

Independent Financial Audit and Assurance of Sustainability Reporting Act

(Title supplemented, SG No. 79/2024)

Promulgated, SG No. 95/29.11.2016, amended, SG No. 15/16.02.2018, effective 16.02.2018, SG No. 17/26.02.2019, amended and supplemented, SG No. 18/28.02.2020, effective 28.02.2020, amended, SG No. 28/24.03.2020, effective 13.03.2020, amended and supplemented, SG No. 105/11.12.2020, effective 1.01.2021, amended, SG No. 25/29.03.2022, effective 29.03.2022, SG No. 52/5.07.2022, effective 1.07.2022, SG No. 70/20.08.2024, effective from the date stipulated in the Council Decision of the European Union on the adoption by the Republic of Bulgaria of the euro, adopted in accordance with Article 140(2) of the Treaty on the Functioning of the European Union, and in the Council Regulation adopted in accordance with Article 140(3) of the Treaty on the Functioning of the European Union, amended and supplemented, SG No. 79/17.09.2024

Text in Bulgarian: Закон за независимия финансов одит и изразяването на сигурност по устойчивостта

PART ONE

GENERAL PROVISIONS

Chapter one

SUBJECT MATTER, APPLICABILITY SCOPE AND DEFINITIONS

Subject matter

Article 1. This Act shall govern:

1. (amended and supplemented, SG No. 79/2024) the objective, scope and principles of the independent financial audit, hereinafter referred to as "financial audit", and of the engagements for providing assurance in respect of corporate sustainability reports, hereinafter referred to as "sustainability reports", carried out by statutory auditors;
2. (amended and supplemented, SG No. 79/2024) the professional standards for organising, documenting and carrying put, as well as for certifying the results from financial audits, as well as from sustainability assurance engagements, hereinafter referred to as "applicable professional standards";
3. (amended, SG No. 79/2024) the acquiring of qualification as a certified public accountant;
4. the acquiring of a right to practice and the practicing of the auditor's profession by statutory auditors;
5. the rights and obligations of statutory auditors;
6. the status and functions of the Commission for Public Oversight of Statutory Auditors, hereinafter referred to as "the Commission";
7. the status and the functions of the Institute of Certified Public Accountants (ICPA);
8. the activity of audit committees in public-interest entities.

Objective of the financial audit

Article 2. The objective of financial audit is to increase the degree of confidence of the users of financial statements by expressing an auditor's opinion on whether these statements were prepared, in all material aspects, in accordance with the applicable financial reporting framework.

Objective of sustainability assurance

Article 2a. (New, SG No. 79/2024) The objective of sustainability assurance is to increase the confidence of users of sustainability reports by expressing an auditor's opinion or an auditor's conclusion, as the case may be, on the compliance of the sustainability report, in all material aspects, with the requirements of the applicable sustainability reporting framework.

Financial audit

Article 3. (1) (Amended, SG No. 79/2024) Financial audit is the implementation of a set of necessary and interrelated procedures stipulated by the applicable professional standards, on the basis of which an auditor's opinion is formed.

(2) The type of the applicable financial reporting framework shall be taken into consideration when expressing an auditor's opinion.

Providing sustainability assurance

Article 3a. (New, SG No. 79/2024) (1) Sustainability assurance is provided by carrying out an audit engagement to provide reasonable or limited assurance, hereinafter referred to as "sustainability assurance engagements".

(2) Providing sustainability assurance is the implementation of a set of necessary and interrelated procedures laid down in the applicable professional standards, on the basis of which an auditor's opinion providing reasonable assurance, respectively an auditor's conclusion providing limited assurance, is formed.

(3) The applicable sustainability reporting framework shall be taken into consideration in order to express an auditor's opinion or an auditor's conclusion, as the case may be, in a sustainability assurance engagement.

(4) Statutory sustainability assurance engagements shall be carried out by means of an engagement to provide reasonable assurance in accordance with the European Standards on Sustainability Assurance adopted by the European Commission pursuant to Article 26a(3)(2) of 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, hereinafter referred to as "Directive 2006/43/EC".

Subject matter and substance of financial audits

Article 4. Financial audits shall be carried out in respect of:

1. annual or interim, individual or consolidated financial statements prepared in accordance with the applicable financial reporting framework;
2. other financial statements or financial information.

Subject matter of sustainability assurance engagements

Article 4a. (New, SG No. 79/2024) Sustainability assurance engagements shall be carried out in relation to annual or interim, individual or consolidated sustainability reports prepared in accordance with the applicable sustainability reporting framework.

Applicable financial reporting frameworks

(Title supplemented, SG No. 79/2024)

Article 5. (1) The applicable financial reporting frameworks shall be as follows:

1. general financial reporting framework regulating general purpose financial statements intended for use by a broad range of users;
2. specific financial reporting framework regulating statements for specific users.

(2) The general financial reporting frameworks shall be as follows:

1. reporting framework for fair presentation which shall contain at least one of the following confirmations:

- (a) it confirms explicitly or by implication that, in order to achieve fair presentation of the financial statements, the management of the audited entity might need to provide additional disclosures;
 - (b) it confirms explicitly that, in order to achieve fair presentation of the financial statements, the management of the audited entity might need to deviate from a specific requirement of the general framework;
2. general compliance framework which does not contain the confirmations referred to in subparagraph 1.

Applicable sustainability reporting frameworks

Article 5a. (New, SG No. 79/2024) The applicable sustainability reporting framework shall be the European Sustainability Reporting Standards adopted by the European Commission in accordance with Articles 29b and 29c of 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 L 182/19 of 29.6.2013), hereinafter referred to as "Directive 2013/34/EU", as well as the requirements for a single electronic reporting format.

Statutory and voluntary financial audits

(Title amended, SG No. 79/2024)

Article 6. (1) Financial audits are either statutory or voluntary.

(2) (Supplemented, SG No. 79/2024) Statutory financial audit is the audit of the annual financial statements to the extent that it is required by law or by the European Union law.

(3) (Supplemented, SG No. 79/2024) Any financial audit other than a statutory audit shall be a voluntary financial audit.

Statutory and voluntary sustainability assurance engagement

Article 6a. (New, SG No. 79/2024) (1) Sustainability assurance engagement are either statutory or voluntary.

(2) Sustainability assurance engagement is statutory to the extent that it is required by law or by the legislation of the European Union.

(3) Any sustainability assurance engagement other than a statutory engagement shall be a voluntary sustainability assurance engagement.

Statutory auditors

Article 7. (1) (Amended, SG No. 79/2024) Financial audits and sustainability assurance engagements shall be carried out by statutory auditors who have been entered in the register referred to in Article 20.

(2) Statutory auditors within the meaning of this act shall be:

- 1. natural persons;
- 2. audit firms.

(3) (Supplemented, SG No. 79/2024) An audit firm for carrying out financial audits shall be a commercial company registered in accordance with subparagraph 1, 2 or 3 of Article 64(1) of the Commerce Act, or in accordance with the legislation of another Member State of the European Union, in which financial audit of financial statements of undertakings is the principal subject of activity and three-fourths of the management body are statutory auditors according to this Act or statutory auditors from other Member State of the European Union, which has good reputation and which is:

- 1. a general partnership in which more than half of the partners are statutory auditors according to this Act or the legislation of other Member States of the European Union;

2. a limited partnership in which more than half of the partners with unlimited liability are statutory auditors according to this Act or the legislation of other Member States of the European Union;
3. a limited liability company in which more than half of the votes in the general meeting of the partners and of the capital are held by statutory auditors, auditors and/or audit firms from other Member States of the European Union.

(4) (New, SG No. 79/2024) A company carrying out statutory assurance engagements shall be an audit firm according to in paragraph 3 entered in the register referred to in Article 20 in which the principal subject of activity includes sustainability assurance engagements and in which at least one of the partners or managers and at least one of the auditors responsible for sustainability assurance engagements on behalf of the company are registered in the register referred to in Article 20 as statutory sustainability auditors.

Methods of practicing the audit profession

Article 8. (1) The right to practice the audit profession shall be exclusive and shall be exercised:

1. directly:

(a) as a natural person;

(b) through participation in a commercial company that meets the requirements for an audit firm set out in Article 7;

(c) by virtue of an employment contract with an audit firm or with a commercial company that meets the requirements for an audit firm set out in Article 7;

(d) by virtue of an obligation contract with an audit firm or with a commercial company that meets the requirements for an audit firm set out in Article 7;

2. through participation in an audit firm which has been entered as a statutory auditor in the register referred to in Article 20;

3. through participation in a partnership according to the Obligations and Contracts Act.

(2) (Amended and supplemented, SG No. 79/2024) Statutory auditors may not practice the audit profession through participation in more than one commercial company and/or audit firm.

Professional standards for financial audit and sustainability assurance engagements

(Title supplemented, SG No. 79/2024)

Article 9. (1) (Amended, SG No. 79/2024) Statutory auditors shall practice their professional activity on the territory of the country, while applying the principles and requirements of the professional standards applicable as of the date of undertaking the respective audit engagement.

(2) (Amended, SG No. 79/2024) Applicable professional standards shall be the European standards adopted by the European Commission in accordance with Article 26 and Article 26a of Directive 2006/43/EC.

(3) (Amended, SG No. 79/2024) Statutory auditors can perform services other than statutory financial audits and audit-related services, and apply the requirements of other professional standards where the audit engagement has been undertaken in application of these other standards.

(4) (New, SG No. 79/2024) Statutory auditors can perform services other than statutory sustainability assurance engagements, apply the requirements of other professional standards for providing assurance where the audit engagement has been undertaken in application of these other standards.

Professional ethics

Article 10. (Amended, SG No. 79/2024) When practicing their profession, statutory auditors shall apply the principles and requirements laid down in the International Code of Ethics for Professional Accountants (Including International Independence Standards) as set out in the Handbook of the International Code of Ethics for Professional Accountants (Including International Independence Standards) issued by the International Federation of Accountants through the

International Ethics Standards Board for Accountants and adopted by the ICPA, hereinafter referred to as "Code of Ethics".

