanctions imposed, this information shall, without delay, be published on the Authority's website.

2. Where the instructions specified in Article 56(3) of this Law or the sanctions specified in Article 56(4) of this Law, which are intended for the manager of a public-interest entity or a collegiate management body or another person, are subject to appeal, the information indicated in paragraph 1 of this Article shall be accompanied by information concerning the appeals filed against the sanctions imposed and the outcome of examination of the appeals.

3. Information on the instructions issued and the sanctions imposed shall be published in the list of auditors, the list of audit firms and on the website of the Authority until the instructions issued are complied with and until the lapse of five years from the imposition of a sanction.

4. The Authority shall publish information on instructions or sanctions on an anonymous basis in accordance with the procedure established by it in any of the following circumstances:

1) where, in the event that the instruction is issued to or the sanction is imposed on a natural person and, prior to publication, the Authority takes a decision that publication of personal data is shown to be disproportionate in light of the materiality of identified deficiencies of the audit of financial statements and breaches of provisions of this Law and/or Regulation (EU) No 537/2014;

2) where publication of information on the instructions or the sanctions would jeopardise the stability of financial markets or an ongoing criminal investigation, and such risk is confirmed by a financial market supervisory or another authorised institution;

3) where publication of information on the instructions or the sanctions would cause disproportionate damage to the natural persons or the legal persons in respect whereof the Authority has taken a decision to issue an instruction/instructions or impose a sanction/sanctions.

5. The publication of instructions, sanctions and any public declaration regarding the application of this Law shall respect fundamental rights as laid down in the Charter of Fundamental Rights of the European Union, in particular the right to respect for private and family life and the right to the protection of personal data.

#### **Article 59. Compliance with decisions of the Authority on the imposition of a fine and on prohibition to hold a management position**

1. A natural or legal person who receives a decision of the Authority on the imposition of a fine shall pay it to the state budget not later than within 90 days from the receipt of the decision.

2. In the event of appealing against a decision on the imposition of a fine, the fine shall be paid not later than within 90 days from the coming into effect of a court decision dismissing the appeal.

3. A decision of the Authority on the imposition of a fine which has not been complied with voluntarily shall be enforced in accordance with the procedure laid down by the Code of Civil Procedure of the Republic of Lithuania.

4. When the Authority takes a decision on the imposition of the sanction provided for in Article 56(4)(5) of this Law, a person authorised by the Authority shall submit to Vilnius Regional Administrative Court an application for sanctioning of the decision. The application must contain data of the persons referred to in Article 56(4)(5) of this Law and the nature of alleged breaches. Evidence of the alleged breaches must be attached to the application. The application must be examined and a ruling handed down not later than within 30 days from the

submission of the application. If the Authority disagrees with the ruling of Vilnius Regional Administrative Court to reject the application, it shall, within seven days, have the right to appeal against the ruling to the Supreme Administrative Court of Lithuania.

5. Upon taking a decision, as specified in paragraph 4 of this Article, on the imposition of the sanction specified in Article 56(4)(5) of this Law, the Authority shall, based on the information provided on a semi-annual basis by the Bank of Lithuania and the Chamber of Auditors, verify compliance with the sanction specified in Article 56(4)(5) of this Law.

#### **Article 60. Exchange of information on the sanctions imposed with the Committee of European Auditing Oversight Bodies**

1. The Authority shall annually provide the Committee of European Auditing Oversight Bodies with aggregated information regarding the sanctions imposed in accordance with Article 56(4) of this Law.

2. The Authority shall, without delay, notify the Committee of European Auditing Oversight Bodies of the sanctions imposed in accordance with points 2-5 of Article 56(4) of this Law upon the expiry of the time limit stipulated in Article 75 of this Law.

### **CHAPTER FOURTEEN PUBLIC OVERSIGHT**

#### **Article 61. Public oversight and organisation thereof**

1. Public oversight shall be carried out by the Authority.

2. The employees of the Authority taking decisions related to public oversight must be non-practitioners with at least five years of work experience in the areas of the audit of financial statements, accounting, financial reporting and/or law.

3. The employees of the Authority who perform the functions related to public oversight shall develop their professional qualifications in accordance with the procedure laid down by the Authority.