Professional secrecy

Article 11. Statutory auditor, members of audit teams and all persons who work for statutory auditors shall comply with the obligation for professional secrecy in respect of the information that came to their knowledge in the course of or in connection with carrying out an audit engagement, unless the disclosure of such information is required for the purposes of court proceedings or by law.

Public oversight of statutory auditors

Article 12. (1) Public oversight of statutory auditors shall be implemented by the Commission.

(2) The oversight referred to in paragraph 1 shall be implemented in accordance with the requirements of this Act and of 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 L 158/77 of 27.5.2014), hereinafter referred to as "Regulation (EU) No. 537/2014", in respect of:

1. the professional activity of statutory auditors;
2. the activity of the ICPA in the cases stipulated in this Act;
3. (repealed, SG No. 18/2020, effective 28.02.2020).

(3) (New, SG No. 18/2020, effective 28.02.2020, supplemented, SG No. 79/2024) The Commission shall monitor on a continuous basis the developments in the market for providing services in accordance with the requirements set out in Article 27 of Regulation (EU) No. 537/2014, as well as in the market for providing sustainability assurance services to public-interest entities.

(4) (Renumbered from Paragraph 3, SG No. 18/2020, effective 28.02.2020) The Commission shall be the competent authority for regulating and oversight of statutory auditors in the Republic of Bulgaria.

Chapter two

ACQUIRING A QUALIFICATION FOR CERTIFIED PUBLIC ACCOUNTANT AND THE RIGHT TO PRACTICE AS A STATUTORY AUDITOR. RECOGNITION OF THE RIGHT TO PRACTICE TO STATUTORY AUDITORS FROM THE EUROPEAN UNION AND TO THIRD-COUNTRY AUDITORS

(Title amended, SG No. 18/2020, effective 28.02.2020, SG No. 79/2024)

Requirements for applying for a certified public accountant
(Title supplemented, SG No. 79/2024)

Article 13. (1) (Amended, SG No. 79/2024) Only a person of good repute can apply to become a certified public accountant.

(2) (Amended, SG No. 79/2024) Applications to acquire the qualification of a certified public accountant can be submitted by persons who possess:

1. higher education in Accounting and Economics with a master's degree and 4 years of professional experience;

2. higher education in Accounting and Economics with a bachelor's degree and 5 years of professional experience;
 3. another higher education in the field of economics and 7 years of professional experience;
 4. another higher education and 10 years of professional experience.
- (3) (Supplemented, SG No. 79/2024) The professional experience referred to in paragraph 2 shall be experience in the field of accounting, internal audit, external audit and financial inspection, as a body of the National Revenue Agency, as an inspector with the Commission, as an expert with the specialised administration of the Financial Supervision Commission or as a lecturer at a higher education institution in the field of accounting, control and finance.

Requirements for preliminary sitting of exams to become a certified public accountant

Article 14. (1) In order to acquire the right to sit the exams specified in Article 15, the applicant for certified public accountant must have passed examinations at a higher education institution in the following subjects:

1. general theory of accounting;
2. financial accounting;
3. management accounting;
4. analysis of financial statements;
5. financial control and auditing standards, including the International Auditing Standards;
6. commercial law;
7. tax law;
8. employment and social security law;
9. enterprise finances;
10. mathematics and statistics;
11. microeconomics;
12. fundamentals of financial management of undertakings;
13. information systems and technologies;
14. risk management and internal control;
15. professional ethics and independence.

(2) Where the applicant for a certified public accountant has not sat an exam in any of the fields specified in paragraph 1, they shall sit such an exam in accordance with the rules referred to in Article 71(3)(4).

Exams for acquiring a qualification as a certified public accountant
(Title amended, SG No. 79/2024)

Article 15. (1) (Amended, SG No. 79/2024) A qualification of a certified public accountant shall be acquired after successfully passing the following written exams:

1. accounting, including the International Accounting Standards;
2. commercial law;
3. tax and social security law;
4. independent financial audit, including the International Auditing Standards.

(2) The exams specified in paragraph 1 shall be held in accordance with the rules referred to in Article 71(3)(4).

(3) (New, SG No. 18/2020, effective 28.02.2020, supplemented, SG No. 105/2020, effective 1.01.2021) The exams specified in subparagraphs 1 and 4 of paragraph 1 shall be recognised as successfully passed if the applicant has successfully passed such exams before an organisation that is authorised to hold exams for acquiring a right to practice as a statutory auditor in accordance with the relevant legal procedure in a Member State of the European Union or in a third country. In order to have the exam referred to in paragraph 1(1) recognised, the applicant shall take an exam before the ICPA containing questions on the Accountancy Act and the National Accounting Standards.

(4) (New, SG No. 18/2020, effective 28.02.2020) The conditions and procedure for recognising the exams referred to in paragraph 3 shall be established by the rules referred to in Article 71(3)(4).

Practical training for admission of an applicant for certified public accountant to an exam in independent financial audit

Article 16. (1) In order to be admitted to the exam in independent financial audit, the applicant for certified public accountant must have undergone at least one year of practical training in the field of audit of annual financial statements or of other financial statements.

(2) The requirement set out in paragraph 1 shall not be applied when the applicant proves that they have performed effectively an activity similar to financial audit for not less than three years.

Diploma and registration of a certified public accountant

Article 17. Applicants who have successfully passed the exams specified in Article 15 shall receive a diploma of a certified public accountant and shall be entered in a register of certified public accountants with the ICPA.

Acquiring a right to practice as a statutory auditor

Article 18. (1) (Supplemented, SG No. 79/2024) A certified public accountant shall acquire the right to sign audit reports containing an opinion on financial statements after completing three years of practical training in the field of audit of individual and consolidated annual financial statements or other financial statements, and after being entered in the register referred to in Article 20.

(2) In the cases covered by Article 16(2) the practical training referred to in paragraph 1 must be not less than two years.

(3) The requirement for practical training specified in paragraph 1 shall not be applied when the training referred to in Article 16(1) is not less than three years.

(4) (New, SG No. 79/2024) A statutory auditor who is a natural person shall acquire the right to sign audit reports containing an auditor's opinion or an auditor's conclusion, as the case may be, on sustainability reports after acquiring an additional qualification by successfully passing the exams specified in Article 19a and completing eight months of practical training in the field of providing assurance in respect of individual and consolidated annual sustainability reports or other sustainability reports, and after being entered in the register referred to in Article 20.

Practical training

Article 19. (1) The practical training referred to in Article 16(1), Article 18 and Article 25 shall be completed with a statutory auditor.

(2) The conditions and procedure for certification of the practical training referred to in Articles 16, 18 and 25 shall be laid down in the rules referred to in Article 71(3)(4).

Exams for acquiring additional qualification of a statutory sustainability auditor

Article 19a. (New, SG No. 79/2024) (1) A qualification of a statutory sustainability auditor shall be acquired after successfully passing written exams in the following areas:

1. legal requirements and standards relating to the preparation of individual and consolidated annual sustainability reports;
2. sustainability analysis;
3. monitoring, analysis and control processes regarding sustainability matters within the meaning of Article 8(3)(c) of Directive 2006/43/EC;
4. legal requirements and standards on sustainability assurance adopted by the European Commission.

(2) The exams specified in paragraph 1 shall be held in accordance with the rules referred to in Article 71(3)(4).

(3) The exams specified in paragraph 1 shall be recognised as successfully passed if the applicant has successfully passed such exams before an organisation that is authorised to hold exams for

acquiring a qualification of statutory sustainability auditor in accordance with the relevant legal procedure in a Member State of the European Union or in a third country.

(4) The conditions and procedure for recognising the exams referred to in paragraph 3 shall be established by the rules referred to in Article 71(3)(4).

Register of the statutory auditors

Article 20. (1) (Amended, SG No. 18/2020, effective 28.02.2020) The Commission shall organise and maintain a Register of Registered Auditors.

(2) Only natural persons or audit companies of good reputation shall be entered into the register.

(3) (Amended, SG No. 79/2024) In order to be entered in the register, the certified public accountant, respectively the applicant for statutory sustainability auditor who is a natural person, shall submit an application with which a declaration of good repute and other evidence certifying compliance with the requirements of the law shall be enclosed.

(4) (Amended, SG No. 18/2020, effective 28.02.2020, SG No. 79/2024) Audit firms shall be entered in the register on the basis of an application by the persons representing the firm with which the following are enclosed: data regarding the names and addresses of the partners; a declaration by the managing directors stating that the firm meets the requirements set out in this Act; a declaration of good repute by the natural persons who are partners or members of management or supervisory bodies of the audit firm.

(5) (Amended, SG No. 18/2020, effective 28.02.2020) The Commission shall give a decision on the application referred to in paragraphs 3 and 4 containing a reasoned opinion within thirty days of the date of submission. The decision for registration shall be notified in writing to the interested parties.

(6) (Repealed, SG No. 18/2020, effective 28.02.2020).

(7) (Amended, SG No. 18/2020, effective 28.02.2020) The decision of the Commission referred to in paragraph 5 is subject to appeal before the court in accordance with the procedure laid down in the Administrative Procedure Code.

(8) (Amended, SG No. 18/2020, effective 28.02.2020) The conditions and procedure for establishing and maintaining the register shall be stipulated in an ordinance adopted by the Commission.

Information in the register

Article 21. (1) The register referred to in Article 20 shall be public, and the information in it shall be stored in electronic format in the Bulgarian language and shall be accessible on the official websites of the Commission and of the ICPA.

(2) The register referred to in Article 20 shall contain the following information in respect of statutory auditors who are natural persons:

1. (amended, SG No. 79/2024) the names according to an identity document, the address for service in the country, the electronic address for notification purposes, the telephone, the registration number, website if applicable, and the personal profile registered in the information system for secure electronic service as a module of the Electronic Government Portal within the meaning of the Electronic Government Act;

2. (supplemented, SG No. 18/2020, effective 28.02.2020) the name, the uniform identification code, the seat, the registered office and the website (if applicable) of the company through which the audit profession is being practiced;

3. (amended and supplemented, SG No. 18/2020, effective 28.02.2020) the name, the uniform identification code, the seat, the registered office, the website (if applicable) and the registration number of the audit firm in which the person participates as a partner or practices the audit profession;

4. (new, SG No. 18/2020, effective 28.02.2020) the names and mailing addresses of all statutory auditors who are related as partners or otherwise to the statutory auditor;

5. (renumbered from subparagraph 4, SG No. 18/2020, effective 28.02.2020) any other registration as a statutory auditor in another Member State of the European Union and/or as an auditor in a third

country, including the registration number and the name of the competent authority in the country that registered the person;

6. (renumbered from subparagraph 5, SG No. 18/2020, effective 28.02.2020) the third-country auditors and audit firms who/which are entered in accordance with Article 23(1) shall be denoted explicitly as third-country auditors and audit firms and not as statutory auditors;

7. (new, SG No. 79/2024) the existence of legal capacity to carry out sustainability assurance engagements.

(3) The register referred to in Article 20 shall contain the following information in respect of statutory auditors which are audit firms:

1. (supplemented, SG No. 18/2020, effective 28.02.2020) the company name, the unified identification number and the registration number;

2. legal form;

3. data regarding each and every partner, the amount of the partners' shares and the type of the partners' liability;

4. (amended, SG No. 79/2024) the contact person, said person's contact phone and electronic address for notification purposes;

5. (amended, SG No. 79/2024) the seat and registered office, the contact phone, the address for service in the country, the electronic address for notification purposes, website if applicable, and the personal profile registered in the information system for secure electronic service as a module of the Electronic Government Portal within the meaning of the Electronic Government Act;

6. the addresses of all offices of the firm in the country;

7. (amended, SG No. 18/2020, effective 28.02.2020) the names and the mailing addresses of all partners and the registration numbers of the partners who are statutory auditors;

8. the names, the mailing addresses and the registration numbers of the statutory auditors who are in contractual relations with the audit firm;

9. the names and the addresses of the members of the management and supervisory bodies of the audit firm who are statutory auditors;

10. (supplemented, SG No. 18/2020, effective 28.02.2020) the names and mailing addresses of all statutory auditors who are related to the audit firm as partners or otherwise;

11. the membership of an audit network and a list of the names and addresses of the member companies of the network or of the companies related to the network, or an indication of the place where such information is publicly available;

12. any other registration as a statutory auditor in another Member State of the European Union and/or as an auditor in a third country, including the registration number and the name of the competent authority in the country that registered the firm;

13. (new, SG No. 79/2024) the existence of legal capacity to carry out sustainability assurance engagements.

(4) (Amended, SG No. 18/2020, effective 28.02.2020, supplemented, SG No. 79/2024) In the event of a change in the circumstances subject to entry, the persons referred to in paragraphs 2 and 3 shall notify the Commission within 7 days of the change occurring, and the Commission shall record the change within three business days of receiving the notification. The relevant evidence substantiating the grounds for the change shall be enclosed with the notification.

(5) Information on the following shall also be entered in the register referred to in Article 20:

1. deregistration from the register, as well as the grounds for it;

2. (amended, SG No. 18/2020, effective 28.02.2020) the administrative penalties imposed on statutory auditors with penalty notices that have entered into force;

3. the decision of the Commission that has entered into force, whereby a supervisory measure is applied in accordance with subparagraph 5, 6, 7 or 8 of Article 89(2), including the time limit for the application of the measure;

4. (amended, SG No. 79/2024) the decision that has entered into force, whereby a disciplinary measure is imposed in accordance with subparagraphs 6 and 7 of Article 40(4), including the time limit for the application of the measure;
5. (new, SG No. 18/2020, effective 28.02.2020) the assessment according to Article 87(8);
6. (renumbered from subparagraph 5, SG No. 18/2020, effective 28.02.2020) any temporary interruption in practicing the profession other than an interruption resulting from subparagraphs 3 and 4.
- (6) (New, SG No. 18/2020, effective 28.02.2020) The public information covered by paragraph 5 shall be disclosed on the official websites of the Commission and the ICPA, as follows:
 1. the information specified in subparagraph 1 shall be updated within 7 days of becoming aware of it and shall be archived;
 2. the information specified in subparagraph 2 shall be published within one month of the entry into force of the administrative penalty and shall remain public for a period of 5 years;
 3. the information specified in subparagraph 3 shall be published within one month of the entry into force of the supervisory measure and shall remain public throughout the period of validity of the measure;
 4. the information specified in subparagraph 4 shall be published within one month of the entry into force of the disciplinary measure, including the consequences arising from it, and shall remain public throughout the period of validity of the measure;
 5. the information specified in subparagraph 5 shall be published within 14 days of the date of the decision of the Commission on the assessment and shall remain public until a decision on a new assessment is adopted.

Entry of registered auditors from other Member States of the European Union

- Article 22. (1) A natural person who has acquired in another Member State of the European Union the right to sign audit reports containing an opinion on financial statements shall be entered in the register referred to in Article 20 after successfully passing before the ICPA exams on Bulgarian commercial, tax and social security law in Bulgarian. The exams shall be held in accordance with the rules referred to in Article 71(3)(4).
- (2) An audit firm registered in another Member State of the European Union, which wishes to perform financial audits in Bulgaria, shall be entered in the register referred to in Article 20 provided that each and every natural person performing financial audits on behalf of the audit firm has been entered in the register.
- (3) In order to be entered in the register referred to in Article 20, the persons specified in paragraphs 1 and 2 shall submit an application and enclose with it a certificate of registration issued by the competent authority of the Member State of origin not earlier than three months before the date of submission of the application.
- (4) The professional activity of statutory auditors entered in accordance with the procedure laid down in this Article shall be subject to public oversight in accordance with the procedure laid down in this Act.
- (5) (New, SG No. 18/2020, effective 28.02.2020) The Commission shall notify the competent authority of the Member State of origin of any statutory auditor entered in accordance with the procedure laid down in paragraphs 1 - 3.
- (6) (New, SG No. 79/2024) The provisions of paragraphs 2 - 5 shall apply mutatis mutandis to statutory sustainability auditors.

Entry of third-country statutory auditors

- Article 23. (1) (Amended, SG No. 70/2024, effective from the date stipulated in the Council Decision on the adoption by the Republic of Bulgaria of the euro, adopted in accordance with Article 140(2) of the Treaty on the Functioning of the European Union, and in the Council Regulation adopted in accordance with Article 140(3) of the Treaty on the Functioning of the European Union) Any third-country auditor who is a natural person and who presents an audit

report from a statutory audit of annual financial statements of a company established outside the European Union whose transferrable securities are admitted to trading on a regulated market in the country, except in the cases where the company issues only debt securities within the meaning of Article 100j(2)(4) of the Public Offering of Securities Act admitted to trading on a regulated market with a single nominal value of not less than EUR 50 000, or in the cases of debt securities denominated in a currency other than the euro with nominal value at the issue date of not less than EUR 50 000, shall be entered in the register referred to in Article 20.

(2) (Amended, SG No. 79/2024) Subject to the principle of comparability and equivalence of requirements, any third country auditor who is a natural person shall be entered in the register referred to in Article 20 after said auditor provides evidence that they comply with requirements equivalent to those laid down in Articles 13 - 19 and Article 20(2) and after successfully passing of the exams specified in Article 22(1).

(3) (Amended, SG No. 79/2024) Subject to the principle of comparability and equivalence of requirements, any third country audit firm which provides the following evidence shall be entered in the register referred to in Article 20 as a statutory auditor:

1. evidence that three-fourths of the members of the management bodies and the statutory auditors performing statutory financial audits on behalf of the firm meet requirements equivalent to those in laid down in Articles 13 - 19 and in Article 20(2);
2. evidence that the firm performs statutory financial audit in accordance with the requirements for independence and objectivity and rules equivalent to those provided for in Articles 31 and 54;
3. evidence that the audit firm publishes on its website an annual transparency report meeting the requirements of Regulation (EU) No. 537/2014.

(4) The professional activity of third-country auditors entered in the register referred to in Article 20 shall be subject to public oversight in accordance with the procedure laid down in this Act.

(5) The requirements of Regulation EU) No. 537/2014 shall also be applied to the third-country auditors entered in the register referred to in Article 20.

(6) (Amended, SG No. 79/2024) The Commission shall notify the European Commission of the assessment of comparability and equivalence of requirements performed in accordance with paragraphs 2 and 3, as well as of the main arrangements for collaboration with the systems for public oversight, quality assurance and imposition of penalties.

(7) The audit reports from statutory financial audits issued by third-country auditors or audit firms who/which have not been registered in the country in accordance with the appropriate procedure shall have no legal effects on the territory of the country.

(8) (New, SG No. 79/2024) The provisions of paragraphs 1 - 7 shall apply mutatis mutandis to statutory sustainability auditors.

Deregistration from the register

Article 24. (1) A statutory auditor shall be deregistered from the register referred to in Article 20 in the following cases:

1. (supplemented, SG No. 79/2024) filing an application for deregistration as a statutory auditor, as well as for partial deregistration as a statutory sustainability auditor;
2. (amended, SG No. 18/2020, effective 28.02.2020) enforced sentence for a premeditated publicly prosecuted offence;
3. (repealed, SG No. 79/2024);
4. entry into force of a decision for temporary expelling from the ICPA;
5. (supplemented, SG No. 79/2024) when an audit firm no longer meets the requirements set out in paragraph 3 or 4 of Article 7;
6. death of a natural person.

(2) Upon deregistration or upon temporary deprivation of the right to practice the audit profession imposed on a statutory auditor also approved in another Member State of the European Union and entered in the register of said Member State, the Commission shall notify the competent authorities

of the relevant Member State of the deregistration or temporary deprivation of rights to practice the audit profession, indicating the reasons for it.

(3) (New, SG No. 18/2020, effective 28.02.2020) In the cases set out in subparagraphs 1 - 5 of paragraph 1, at the discretion of the Commission the audit practice up to the date of deregistration may be checked through inspection or investigation.