4. An employee of the Authority who is an auditor must, while working with the Authority, suspend the auditor's certificate held by him and his membership in the Chamber of Auditors. Such an employee shall perform the duty specified in Article 36(2)(2) of this Law by developing his professional qualifications in accordance with the procedure laid down in paragraph 3 of this Article.

5. On the issues of public oversight, the Authority shall be advised by a collegiate advisory body formed by the Minister of Finance – the Audit Oversight Committee, which shall be technically supported by the Authority.

6. The Audit Oversight Committee shall consist of seven members. All members of the Audit Oversight Committee must be non-practitioners. The members of the Audit Oversight Committee must have at least five years of work experience in the areas of the audit of financial statements, accounting, financial reporting and/or law. One member of the Audit Oversight Committee shall be appointed by the Ministry of Finance, the Ministry of Justice of the Republic of Lithuania, the Ministry of Economy of the Republic of Lithuania (hereinafter: the ‘Ministry of Economy’), the National Audit Office of Lithuania and the Bank of Lithuania, and two members shall be appointed by the Chamber of Auditors.

7. The Audit Oversight Committee shall act in compliance with this Law and the regulations of the Audit Oversight Committee approved by the Minister of Finance.

## **Article 62. Functions and rights of the Authority**

1. In implementing public oversight, the Authority shall, in addition to other functions specified by this Law, perform the following functions:

1) translate the Code of Ethics for Professional Accountants and international auditing standards into the Lithuanian language and publish them on its website until the international auditing standards are approved by the European Commission;

2) request an opinion from the Audit Oversight Committee:

a) regarding the procedure for complying with the principles of independence from an audited entity, confidentiality and professional secrecy specified in Article 3(5) of this Law, the requirements for the organisation of work of auditors and audit firms and the internal organisation of an audit firm;

b) when taking decisions to initiate or not to initiate a quality investigation of the audit of financial statements as specified in Article 48(1) of this Law and in establishing time limits for completion of the investigation as specified in Article 48(8) of this Law;

c) regarding the instructions issued and the sanctions imposed pursuant to Article 56(3) and (4) of this Law;

d) when taking the decisions specified in Article 58(4) of this Law;

e) regarding proper compliance with Regulation (EU) No 537/2014;

f) regarding the issuance of mandatory instructions to the Chamber of Auditors in the cases specified in paragraph 3 of this Article and the referral to the Ministry of Finance specified in paragraph 4 of this Article;

g) when taking the decisions regarding the case specified in Article 65(7) of this Law;

3) submit to the Ministry of Finance for coordination:

a) a description of the procedure for complying with the principles of independence from an audited entity, confidentiality and professional secrecy specified in Article 3(5) of this Law, the requirements for the organisation of work of auditors and audit firms and the internal organisation of an audit firm;

b) a description of the procedure for providing the information, as indicated in Article 48(3) of this Law, regarding possible breaches of this Law and/or Regulation (EU) No 537/2014;

c) a description of the procedure for performing a quality investigation of the audit of financial statements or an investigation of a breach indicated in Article 49(4) of this Law and a description of the procedure for selecting, training and professional development of the employees performing such investigations;

d) a description of the procedure for drawing up and submitting decisions of the Authority;

e) a description of the procedure for issuing a certificate authorising to carry out the audit of financial statements to auditors of non-Member States;

f) a description of the procedure for entering the auditors of non-Member States indicated in Article 27 of this Law on the list of auditors;

g) a description of the procedure for entering the audit firms of non-Member States indicated in Article 29 of this Law on the list of audit firms;

h) a description of the procedure for performing a quality inspection and investigation of the audit of financial statements carried out by the auditors of non-Member States indicated in Article 27 of this Law and the audit firms of non-Member States indicated in Article 29 of this Law and issuing instructions or imposing sanctions;

i) the requirements established for competent authorities of non-Member States wherewith cooperation agreements are to be concluded, including the requirement for employees and former employees of the competent authorities of non-Member States to comply with the principle of confidentiality and professional secrecy;

4) cooperate and exchange information with the Bank of Lithuania, other state institutions and the Chamber of Auditors and, in accordance with the procedure laid down by legal acts, transfer this information thereto to the extent it is related to the performance of supervisory functions;