Re-entry in the register

Article 25. (1) (Amended, SG No. 18/2020, effective 28.02.2020) A statutory auditor who is a natural person and has been deregistered from the register referred to in Article 20 for 4 or more than 4 years on the grounds of subparagraphs 1 - 4 of Article 24(1) may be entered anew in the register after undergoing one-year practical training in accordance with Article 19 in the last two years before the re-entry.

(2) (Amended, SG No. 79/2024) In order to be re-entered in the register, the certified public accountant shall submit an application and enclose with it a document certifying the fulfilment of the requirements specified in paragraph 1, as well as a declaration stating that they meet the requirements of this Act.

(3) (New, SG No. 79/2024) The provisions of paragraphs 1 and 2 shall apply mutatis mutandis to the re-entry as a statutory sustainability auditor.

Article 26. (Repealed, SG No. 18/2020, effective 28.02.2020).

Oath

Article 27. (Amended, SG No. 18/2020, effective 28.02.2020) Any certified public accountant, prior to being registered in the register referred to in Article 36(1)(5), shall swear an oath before the ICPA in accordance with the ICPA's articles of association.

Article 28. (Amended, SG No. 18/2020, effective 28.02.2020, supplemented, SG No. 105/2020, effective 1.01.2021, repealed, SG No. 79/2024).

Chapter three

PRACTICING THE AUDITOR'S PROFESSION

Rights of statutory auditors

Article 29. (1) (Amended, SG No. 79/2024) Statutory auditors shall have the exclusive right to carry out financial audits, and statutory sustainability auditors shall have the exclusive right to carry out sustainability assurance engagements under the conditions and according to the procedure stipulated in this Act.

(2) When carrying out a financial audit, statutory auditors shall have the right:

1. to request and receive full cooperation from the management of the audited entity on issues of relevance for the preparation of the financial statements;
2. to obtain unrestricted access to any information relating to the activity of the audited entity and relevant for the preparation of the financial statements;
3. to be present at the inventory taking of the assets and liabilities of the audited entity;
4. at their discretion, to monitor processes related to the activity and management of the audited entity.

(3) (New, SG No. 79/2024) The provisions of paragraph 2 shall apply mutatis mutandis to statutory sustainability auditors when they carry out sustainability assurance engagements.

Continuing professional development

Article 30. (1) (Amended, SG No. 18/2020, effective 28.02.2020, amended and supplemented, SG No. 79/2024) Each statutory auditor who is a natural person shall participate in recognised forms of training for maintaining and developing their professional qualification, and

such training shall have a duration of not less than 40 hours per calendar year. Statutory auditors entered in the register referred to in Article 20 with legal capacity to carry out sustainability assurance engagements shall furthermore participate in forms of training recognised by the ICPA with a duration of not less than 20 hours per calendar year.

(2) (Amended, SG No. 79/2024) The terms and procedure for conducting of recognised forms of training for maintaining and developing the professional qualification of statutory auditors and for reporting of participation in such forms of training shall be stipulated in the rules referred to in Article 71(3)(4).

Obligations of statutory auditors

Article 31. (1) When practicing the auditor's profession, statutory auditors shall be obliged to:

1. (amended, SG No. 79/2024) comply with the fundamental principles of professional ethics – integrity, objectivity, professional competence and due care, confidentiality and professional conduct in accordance with the requirements of the applicable professional standards and the Code of Ethics;
2. (amended, SG No. 79/2024) carry out the audit engagement undertaken in accordance with the applicable professional standards;
3. protect in an appropriate manner professional secrecy as regards the information and documents accessible to them both during the implementation of the audit engagement and after its completion;
4. (amended, SG No. 79/2024) provide, upon request by the statutory auditor filling in for them, access to the relevant information in their possession about the entity subject to the audit engagement and to the audit engagement performed by them for previous years in accordance with the requirements of the applicable professional standards and the Code of Ethics, and be able to certify the fact that they have provided to the statutory auditor filling in for them access to said information;
5. (amended, SG No. 79/2024) inform the management of the entity subject to the audit engagement of any established and possible significant violations of the currently effective legislation, of constituent and other internal instruments of the entity, to the extent that such violations came to their knowledge in the process of implementation of an audit engagement;
6. (amended and supplemented, SG No. 79/2024) explain to the management of the entity subject to the audit engagement the nature and the grounds for any modification of the auditor's opinion or the auditor's conclusion, as the case may be, in the audit report, as well as the paragraphs in which attention is drawn to other matters in respect of which the auditor's opinion or the auditor's conclusion, as the case may be, was not modified;
7. (supplemented, SG No. 79/2024) report their activities on an annual basis by submitting a single annual report in an electronic form in the electronic platform maintained by the ICPA and in accordance with the rules referred to in Article 71(3)(4);
8. (amended, SG No. 18/2020, effective 28.02.2020, amended and supplemented, SG No. 79/2024) take out insurance against the risks of their activity for damages that have occurred as a result of culpable non-performance of their duties, with the exception of the time when no services are provided, including financial audit engagements, sustainability assurance engagements, engagements for reviewing financial information and other assurance engagements other than audit or review, or sustainability assurance engagements;
9. assist the Commission and the ICPA in exercising their powers;
10. store the audit documentation for a period of 5 years after the date of the audit report;
11. (amended, SG No. 79/2024) be a member of the ICPA, pay entry, annual or other contributions the type and amount of which is determined by the Management Board of the ICPA, and comply with the ICPA's articles of association;
12. (amended, SG No. 79/2024) provide to the Commission on an annual basis information regarding the entities audited by them, including the entities in respect of which they have carried

out sustainability assurance engagements, and on the total revenues earned by them under conditions and according to a procedure stipulated by the Commission;

13. (new, SG No. 79/2024) create their personal profile in the information system for secure electronic service as a module of the Electronic Government Portal within the meaning of the Electronic Government Act, and provide information regarding the profile so that it can be entered in the register referred to in Article 20.

(2) In addition to the obligations set out in paragraph 1, when carrying out a statutory financial audit at a public-interest entity statutory auditors shall be obliged to:

1. inform the management and the audit committee of the entity about all circumstances that infringe or would infringe on their independence when carrying out the audit engagement undertaken;

2. provide access to the additional reports referred to in Article 60 and to any other information submitted to the competent authorities referred to in Article 61, in their capacity as a former statutory auditor;

3. inform the audit committee of the audited entity of any established and possible significant violations of the currently effective legislation, of constituent and other internal instruments of the entity, to the extent that such violations came to their knowledge in the process of implementation of an audit engagement;

4. explain to the audit committee of the audited entity the nature and the grounds for any modification of the auditor's opinion in the audit report, as well as the paragraphs in which attention is drawn to other matters in respect of which the auditor's opinion was not modified.

(3) The requirements set out in paragraph 1(11) shall not be compulsory for statutory auditors from other Member States of the European Union and from third countries.

(4) The minimum insurance cover under a compulsory "Professional Liability" insurance for statutory auditors who do not audit public-interest entities shall be BGN 20 000 for each insured event and BGN 60 000 for all insured events for one year, and for statutory auditors who audit public-interest entities – BGN 250 000 for each insured event and BGN 1 000 000 for all insured events for one year.

(5) After discontinuing the practicing of the auditor's profession and after being deregistered from the register referred to in Article 20, the respective person shall not be obliged to take out a supplementary insurance coverage in accordance with Article 469(6) of the Insurance Code.

(6) (New, SG No. 18/2020, effective 28.02.2020, supplemented, SG No. 79/2024) The contract for the compulsory "Professional Liability" insurance shall be renewed and continuity of the coverage shall be ensured, except where the statutory auditor does not carry out activity related to the provision of services including engagements for financial audit, for sustainability assurance, for review of financial information and for providing assurance, other than audit or review, and has declared this circumstance in accordance with the procedure set out in Article 21(4).

(7) (New, SG No. 18/2020, effective 28.02.2020) A statutory auditor practising the audit profession only under an employment contract at an audit firm and/or through participation in such audit firm shall not be obliged to take out "Professional Liability" insurance.

Financial Liability

Article 32. (1) The registered auditor shall bear financial liability for the damages that he or she has inflicted, if they are a direct and immediate consequence of his or her guilty action or omission to act.

(2) (Supplemented, SG No. 79/2024) When a financial audit or a sustainability assurance engagement is performed jointly by more than one statutory auditor, the financial liability of the statutory auditors shall be joint and several.

(3) The liability according to paragraph 1 shall be enforced in accordance with the Obligations and Contracts Act and according to the rules of the general action proceedings.

(4) (Supplemented, SG No. 79/2024) The liability of the statutory auditor to the client entity shall be limited to the triple amount of the remuneration agreed for a specific audit engagement but shall

be not less than the amounts specified in Article 31(4) for one insured event. The limitation of liability shall not be applicable in the case of premeditated unlawful conduct of the statutory auditor, including in the case of the client entity being declared bankrupt.

Exemption from liability

Article 33. Statutory auditors shall not be liable for violations committed by the management and by the employees of the audited entities, nor for the exposure of fraud in the audited entities.

Liability of the management of the audited entity

Article 34. (Amended and supplemented, SG No. 79/2024) Financial audits and sustainability assurance engagements shall not release the management of the audited entity from liability for the lawfulness and expediency of its actions during the audited period, including for the financial statements or sustainability reports, as the case may be, and/or the other financial or non-financial information prepared by the management, as well as for the control system of the entity.

Chapter four

INSTITUTE OF THE CERTIFIED PUBLIC ACCOUNTANTS

Status of the ICPA

Article 35. (1) The Institute of Certified Public Accountants is a self-financed legal entity with headquarters in Sofia.

(2) (Amended, SG No. 79/2024) The Institute of Certified Public Accountants is a professional organisation of certified public accountants and of statutory auditors which ensures that its members practice their professional activity in the best interests of society and in compliance with the standards for professional and ethical conduct.

(3) (New, SG No. 79/2024) The structure and activity of the ICPA, the rights and obligations of its members, as well as the organisation and work of its bodies, shall be regulated by articles of association.