5) cooperate and exchange information with European supervisory authorities: the European Securities and Markets Authority (ESMA), the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), also the Committee of

European Auditing Oversight Bodies to the extent it is related to public oversight under this Law and Regulation (EU) No 537/2014, also, with a view to ensuring compatibility of provisions, regarding the requirements set forth in points 1, 3 and 4 of Article 9 of this Law and regarding the test of knowledge as specified in Article 16(3) of this Law;

6) participate, within its remit, in activities of the Committee of European Auditing Oversight Bodies, other committees and working groups intended to carry out public oversight of international auditors and audit firms;

7) verify the performance by the Chamber of Auditors of the functions assigned thereto and related to the organisation and conduct of qualification examinations and development of auditors' professional qualifications;

8) verify the performance by the Chamber of Auditors of the functions assigned thereto and related to the issuance, suspension, lifting of the suspension and withdrawal of the auditor's certificates and certificates of an audit firm and management of lists of auditors and audit firms;

9) verify the performance by the Chamber of Auditors of the functions related to quality assurance of the audit of financial statements carried out by auditors and audit firms of non-public interest entities;

10) assess the activities of audit committees of public-interest entities;

11) verify compliance by public-interest entities with the requirements indicated in this Law and Regulation (EU) No 537/2014.

2. In performing its functions, the Authority shall have the right:

1) to cooperate with competent authorities of Member States, conclude agreements on cooperation and exchange of information with competent authorities of non-Member States;

2) to participate in the performance of quality inspections and investigations of the audit of financial statements by competent authorities of Member States and non-Member States;

3) to allow competent authorities of Member States and competent authorities of non-Member States to participate in the performance of quality inspections and investigations of the audit of financial statements by the Authority;

4) to involve experts/professionals possessing knowledge of the performance of the functions related to public oversight in order to resolve arising issues;

5) to obtain information, including confidential information, required for the performance of the functions specified in this Law;

6) to participate in general meetings of members and sittings of collegiate bodies of the Chamber of Auditors without the voting right;

7) to issue to the Chamber of Auditors instructions regarding inappropriate performance by the Chamber of Auditors of the functions assigned thereto by this Law;

8) to refer to the Chamber of Auditors for examination whether an auditor and/or an audit firm complies with the Code of Ethics for Professional Accountants and for taking of relevant decisions;

9) to refer to the Chamber of Auditors for examination whether assurance services and other related services in respect of members of the Chamber of Auditors have been provided in compliance with the International Standards on Assurance Engagements, International Standards on Review Engagements, International Standards on Related Services and related Statements and for taking relevant decisions;

10) to have other rights specified in this Law and other legal acts.

3. Where the Chamber of Auditors fails to timely comply with the instructions issued by the Authority, the Authority shall refer to the Ministry of Finance requesting initiation of withdrawal of the functions assigned to the Chamber of Auditors.

4. The Ministry of Finance shall control the performance by the Authority of the functions assigned thereto. After the close of the calendar year, the Authority shall, within 30 days, publish an activity report on its website. At the request of the Ministry of Finance, the Authority must provide the information related to public oversight or with the functions specified in other legal acts.

### **Article 63. Funds of the Authority for public oversight**

Funds of the Authority for public oversight shall consist of:

- 1) funds of the state budget;
- 2) other lawfully obtained funds.

## **CHAPTER FIFTEEN**

### **COOPERATION OF THE AUTHORITY WITH COMPETENT AUTHORITIES**

#### **Article 64. Cooperation of the Authority with the competent authorities of Member States**

1. The Authority shall, in performing the functions specified in this Law and Regulation (EU) No 537/2014, including the cases of performance of quality inspections and investigations of the audit of financial statements, cooperate and exchange information with the competent authorities of Member States, the Committee of European Auditing Oversight Bodies and European supervisory authorities and provide them with assistance in implementing public oversight in compliance with requirements of this Law and Regulation (EU) No 537/2014.



2. Quality reviews and inspections of the audit of financial statements carried out by the audit firms which are approved as audit firms by their home Member State and which carry out the audit of financial statements in the host Member State shall be performed by the competent authority of the home Member State and public oversight pursuant to requirements of legal acts of the host Member State – by the competent authority of the host Member State.