Functions of the ICPA

Article 36. (1) The Institute of Certified Public Accountants shall organise, govern and supervise the professional activity of its members by:

1. (amended, SG No. 79/2024) organising and conducting the examinations of the applicants for acquiring a qualification of a certified public accountant and for acquiring a qualification of a statutory sustainability auditor;
2. (supplemented, SG No. 79/2024) organising and conducting the examinations for acquiring the right to practice as a statutory auditor of financial statements for applicants from other Member States of the European Union and from third countries;
3. (supplemented, SG No. 79/2024) organising and conducting training of the applicants for certified public accountants and for statutory sustainability auditors, for raising the professional qualification of its members and for the continuing professional development of statutory auditors;
4. (repealed, SG No. 18/2020, effective 28.02.2020);
5. organising and maintaining the register of certified public accountants;
6. developing and proposing for endorsement by the Commission the rules for performing the activities set out in subparagraphs 1 – 5;
7. developing, implementing and maintaining the functionality of the internal control system for the professional activity of its members and for compliance with the requirements of the Code of Ethics;

8. performing inspections of the professional activity of its members in response to alerts submitted by interested parties or on the initiative of ICPA bodies. Inspectors from the Commission can participate in the teams performing the inspections;
 9. providing methodological instructions and developing professional auditing rules and techniques, practice manuals and technical means for assisting the activity of its members;
 10. (amended, SG No. 79/2024) publishing professional literature, study aids, scientific research papers and other materials related to the practicing, development and promotion of the qualification of a certified public accountant and the profession of a statutory auditor, and the qualification of a statutory sustainability auditor;
 11. (amended, SG No. 79/2024) organising, assisting and implementing research activities in the field of financial audit and sustainability assurance engagements, accounting and financial reporting, sustainability reporting, financial analysis and management, as well as in other fields relating to the auditor's profession;
 12. imposing disciplinary measures on its members;
 13. (new, SG No. 79/2024) performing other activities in accordance if the articles of association.
- (2) The bodies and employees in the administration of the ICPA who are involved in the implementation of the activities set out in paragraph 1(8) and in performing the functions referred to in Article 85(3) shall be obliged to comply with the requirements for safeguarding the professional secrecy according to Article 82.

Powers of the Chairperson of the ICPA

Article 37. The Institute of Certified Public Accountants shall be represented by its Chairperson.

Bodies of the ICPA

Article 38. (1) The bodies of the ICPA shall be as follows:

1. the General Meeting;
 2. the Management Board;
 3. the Supervisory Board;
 4. the Professional Ethics Board;
 5. the Board for Oversight of the Quality of Audit Services;
 6. the Disciplinary Board.
- (2) The General Meeting shall consists of all members of the ICPA and shall adopt the articles of association, elect a Chairperson of the ICPA and members of its other bodies.
- (3) The Management Board shall organise and manage the entire activity of the ICPA in order to achieve its objectives, and shall report to the General Meeting. The Chairperson of the ICPA shall be a member of the Management Board and shall preside over its sessions.
- (4) The Supervisory Board shall control the implementation of the resolutions of the General Meeting and of the Management Board, the implementation of the budget of the ICPA and the compliance with its articles of association and with the internal rules.
- (5) (Amended, SG No. 79/2024) The Professional Ethics Board shall monitor on an ongoing basis, methodologically support, provide guidelines and interpretations, and control the compliance with the requirements of the Code of Ethics by the members of the ICPA.
- (6) (Amended, SG No. 79/2024) The Board for Oversight of the Quality of Audit Services shall monitor on an ongoing basis, methodologically support, provide guidelines and interpretations, and control the quality of the professional activity of the members of the ICPA through inspections.
- (7) The Disciplinary Board shall review the findings of the Supervisory Board, of the Board for Oversight of the Quality of Audit Services and of the Professional Ethics Board, and shall give resolutions on them.
- (8) The Supervisory Board shall develop rules for its work which shall be endorsed by the General Meeting.

(9) The Professional Ethics Board, the Board for Oversight of the Quality of Audit Services and the Disciplinary Board shall develop rules for their work which shall be endorsed by the Management Board. These Boards shall coordinate their activity with the Management Board, and shall be independent in their professional judgement as regards the cases/files considered by them.

(10) (Amended, SG No. 105/2020, effective 1.01.2021, SG No. 79/2024) The Chairperson of the ICPA and the members of the Managing Board, the Supervisory Board, the Professional Ethics Board, the Board for Oversight of the Quality of Audit Services and the Disciplinary Board of the ICPA shall be members of the Institute and shall be elected in accordance with a procedure laid down in the articles of association. They shall meet the following requirements:

1. to have a good name and professional reputation in society;
2. to have at least five years of professional experience in the field of financial audit, of which at least three years as a statutory auditor.

(11) (Repealed, SG No. 79/2024).

Financing of the activity of the ICPA

Article 39. The financing of the activity of the ICPA shall be provided by:

1. entry and annual contributions by the members;
2. revenues from fees for conducting courses and examinations;
3. revenues from subscriptions and publishing activity;
4. revenues from providing consultancy services;
5. revenues from penalties imposed by the ICPA;
6. revenues from donations;
7. other revenues.

Disciplinary accountability

Article 40. (Amended, SG No. 79/2024) (1) Statutory auditors and certified public accountants shall bear disciplinary liability for violations of the articles of association of the ICPA.

(2) In the event of violations established by the Professional Ethics Board, the Board for Oversight of the Quality of Audit Services and the Supervisory Board, the respective files shall be forwarded to the Disciplinary Board, and the Management Board of the ICPA shall be notified of this.

(3) The following shall be treated as a disciplinary offences:

1. failure to submit a single annual report on the professional activity as a member of the ICPA and on the fulfilment of the obligations for continuing professional development, or submission of such report containing incomplete and/or inaccurate information;
2. failure to fulfil the obligations for continuing professional development;
3. failure to pay, within the deadline, entry, annual or other contributions the type and amount of which is determined by the Management Board;
4. failure to cooperate with or obstructing ICPA bodies during inspections of professional activity;
5. performing actions that are against the interests of the ICPA or its members;
6. damaging the integrity or dignity of the profession or of the ICPA;
7. failure to fulfil other requirements of the articles of association, of rules regulating the activity of the ICPA and of the decisions of the Management Board or the General Assembly of the ICPA;
8. non-compliance with the principles and requirements of the applicable professional standards;
9. non-compliance with the principles and requirements of the International Code of Ethics for Professional Accountants (Including International Independence Standards);
10. failure to comply with the requirements for independence and absence of conflict of interests.

(4) The following disciplinary measures shall be imposed for disciplinary offences committed:

1. mandatory prescription to rectify a detected offence;
2. publishing on the website of the ICPA of the offences detected for a period of one year;
3. depriving of the right to be elected in the bodies of the ICPA for a period of four years;
4. a fine of between BGN 1000 and BGN 15 000;
5. warning of potential expelling from the ICPA;

6. temporary expelling from the ICPA for a period of between one and three years;
 7. temporary expelling from the ICPA for a period of five years.
- (5) When, as a result of an inspection carried out in accordance with the procedure set out in Article 36(1)(8), violations committed by a statutory auditor in practicing their professional activity, which are violations of the provisions of the law and/or of Regulation (EU) No. 537/2014, are found, the Management Board shall send to the Commission the report from the inspection. The Commission shall perform an investigation and shall notify the ICPA of its results, of the administrative penalties imposed and of the supervisory measures applied.
- (6) The measure specified in paragraph 4(7) shall be applied with respect to a statutory auditor who does not cooperate, without the presence of objective circumstances preventing their cooperation, in carrying out an inspection, investigation or verification, and such failure to cooperate results in a violation of the provisions of Article 87(1) or Article 90(1).
- (7) The measure specified in paragraph 4(7) shall be applied with respect to a statutory auditor who carries out a financial audit or a sustainability assurance engagement, as the case may be, during the period of an imposed disciplinary measure of temporary expulsion from the ICPA or of a supervisory measure of temporary deprivation of rights applied by the Commission.

Disciplinary proceedings

Article 41. (1) Disciplinary proceedings shall be initiated by a resolution of the Disciplinary Board of the ICPA.

(2) (Amended, SG No. 79/2024) When the Disciplinary Board examines the substance of a disciplinary file, it shall send an invitation to the statutory auditor or the certified public accountant whose file is being examined to participate in the meeting.

(3) The Disciplinary Board shall admit all evidence that is relevant for the elucidation of the case.

(4) The Disciplinary Board shall give a resolution within 14 days of the last session at which the respective file referred to in paragraph 2 was considered.

(5) (Amended, SG No. 79/2024) The Disciplinary Board shall impose the disciplinary measures specified in subparagraphs 1 - 5 of Article 40(4) and shall propose to the Management Board to impose the measures specified in subparagraphs 6 and 7 of Article 40(4).

(6) (Amended, SG No. 79/2024) The Management Board shall adopt by a majority of two thirds of its members a resolution for imposing the measures specified in subparagraphs 6 and 7 of Article 40(4) within 14 days of receiving the proposal.

(7) (Supplemented, SG No. 79/2024) The provisions of Chapter Five, Section I of the Administrative Procedure Code shall be applied mutatis mutandis in the disciplinary proceedings.

(8) (Amended, SG No. 79/2024) No disciplinary proceedings shall be initiated and the already initiated disciplinary proceedings shall be terminated when three years have elapsed from committing the offence.

(9) (New, SG No. 18/2020, effective 28.02.2020, amended, SG No. 79/2024) The Institute of Certified Public Accountants shall notify the Commission in writing of the imposed disciplinary measures specified in subparagraphs 6 and 7 of Article 40(4) within 14 days of the adoption of the respective resolutions and of their entry into force.

Appealing of an imposed disciplinary measure

Article 42. (Amended, SG No. 18/2020, effective 28.02.2020, SG No. 79/2024) (1) The resolution of the Disciplinary Board to impose a disciplinary measure specified in subparagraph 1 - 5 of Article 40(4) can be appealed against before the Management Board of the ICPA within 14 days of its notification to the interested party. The Management Board shall give a reasoned resolution on the appeal within one month of receiving it. If the Management Board rejects the appeal, the reasons for that decision shall be considered to be part of the reasons of the Disciplinary Board for the appealed resolution to impose a disciplinary measure. The provisions of Chapter Six of the Administrative Procedure Code shall be applied mutatis mutandis in the appeal proceedings.

(2) The resolution of the Management Board to impose a measure specified in subparagraphs 6 and 7 of Article 40(4) can be appealed before the Administrative Court of the city of Sofia in accordance with the procedure laid down in the Administrative Procedure Code.

(3) The resolution of the Management Board on an appeal against a resolution to impose a measure specified in Article 40(4)(1) shall be final.

(4) If the appeal referred to in paragraph 1 is rejected by the Management Board, the resolution of the Disciplinary Board to impose a measure specified in subparagraphs 2 - 5 of Article 40(4) can be appealed in terms of its lawfulness before the Administrative Court of the city of Sofia in accordance with the procedure laid down in the Administrative Procedure Code.

Compulsory enforcement of a fine as a disciplinary measure

Article 43. The compulsory enforcement of a resolution which has entered into force and by virtue of which a fine as a form of disciplinary measure is imposed shall be permitted on the basis of a request from the Management Board of the ICPA in accordance with the procedure laid down in Article 418 of the Code of Civil Procedure.

FINANCIAL AUDIT AND SUSTAINABILITY ASSURANCE ENGAGEMENT

(Title supplemented, SG No. 79/2024)

Chapter five

FINANCIAL AUDIT OF FINANCIAL STATEMENTS AND SUSTAINABILITY ASSURANCE ENGAGEMENT – GENERAL REQUIREMENTS

(Title supplemented, SG No. 79/2024)

Objective of financial audit

(Title supplemented, SG No. 79/2024)

Article 44. (1) (Amended, SG No. 79/2024) The objective of financial audit is to obtain reasonable assurance that the financial statements are free from material misstatement, whether due to fraud or error, so that the statutory auditor can express an auditor's opinion on whether these financial statements were prepared, in all material aspects, in accordance with the reporting framework applicable to the entity.

(2) (Amended, SG No. 79/2024) For the general financial reporting frameworks adopted as applicable accounting framework, the auditor's opinion shall state whether the financial statements are presented fairly, in all material aspects, or whether they present a true and fair view of the financial position, financial performance and cash flows of the audited entity as of the date of the financial statements in accordance with the applicable reporting framework.

(3) An auditor's opinion shall be expressed by virtue of a written auditor's report.

Objective of sustainability assurance engagements

Article 44a. (New, SG No. 79/2024) (1) The objective of sustainability assurance engagements is to obtain reasonable or limited assurance that the sustainability report, as part of the management report, is free from material misstatement, whether due to fraud or error, so that the statutory sustainability auditor can express an auditor's opinion or an auditor's conclusion, as the case may be, on whether the sustainability report was prepared, in all material aspects, in accordance with the sustainability reporting framework applicable to the entity.

(2) An auditor's opinion or an auditor's conclusion, as the case may be, shall be expressed by virtue of a written report other than the audit report on the completed financial audit.

Scope of financial audits and sustainability assurance engagements

(Title supplemented, SG No. 79/2024)

Article 45. (1) (Supplemented, SG No. 79/2024) Financial audit shall involve procedures performed to achieve reasonable assurance of:

1. (amended, SG No. 79/2024) the compliance with the accounting principles according to the applicable reporting framework;
2. (amended, SG No. 79/2024) the extent to which the accounting policy of the audited entity is appropriate for its activity and is consistent with the applicable reporting framework and with the accounting policies used in the specific sector;
3. (amended, SG No. 79/2024) the consistence of the application of the announced accounting policy according to the applicable reporting framework;
4. the effectiveness of the internal control system, limited to the achievement of the objectives of the audit;
5. the process of closure of accounts and of preparation of the financial statements;
6. (amended, SG No. 79/2024) the extent to which the information presented and disclosed in the financial statements is reliable and has the scope required by users according to the applicable reporting framework.

(2) (New, SG No. 79/2024) Sustainability assurance engagements shall involve procedures performed to achieve the relevant level of assurance, according to Article 44a(1), of:

1. the compliance of the sustainability report with the principles, rules and requirements of the applicable sustainability reporting framework;
2. the extent to which the sustainability reporting policy of the audited entity is appropriate for its activity and is consistent with the applicable reporting framework and with the reporting policies used in the specific sector, and the extent to which said policy has been consistently applied;
3. the compliance of the process established by the entity for identification, control and preparation of information for the purposes of the sustainability report with the requirements of the applicable reporting framework;
4. the compliance of the information presented and disclosed in the sustainability report with the completeness and relevance requirements of the applicable reporting framework;
5. the compliance of the sustainability report with the marking up requirement pursuant to the provisions of the Accountancy Act;
6. the reporting requirements pursuant to Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/208 (OJ L 198/13 of 22.6.2020), hereinafter referred to as "Regulation (EU) 2020/852".

(3) (Renumbered from paragraph 2, amended, SG No. 79/2024) When required by the law, statutory auditors shall express an opinion regarding the consistence between the information in the financial statements and the information in the management report prepared by the management of the audited entity, excluding the part containing the sustainability report, as well as regarding any other information provided by the management bodies of the entity together with the audited financial statements.

(4) (Renumbered from paragraph 3, SG No. 79/2024) Without prejudice to the reporting requirements laid down in this act and in Regulation (EU) No. 537/2014, the scope of financial audits shall not include providing assurance regarding the future viability of the audited entity, nor regarding the effectiveness or efficiency with which the management of the audited entity has managed or will manage the activity of the entity.

Ethical requirements

Article 46. (Amended, SG No. 79/2024) Before undertaking an audit engagement and during its implementation, statutory auditors shall assess and document in writing the compliance with the requirements of the applicable professional standards and of the Code of Ethics as regards their independence and the fundamental ethical principles.

Professional scepticism and professional judgement

Article 47. (1) (Supplemented, SG No. 18/2020, effective 28.02.2020, amended, SG No. 79/2024) When performing an audit engagement, statutory auditors shall act with professional scepticism and shall use professional judgement in compliance with the requirements of this Act and in accordance with the applicable professional standards. Statutory auditors shall maintain professional scepticism throughout the audit, recognising the possibility of a material misstatement due to facts or behaviour indicating irregularities, including fraud or error, notwithstanding the statutory auditor's past experience of the honesty and integrity of the audited entity's management and of the persons charged with its governance.

(2) (Supplemented, SG No. 79/2024) Paragraph 1 shall also apply when the statutory auditor performs a review of the estimates of the management of the audited entity relating to fair values, the impairment of assets, provisions and future cash flow relevant to determining the entity's ability to continue as a going concern or to the presentation of its activity in the field of sustainable development.

Undertaking of an audit engagement

(Title amended, SG No. 79/2024)

Article 48. (1) (Amended, SG No. 79/2024) A financial audit engagement or a sustainability assurance engagement, as the case may be, shall be undertaken by a letter of accepting the audit engagement signed by the client entity and by the statutory auditor in accordance with the requirements of the applicable professional standards. The letter of undertaking the audit engagement shall state the statutory auditor who is a natural person and who is in charge of carrying out the financial audit or the sustainability assurance engagement, as the case may be.

(2) (Amended, SG No. 79/2024) The remuneration and the terms of payment for the audit service shall be negotiated between the persons specified in paragraph 1. The remuneration for carrying out a financial audit or a sustainability assurance engagement, as the case may be, may not be conditional on or determined on the basis of providing additional services to the audited entity.

(3) (Amended, SG No. 79/2024) The statutory auditor to carry out a statutory financial audit or a statutory sustainability assurance engagement, as the case may be, shall be selected by a resolution of the general meeting of partners/shareholders, by the partners with unlimited liability or by the sole owner of the equity of the client entity. The statutory auditor to carry out a voluntary financial audit or a voluntary sustainability assurance engagement, as the case may be, may be selected by other bodies of the client entity.

(4) (Amended, SG No. 79/2024) Any clause by virtue of which the choice of the general meeting of shareholders or partners, respectively of the partners with unlimited liability or of the sole owner of the equity of the client entity in connection with the appointment of a statutory auditor to perform a statutory financial audit of the financial statements of the entity or a statutory sustainability assurance engagement, as the case may be, is restricted to certain categories or to lists of statutory auditors shall be prohibited. All similar clauses shall be null and void.

(5) (New, SG No. 79/2024) Shareholders or partners in large enterprises within the meaning of Article 19(5) of the Accountancy Act, which are required to prepare sustainability reports according to the provisions of the Accountancy Act, with the exception of audited entities whose transferable securities are admitted to trading on a regulated market in a Member State, which hold more than 5 percent of the voting rights or of the capital of the entity may request the general meeting to appoint another statutory auditor who is different from or does not belong to the audit firm or network of the auditor carrying out the statutory financial audit or performing a statutory sustainability assurance

engagement, to prepare and present to the general meeting a report on some elements of the sustainability report.

Dismissal of a statutory auditor from carrying out an undertaken audit engagement
(Title amended and supplemented, SG No. 79/2024)

Article 49. (1) A statutory auditor who has been selected and with whom a letter has been signed in accordance with Article 48 may not refuse to issue an audit report and may not be dismissed from the engagement without good reasons before it is completed. A difference in opinions regarding the accounting treatment or the scope and nature of the audit procedures shall not be a valid reason to refuse to issue an audit report or to be dismissed from an engagement before it is completed.

(2) A valid reason under paragraph 1 shall be any of the following circumstances:

1. existence of facts and circumstances which infringe on the independence or objectivity of the statutory auditor;
2. compelling impossibility to carry out the undertaken financial audit engagement;
3. (amended, SG No. 79/2024) other circumstances specified in the applicable professional standards and/or in other statutory instruments, in the case of audit engagements which are other than statutory financial audit and audit-related services and which are not provided to public-interest entities. In these cases the statutory auditor shall document all the circumstances justifying a dismissal from the engagement before it is completed.

(3) In the event of early dismissal or of refusal to carry out an undertaken statutory financial audit engagement, the audited entity and the statutory auditor shall notify in writing the Commission and the ICPA of the dismissal or of the refusal within 7 days, stating the grounds for it. In the event of a statutory financial audit of the financial statements of a public-interest entity, the respective authorities with regulatory and supervisory powers with regard to the activity of the audited entity shall also be notified in accordance with the same procedure.