3. Where the audit of consolidated financial statements of a group of undertakings is carried out in accordance with the procedure laid down by legal acts of the Republic of Lithuania and the audit of financial statements of the subsidiaries established in other Member States is carried out in compliance with requirements of legal acts of those Member States, the auditors and the audit firms carrying out the audit of financial statements of the subsidiaries shall not be subject to the following provisions of this Law:

- 1) provisions of Chapter Two regarding professional ethics and independence;
- 2) provisions of Article 16 regarding the issuance of a certificate authorising to carry out the audit of financial statements;
- 3) provisions of Article 25 regarding the issuance of a certificate authorising to carry out the audit of financial statements;
- 4) provisions of Article 33 regarding international auditing standards;
- 5) provisions of Chapter Eight and Chapter Nine regarding quality assurance of the audit of financial statements carried out.

4. The provisions indicated in points 1-5 of paragraph 3 of this Article shall not apply to auditors of Member States and/or audit firms of Member States where the audit of financial statements of a company which is established in another Member State and whose securities are traded on the regulated market of the Republic of Lithuania has been carried out by an auditor or an audit firm of the Member State.

5. Where an auditor, an auditor of a Member State, an audit firm, an audit firm of a Member State submits an auditor's report on annual financial statements or consolidated financial statements of the companies registered in a non-Member State, the Authority and the competent authority of the Member State which has approved the auditor or the audit firm shall apply to the auditor or the audit firm their supervision systems, their systems of quality assurance of the audit of financial statements and their systems of investigation and imposition of sanctions.

## **Article 65. Exchange of information with the competent authorities of Member States**

1. At the request of the competent authorities of Member States, the Authority shall, without delay, provide any required information, also the confidential information specified in Article 55 of this Law. Upon receipt of such a request, the Authority shall, without delay, take necessary measures to collect the required information.

2. Where the Authority is unable to provide the required information without delay, it shall notify the requesting competent authority of reasons for the delay.

3. The Authority may refuse to provide the requested information in the cases specified in Article 67 of this Law.

4. In the cases when the Authority draws a conclusion that the audit of financial statements carried out and/or being carried out in a Member State contradicts the principles of the carrying out of the audit of financial statements stipulated in this Law and in Regulation (EU) No 537/2014, it must notify the competent authority of that Member State of such a conclusion.

5. If, in the case specified in paragraph 4 of this Article, such a conclusion is submitted to the Authority by the competent authority of a Member State, the Authority must take appropriate action and inform about any such action the notifying competent authority of the Member State.

6. The competent authority of a Member State shall have the right to request the Authority to perform a quality investigation of the audit of financial statements. It may also request that when performing this investigation, some of its employees be allowed to accompany the Authority's employees. The quality investigation of the audit of financial statements which is performed in the Republic of Lithuania shall be controlled by the Authority.

7. The Authority shall have the right to refuse to perform the requested quality investigation of the audit of financial statements or may reject the request that the Authority's employees be accompanied by employees of the competent authority in the cases specified in Article 67(1) of this Law.

#### **Article 66. Cooperation of the Authority with the competent authorities of non-Member States**

1. In performing the functions specified in Article 62(1) of this Law and Regulation (EU) No 537/2014, the Authority shall cooperate and exchange information with the competent authorities of non-Member States.

2. The Authority shall have the right to exchange information with the competent authorities of non-Member States, transfer working papers and other documents of auditors and audit firms, reports on quality inspections and investigations of the audit of financial statements only subject to signing cooperation agreements with the competent authorities of the non-Member States on the basis of reciprocity. When the Authority signs the agreements on

cooperation with the competent authorities of the non-Member States on the basis of reciprocity, it shall notify the European Commission thereof without delay.

3. The working papers and other documents held by auditors and/or audit firms and reports on quality inspections or investigations of the audit of financial statements may be transferred by the Authority to the competent authorities of non-Member States in the cases when these working papers and other documents held by the auditors and/or the audit firms are related to the undertakings which have issued securities in those non-Member States and to their parent undertakings.