(4) (Supplemented, SG No. 79/2024) When in the course of a statutory financial audit of the financial statements of a public-interest entity it is found that there is a valid reason according to paragraph 2(1), the partners or shareholders holding 5 percent or more of the voting rights or of the capital of the audited entity, as well as the Commission, can file a claim before the court for dismissal of the statutory auditor from the engagement before it is completed.

(5) (New, SG No. 79/2024) Any natural person or audit firm that has been deregistered from the register referred to in Article 20 or temporarily deprived of rights in accordance with Article 89 shall, immediately after the de-registration, respectively after the entry into force of the resolution whereby they are deprived of rights, notify in writing the managements of the companies in which they have undertaken audit engagements that they cannot carry out the engagement, and the engagement must be assigned to another statutory auditor.

Documentation

Article 50. (1) (Amended, SG No. 79/2024) Financial audits and the procedures for carrying them out shall be documented in accordance with the provisions of the currently effective legislation and with the requirements of the applicable professional standards.

(2) (Amended, SG No. 79/2024) The management of the audited entity shall provide to the statutory auditor the financial statements to be audited, as well as a signed cover letter from the management body in accordance with the requirements of the applicable professional standards.

(3) In the cases of statutory financial audit, the management of the audited entity shall provide to the statutory auditor not only the items specified in paragraph 2, but also the resolution of the respective management body for approval of the financial statements and of the management report.

(4) The management bodies of the audited entity are obliged to provide also any other information necessary to the statutory auditor in order to perform the financial audit and to issue the audit report.

(5) (New, SG No. 79/2024) The provisions of paragraphs 1 – 4 shall apply mutatis mutandis when sustainability assurance engagements are carried out.

Certification of the results from a completed financial audit

Article 51. (1) The statutory auditor shall present the results of the completed financial audit in an audit report.

(2) (Amended and supplemented, SG No. 79/2024) The audit report shall be prepared in writing in accordance with the applicable professional standards. The audit report shall be prepared in the Bulgarian language.

(3) In the case of a statutory financial audit, the audit report shall meet the requirements set out in paragraph 2 and shall contain at least the following:

1. addressee/addressees;
 2. date of preparation;
 3. (amended, SG No. 79/2024) name of the entity whose financial statements are subject to the financial audit; statement of the type of the financial audit, the date and time period covered; specification of the reporting framework applied for its preparation;
 4. (amended, SG No. 79/2024) description of the financial audit in which the applicable professional standards in accordance with which the audit was performed shall be stated as a minimum;
 5. (amended, SG No. 79/2024) an auditor's opinion which can be unmodified, qualified or negative and which shall clearly express the opinion of the statutory auditor on whether the financial statements give a true and fair view according to the applicable reporting framework and on whether they meet the legal requirements, where applicable, or a refusal to express an opinion if the statutory auditor cannot express an auditor's opinion;
 6. other matters to which the statutory auditor has drawn attention in a paragraph, without qualifying the auditor's opinion;
 7. (amended, SG No. 79/2024) an opinion on whether the management report, excluding the part containing the sustainability report, is consistent with the financial statements for the same financial year, and on whether it was prepared in accordance with the applicable legal requirements;
 8. (amended, SG No. 79/2024) a statement whether there are instances of significant false presentation of information in the management report of the audited entity, excluding the part containing the sustainability report, and a statement on the nature of the false presentation of information;
 9. findings of any significant uncertainty associated with events or conditions which can cause serious doubts regarding the ability of the entity to continue its activity as a going concern;
 10. (amended, SG No. 79/2024) place of preparation, registration number and address for service in the country specified in the register referred to in Article 20.
- (4) In the case of a statutory financial audit of the financial statements of a public-interest entity, the audit report shall meet the requirements of paragraph 3, as well as the requirements of Article 10 of Regulation (EU) No. 537/2014, where applicable.
- (5) When the financial audit was carried out jointly by more than one statutory auditor, the statutory auditors shall reach consensus on the results of the financial audit and shall present a joint audit report and auditors' opinion. In the event that no consensus is reached, each statutory auditor shall present their own auditor's opinion in a separate paragraph of the audit report and shall state the reason for the lack of consensus.
- (6) The audit report in the case of a statutory financial audit shall be certified with:
1. (amended, SG No. 79/2024) the statutory auditor's name and personal signature – when the financial audit has been carried out directly by the statutory auditor as a natural person or through the commercial company through which the statutory auditor practices the auditor's profession;
 2. (amended, SG No. 79/2024) the company name, the name and personal signature of the representative of the audit firm, as well as the name and personal signature of the statutory auditor in charge of the audit on behalf of the audit firm – when the financial audit has been carried out by an audit firm.

(7) When the statutory financial audit was carried out jointly by more than one statutory auditor, the audit report shall be certified with:

1. (amended, SG No. 79/2024) the statutory auditor's name and personal signature – for each statutory auditor who participated in carrying out the joint audit in their capacity as a natural person;
2. (amended, SG No. 79/2024) the company name, the name and personal signature of the representative of the audit firm, as well as the name and personal signature of the statutory auditor in charge of the audit on behalf of the audit firm – for each audit firm participating in the joint audit.

(8) (Amended, SG No. 79/2024) In the case of a statutory financial audit of consolidated financial statements, the audit report shall meet the requirements set out in paragraphs 1 – 6. When there is a requirement for consistence between the management report and the financial statements according to Article 45(3) at the level of a group of companies within the meaning of § 1(2) of the Supplementary Provisions of the Accountancy Act, the statutory auditor shall express an opinion on the consistence of the consolidated financial statements with the consolidated management report.

(9) (Amended, SG No. 79/2024) In the case of a statutory financial audit, the statutory auditor's personal signature shall be affixed on the audit report and on each one of the components of the annual financial statements, excluding the appendix, in accordance with the applicable reporting framework, in respect of which an auditor's opinion was expressed. When the statutory auditor signs the annual financial statements using an electronic signature in accordance with the Electronic Document and Electronic Trust Services Act, the signature shall be deemed to be affixed on each of the components of the statements.

Certification of the results from a performed sustainability assurance engagement

Article 51a. (New, SG No. 79/2024) (1) The statutory sustainability auditor shall present the results of the performed sustainability assurance engagement in an audit report.

(2) The audit report shall be prepared in writing in accordance with the applicable professional standards. The audit report shall be prepared in the Bulgarian language.

(3) In the case of a statutory sustainability assurance engagement, the audit report shall meet the requirements set out in paragraph 2 and shall contain at least the following:

1. name of the report, clearly indicating whether it provides limited or reasonable level of assurance;
2. addressee/addressees;
3. date of preparation;
4. name of the entity whose individual or consolidated sustainability report is subject to the audit engagement;
5. statement if the sustainability report is individual or consolidated, and the date and time period covered;
6. specification of the sustainability reporting framework applied for its preparation;
7. description of the scope and type of the sustainability assurance engagement;
8. specifying the applicable professional standards in accordance with which the sustainability assurance engagement was carried out;
9. in the case of providing reasonable assurance – an auditor's opinion which can be unmodified, qualified or negative and which shall clearly express the opinion of the statutory assurance auditor on whether the sustainability report is in accordance with the applicable sustainability reporting framework and on whether it meets the legal requirements, where applicable, or a refusal to express opinion if the statutory sustainability auditor cannot express an auditor's opinion;
10. in the case of providing limited assurance – an auditor's conclusion which can be unmodified, qualified or negative, or a refusal to express a conclusion if the statutory sustainability auditor cannot express a conclusion of compliance with the applicable reporting framework and regarding:
 - (a) the entity's process for identification of the reported information against the requirements of the applicable reporting framework;
 - (b) the compliance of the sustainability report with the requirement for marking up of sustainability reports pursuant to the provisions of the Accountancy Act;
 - (c) the reporting requirements pursuant to Article 8 of Regulation (EU) 2020/852;

11. other matters to which the statutory sustainability auditor has drawn attention in a paragraph, without qualifying the auditor's opinion or the auditor's conclusion, as the case may be;
12. other matters required to be reported in accordance with the applicable professional standards or statutory provisions;
13. place of preparation, registration number and address for service in the country specified in the register referred to in Article 20.
- (4) When the sustainability assurance engagement was carried out jointly by more than one statutory sustainability auditor, the statutory auditors shall reach consensus on the results of the engagement and shall present a joint audit report containing their auditors' opinion or auditors' conclusion, as the case may be. In the event that no consensus is reached, each statutory sustainability auditor shall present their own auditor's opinion or auditor's conclusion, as the case may be, in a separate paragraph of the audit report and shall state the reason for the lack of consensus.
- (5) In the case of sustainability assurance engagements in respect of a public-interest entity, the audit report shall meet the requirements of paragraph 3, as well as the requirements of Article 10 of Regulation (EU) No. 537/2014, where applicable.
- (6) The audit report on a statutory sustainability assurance engagement shall be certified with:
1. the statutory sustainability auditor's name and personal signature – when the engagement has been carried out directly by the statutory sustainability auditor as a natural person or through the commercial company through which the statutory sustainability auditor practices the auditor's profession;
 2. the company name, the name and personal signature of the representative of the audit firm registered as statutory sustainability auditor, as well as the name and personal signature of the statutory sustainability auditor in charge of the engagement on behalf of the audit firm.
- (7) When the statutory sustainability assurance engagement was carried out jointly by more than one statutory sustainability auditor, the audit report shall be certified with:
1. the statutory sustainability auditor's name and personal signature – for each statutory sustainability auditor who participated in carrying out the engagement in their capacity as a natural person;
 2. the company name, the name and personal signature of the representative of the audit firm registered as statutory sustainability auditor, as well as the name and personal signature of the statutory sustainability auditor in charge of the engagement on behalf of the audit firm – for each firm participating in the joint engagement.
- (8) In the case of a statutory sustainability assurance engagement in respect of a consolidated sustainability report, the audit report shall meet the requirements set out in paragraphs 1 – 7.
- (9) In the case of a sustainability assurance engagement, the statutory sustainability auditor's personal signature shall be affixed on the audit report, on the main components of the sustainability report as a constituent part of the management report, in accordance with the applicable reporting framework.
- (10) Each statutory sustainability assurance engagement shall be carried out by one statutory sustainability auditor, except when the law requires or if the entity voluntarily decides to have the engagement carried out jointly by two statutory sustainability auditors.