4. Personal data may be transferred to the competent authorities of non-Member States wherewith cooperation agreements have been signed only subject to compliance with requirements of the Law on Legal Protection of Personal Data.

5. Agreements on cooperation with the competent authorities of non-Member States on the basis of reciprocity must ensure the protection of commercial interests of an audited entity, including its industrial and intellectual property rights.

#### **Article 67. Refusal to cooperate**

1. The Authority shall have the right to refuse to cooperate, to participate in performing a quality inspection and investigation of the audit of financial statements or to provide information to the competent authorities of Member States, the Committee of European Auditing Oversight Bodies and European supervisory authorities and to refuse to transfer to the competent authorities of non-Member States working papers and other documents in the cases when:

1) communication of information, cooperation, participation in performing the quality inspection and investigation of the audit of financial statements or performance of the quality investigation of the audit of financial statements might adversely affect the sovereignty, security or public order of the Republic of Lithuania;

2) judicial or pre-trial proceedings have already been initiated in respect of the same actions and against the same persons in the Republic of Lithuania;

3) a final court decision has already been adopted in the Republic of Lithuania in respect of the same actions and the same persons.

2. Where the Authority exercises the right specified in paragraph 1 of this Article, it shall, without delay, notify thereof the competent authority which has submitted a request for information or for other forms of assistance indicating the grounds for the refusal to cooperate and to exchange information.

## **CHAPTER SIXTEEN**

## **DUTIES OF PUBLIC-INTEREST ENTITIES AND AUDITORS AND AUDIT FIRMS THEREOF**

### **Article 68. Duties of an auditor or an audit firm of public-interest entities**

1. The reference to the competent authority as contained in Regulation (EU) No 537/2014 shall be considered to be a reference to the Authority, unless this Law stipulates otherwise.

2. An author or an audit firm of public-interest entities must, without delay, communicate to the Bank of Lithuania all the information specified in Article 12 of Regulation (EU) No 537/2014 as well as other information specified in the laws regulating the activities of public-interest entities. When carrying out the audit of financial statements of a state enterprise, municipal enterprise, public limited liability company, private limited liability company whose shareholder is the State and/or a municipality and which are considered to be large enterprises under the Law on Financial Reporting by Undertakings, the auditor or the audit firm of public-interest entities must, without delay, communicate to the Ministry of Economy and the institution exercising the rights and duties of the owner of the state enterprise or the municipal enterprise or holding shares in the public limited liability company or the private limited liability company in which the State or the municipality holds by the right of ownership the shares carrying more than 1/2 of all the votes at the general meeting of shareholders all the information specified in Article 12 of Regulation (EU) No 537/2014 as well as other information which they request.

3. An auditor or an audit firm of public-interest entities shall, upon completing the audit of financial statements of the public-interest entities, submit to an audited entity together with an auditor's report also a report on the audit of financial statements including the information specified in Article 11 of Regulation (EC) No 537/2014 and the information specified in the laws regulating activities of the public-interest entities. When a public-interest entity is an undertaking indicated in Article 2(32)(9) of this Law, the report on the audit of financial statements together with the auditor's report shall be submitted to the client.

### **Article 69. Audit committee**

1. Public-interest entities, with the exception of the public-interest entities specified in points 3-6 of Article 2(32) of this Law, shall be under the obligation to set up an audit committee. The public-interest entities which are parent undertakings of a group of undertakings shall be exempted from the requirement to have an audit committee if the audit committee or a body performing the functions equivalent to the functions of the audit committee is set up at the level of the group of undertakings and the requirements set forth in Article 11(1) and (2) and Article 16(5) of Regulation (EU) No 537/2014 are complied with.

2. In the public-interest entities which are considered to be small and medium-sized enterprises and companies with reduced market capitalisation as defined in the Law on Securities, the functions of an audit committee may be performed by a supervisory body (hereinafter: the ‘audit committee’).

3. Requirements for the audit committee set up in a public-interest entity indicated in points 1, 2, 7 and 8 of Article 2(32) of this Law, also where the entity indicated in point 9 of Article 2(32) of this Law is attributable to the entities indicated in points 1, 2, 7 and 8 of Article 2(32) of this Law, and the composition of the audit committee shall be specified by the Bank of Lithuania.

4. Requirements for the audit committee set up in a public-interest entity indicated in point 9 of Article 2(32) of this Law and the composition of this audit committee shall be specified by the Government of the Republic of Lithuania.

5. An audit committee shall have the following duties:

1) to inform the manager or supervisory body of an audited entity about the results of the audit of financial statements and explain how this audit has contributed to the credibility of the financial statements and what role has been performed therein by the audit committee;

2) to monitor the financial reporting process and present recommendations regarding ensuring of the credibility thereof;

3) to monitor the effectiveness of the entity's internal quality control and risk management systems affecting the financial statements of the audited entity and, where applicable, internal audit not compromising the independence of internal audit;

4) to monitor the audit of annual financial statements and consolidated financial statements with a particular focus on its performance, having regard to the deficiencies of the audit of financial statements identified during the inspection of the Authority and the findings made pursuant to Article 26(6) of Regulation (EU) No 537/2014;

5) to review and to monitor the independence of auditors or audit firms as stipulated in Article 4 of this Law and Article 6 of Regulation (EU) No 537/2014, in particular the appropriateness of the provision of non-audit services to the audited entity pursuant to Article 5 of Regulation (EU) No 537/2014;

6) to bear responsibility for the carrying out of the procedure of selection of the auditor/auditors or the audit firm/firms and the submission of a recommendation for the appointment of the auditor/auditors or the audit firm/firms pursuant to Article 16 of Regulation (EU) No 537/2014, except in cases covered by Article 16(8) of Regulation (EU) No 537/2014.

6. The Bank of Lithuania may, in performing the functions assigned thereto by the Law of the Republic of Lithuania on the Bank of Lithuania, specify functions of an audit committee in addition to those referred to in paragraph 5 of this Article.

## **CHAPTER SEVENTEEN**

### **CHAMBER OF AUDITORS**

#### **Article 70. Chamber of Auditors**

The Chamber of Auditors shall be a public legal person guided in its activities by the Constitution of the Republic of Lithuania, this Law, the Law of the Republic of Lithuania on Associations to the extent that this Law does not stipulate otherwise, other legal acts, and the Statute of the Chamber of Auditors. The Statute of the Chamber of Auditors shall be approved by the general meeting of the members of the Chamber of Auditors.

#### **Article 71. Members of the Chamber of Auditors**

1. The rights of members of the Chamber of Auditors shall be stipulated by the Statute of the Chamber of Auditors.

2. A member of the Chamber of Auditors may be expelled from members of the Chamber of Auditors in accordance with the procedure established by the general meeting of members of the Chamber of Auditors where he:

- 1) fails to act in compliance with the Code of Ethics for Professional Accountants;
- 2) fails to develop his professional qualifications as stipulated in Article 36(2)(2) of this Law;
- 3) fails to pay membership fees.

#### **Article 72. Rights of the Chamber of Auditors**

The Chamber of Auditors shall have the right to:

- 1) collect, accumulate and summarise information about its members and audit firms;
- 2) obtain from state institutions and the Authority the information required for the performance of its functions;
- 3) expel a member from members of the Chamber of Auditors in the cases specified in Article 71(2) of this Law.

#### **Article 73. Duties of the Chamber of Auditors**

The Chamber of Auditors shall have the following duties:

1) to control compliance by members of the Chamber of Auditors with the Code of Ethics for Professional Accountants and, where necessary, to take decisions on breaches of compliance with this Code;

2) to organise the auditor's qualification examinations and to create conditions for the Examination Commission to properly perform the functions assigned thereto;

3) to issue an auditor's certificate, to suspend and to lift the suspension of the auditor's certificate, to withdraw the auditor's certificate, to issue a certificate of an audit firm, to suspend and to lift the suspension of the certificate of the audit firm;

4) to manage lists of auditors and audit firms;

5) to organise professional development courses for auditors setting forth requirements for the content of the professional development courses upon coordination with the Authority;

6) to ensure that the professional development courses for auditors be organised in a manner so as to improve the auditor's theoretical knowledge and its practical application;

7) to take a decision regarding an auditor who has developed his professional qualifications in the courses other than those organised by the Chamber of Auditors or who has completed an equivalent course of development of professional qualifications to credit these courses to the number of course hours specified in Article 36(2)(2) of this Law;

8) to provide, without delay, to the Authority the information required for the performance of its functions;

9) to provide, not later than within two working days, to the Authority the information requested by it and required for the ensuring of public oversight;

10) to coordinate the practical training of authors' assistants as stipulated in Article 11 of this Law;

11) upon receiving information regarding the inadequate execution of the audit of financial statements or potential failure to comply with provisions of this Law and Regulation (EB) No 537/2014, to initiate a quality review of the audit of financial statements or to refer, without delay, to the Authority requesting initiation of a quality inspection or investigation of the audit of financial statements or an investigation of a breach;

12) to establish requirements for a report on the audit of financial statements upon coordination with the Authority;

13) to prepare for members of the Chamber of Auditors recommendations on the application of the International Standards on Assurance Engagements, International Standards on Review Engagements, International Standards on Related Services and related Statements in providing the services of review of financial statements, assurance and other related services;

14) to provide information to state institutions in accordance with the procedure laid down by this Law and other legal acts;

15) to publish on its website an activity report and annual financial statements;

16) other duties specified in the Statute of the Chamber of Auditors.

#### **Article 74. Funds of the Chamber of Auditors**

1. The funds of the Chamber of Auditors shall comprise:

1) the membership fees specified in the Statute of the Chamber of Auditors;

2) the deductions of audit firms specified in the Statute of the Chamber of Auditors;

3) income from the services rendered;

4) non-repayable funds;

5) other funds.

2. Audit firms shall pay deductions to the Chamber of Auditors and submit to the Chamber of Auditors the information required to calculate deductions of audit firms not later than within five months from the end of the financial year of an audit firm.

### **CHAPTER EIGHTEEN**

#### **APPEAL AGAINST DECISIONS AND EXAMINATION OF DISPUTES**

#### **Article 75. Appeal against decisions of the Authority**

Decisions of the Authority adopted in performing the functions assigned thereto by this Law may be appealed against in accordance with the procedure laid down by the Law on Administrative Proceedings within one month from the service of a notice of adoption of a relevant decision.

#### **Article 76. Appeal against decisions of the Chamber of Auditors**

1. Decisions of the Chamber of Auditors, with the exception of the decisions indicated in paragraph 2 of this Article, may be appealed against in accordance with the procedure laid down by the Law on Administrative Proceedings within one month from the service of a notice of adoption of a relevant decision.

2. The decisions of the Chamber of Auditors regarding the following may be appealed against to the Authority:

1) assessment of the auditor's qualification examinations;

2) exemption from the test of knowledge in the subjects referred to in point 8 of Article 12(5) and points 5-8 of Article 12(9) of this Law;



3) refusal to credit to the number of course hours specified in Article 36(2)(2) of this Law the number of hours accumulated by the auditor who has developed his professional qualifications in the courses other than those organised by the Chamber of Auditors or who has completed an equivalent course of development of professional qualifications as specified in point 7 of Article 73 of this Law.

3. The decisions of the Chamber of Auditors indicated in paragraph 2 of this Article may, in accordance with the procedure laid down by the Authority, be appealed against to the Authority within ten working days from the service of a notice of the adoption of a decision. The Authority shall examine the appeals received in accordance with the procedure laid down by it and shall adopt a decision on these appeals within 20 working days from the receipt thereof.

*I promulgate this Law passed by the Seimas of the Republic of Lithuania.*

PRESIDENT OF THE REPUBLIC

VALDAS ADAMKUS

Annex to  
the Republic of Lithuania  
Law on the Audit of Financial  
Statements

#### **LEGAL ACTS OF THE EUROPEAN UNION IMPLEMENTED BY THIS LAW**

1. Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC (OJ 2006 L 157, p. 87), as last amended by Directive 2008/30/EC of the European Parliament and of the Council of 11 March 2008 (OJ 2008 L 81, p. 53).

2. Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ 2013 L 182, p. 19).

3. Directive 2014/56/EU of the European Parliament and of the Council of 16 April 2014 amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated

accounts (OJ 2014 L 158, p. 196).

4. Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (OJ 2014 L 158, p. 77).