Financial audit of other financial information

Article 52. The provisions of this chapter shall also apply to the engagements to carry out a financial audit of other financial information.

Chapter six

ADDITIONAL REQUIREMENTS TO THE CARRYING OUT OF STATUTORY FINANCIAL AUDITS AND STATUTORY SUSTAINABILITY ASSURANCE

ENGAGEMENTS

(Title amended, SG No. 79/2024)

Preparation of financial audits and sustainability assurance engagements, assessment of threats to independence
(Title amended, SG No. 79/2024)

Article 53. (1) (Previous text of Article 53, SG No. 79/2024) In addition to the obligations set out in Chapter Five, when undertaking and extending a statutory financial audit engagement, the statutory auditor shall assess and document in writing whether:

1. the requirements for independence and objectivity set out in Article 54 have been met;
2. there are threats to the statutory auditor's independence and what safeguards have been applied to mitigate those threats;
3. the statutory auditor has the competent employees, the time and the resources required for carrying out the financial audit;
4. (new, SG No. 18/2020, effective 28.02.2020) the auditor in charge is entered in the register referred to in Article 20 where the engagement is carried out by an audit firm.

(2) (New, SG No. 79/2024) The provisions of paragraph 1 shall apply mutatis mutandis to statutory sustainability auditors when they carry out statutory sustainability assurance engagements.

Independence and conflict of interests

Article 54. (1) Statutory auditors, as well as any natural person who is in a position to influence, directly or indirectly, the result of a statutory financial audit, must be independent of the audited entity and must not be involved in the decision-making process in the audited entity. The independence requirement shall be complied with both during the period covered by the financial statements to be audited, and during the period in which the financial audit is carried out.

(2) Statutory auditors shall apply the necessary safeguards so that their independence in the process of the financial audit is not influenced by an existing or potential conflict of interests, or by economic or other, direct or indirect, relationships. These requirements shall also apply to:

1. the statutory auditor's audit network, where applicable, and
2. all persons working for the statutory auditor or under the control of the statutory auditor, or all persons related directly or indirectly to the statutory auditor through relationships of control.

(3) A statutory auditor shall not carry out a statutory financial audit if an objective, reasonable and informed third party could draw a conclusion, by taking into consideration the safeguards applied by the statutory auditor, that the statutory auditor's independence is compromised by the existence of risk of an inspection of the auditor's own activity, existence of a vested interest, advocacy, close relations or a threat resulting from financial, personal, economic, employment or other relationships between:

1. the statutory auditor, their audit network and any natural person who is in a position to influence the result of the audit; and
2. the audited entity.

(4) Statutory auditors shall document in the audit working papers all significant threats to their independence, as well as the safeguards applied to mitigate those threats.

(5) A statutory auditor shall not participate in carrying out a statutory financial audit and shall not influence in any way the results from it if:

1. the statutory auditor holds financial instruments of the audited entity other than shares held indirectly through diversified collective investment schemes;
2. the statutory auditor holds financial instruments of an entity related to the audited entity, the possession of which may give rise to or be perceived as giving rise to a conflict of interest, where such financial instruments are other than shares held indirectly through diversified collective investment schemes;

3. the statutory auditor was in employment or economic relations, or in another type of relations with this audited entity during the periods referred to in paragraph 1, where these relations can give rise to or be perceived as giving rise to a conflict of interest;
4. a circumstance covered by subparagraphs 1 – 3 exists in respect of a spouse or a direct or collateral relative up to and including the second degree of kinship, or in respect of persons related to the statutory auditor.
- (6) The persons specified in paragraph 2 shall not demand and shall not accept gifts or services in the form of cash or in another form from the audited entity or from any other entity related to the audited entity, unless an objective, reasonable and informed third party could make an assessment that the value of such gifts or services is insignificant or does not entail any consequences.
- (7) When the audited entity is acquired by another entity, merges with another entity or acquires another entity during the periods specified in paragraph 1, the statutory auditor shall establish and assess all past or present interests in or relations with such entity, including services other than audit services provided to such entity and capable of compromising their independence and the possibility to continue carrying out the statutory audit after the date of the transformation. As soon as possible and within three months of the date of the transformation at the latest, the statutory auditor shall undertake the necessary actions for termination of all present interests and relations which could compromise their independence, and shall undertake measures, where possible, to minimise any threat to their independence stemming from past or present interests and relations.
- (8) (New, SG No. 79/2024) The provisions of paragraphs 1 – 7 shall apply mutatis mutandis to statutory sustainability auditors when they carry out statutory sustainability assurance engagements.

Internal organisation of the work of statutory auditors

Article 55. (1) A statutory auditor who is carrying out a statutory financial audit shall be obliged to meet the following requirements:

1. (amended, SG No. 18/2020, effective 28.02.2020) it shall apply policies and procedures which guarantee that the owners of the capital, the members of its management, supervisory or control bodies or persons related to them do not interfere in the implementation, have no access to the audit information and cannot undertake actions which jeopardise the independence and objectivity of the statutory auditor who is carrying out a financial audit on behalf of the audit firm – when the statutory auditor is an audit firm;
2. (amended, SG No. 79/2024) he, she or it shall have in place reliable procedures, quality management mechanisms, effective risk assessment procedures and effective control and safeguarding mechanisms as regards the information processing systems;
3. he, she or it shall apply quality control mechanisms which ensure compliance with the decisions and procedures at all levels in the audit firm or in the organisation of work set in place by the statutory auditor;
4. he, she or it shall apply policies and procedures which guarantee that all the people who work for them and participate in the audit possess the necessary knowledge and experience to perform the tasks assigned to them;
5. he, she or it shall apply policies and procedures which guarantee that the assignment to subcontractors of functions relating to the implementation of a financial audit is effected in a manner which does not impair the internal quality control and which does not obstruct the Commission in exercising effective oversight for compliance with this Act and with Regulation (EU) No. 537/2014;
6. he, she or it shall apply effective organisational and managerial mechanisms to prevent, rectify, detect or manage and disclose all possible threats to their independence in accordance with Article 54;
7. he, she or it shall implement policies and procedures for carrying out statutory financial audits, mentoring, oversight and review of the employees' activities, and for creating and completing the audit file in accordance with the requirements set out in Article 56;

8. (amended, SG No. 18/2020, effective 28.02.2020, SG No. 79/2024) he, she or it shall develop and maintain an appropriate quality management system which shall guarantee the quality of the statutory financial audit and shall encompass at least the policies and procedures referred to in subparagraphs 1 – 7. In the case of an audit firm, the responsibility for the quality management system shall lie with a person who is a statutory auditor;
9. he, she or it shall apply and use appropriate systems, resources and procedures in order to guarantee uninterrupted and regular performance of their activity;
10. (amended, SG No. 18/2020, effective 28.02.2020) he, she or it shall develop and apply appropriate and effective organisational and managerial mechanisms for registration of violations which have or may have serious consequences for the quality of their activity, as well as for the rectification of such violations;
11. he, she or it shall apply appropriate remuneration policies, including a profit sharing policy, which provide sufficient incentives for achieving results for the purpose of ensuring a high-quality statutory financial audit; the amount of revenues received by the statutory auditor from the offering of services to the audited entity, other than the audit services, shall not be part of the assessment of the work and of the remuneration of any person participating in carrying out a statutory financial audit or capable of influencing the carrying out of the audit;
12. (amended, SG No. 18/2020, effective 28.02.2020, SG No. 79/2024) he, she or it shall monitor and assess the adequacy and effectiveness of his, her or its quality management systems and mechanisms, as well as their compliance with the requirements of this Act and, where applicable, of Regulation (EU) No. 537/2014, and shall undertake appropriate actions to rectify omissions; shall carry out an annual review and assessment of the quality management system specified in subparagraph 8 and document the findings of such assessment, as well as all the proposed changes in connection with it;
13. he, she or it shall implement appropriate internal procedures for reporting according to a specific procedure by his, her or its employees of potential or actual violations of this Act or of Regulation (EU) No. 537/2014.
- (2) (Amended, SG No. 79/2024) The policies and procedures referred to in paragraph 1 shall be documented in writing and shall be provided to all persons who work for the statutory auditor.
- (3) The assignment to a subcontractor of functions relating to the carrying out of a financial audit as provided for in paragraph 1(5) shall not result in exemption from or limiting of the liability of the statutory auditor.
- (4) Statutory auditors must, at all times, be able to prove before the Commission that the policies and procedures referred to in paragraph 1 are appropriate and consistent with the scale and complexity of their activity.
- (5) (New, SG No. 79/2024) The provisions of paragraphs 1 – 4 shall apply mutatis mutandis to statutory sustainability auditors when they carry out statutory sustainability assurance engagements.

Organisation of the performance of statutory financial audits and statutory sustainability assurance engagements

(Title supplemented, SG No. 79/2024)

Article 56. (1) (Amended, SG No. 79/2024) When carrying out statutory financial audits, statutory auditors shall ensure sufficient time and resources in order to be able to fulfil their obligations in an adequate manner and in order for the audit to be carried out with high quality.

(2) (Supplemented, SG No. 79/2024) When the statutory financial audit is carried out by an audit firm, said firm shall appoint a statutory auditor who is a natural person in charge of the audit. The audit firm shall provide to the statutory auditor in charge of the audit sufficient resources, including personnel with the necessary knowledge and skills, so that the statutory auditor in charge of the audit can fulfil their obligations in an adequate manner and so that the audit can be performed with high quality. The auditor in charge of the audit shall participate actively in carrying out the statutory financial audit and shall devote sufficient time and resources to the performance of their duties with good quality.

- (3) (Amended, SG No. 79/2024) Statutory auditors shall keep information on all violations of the provisions of this Act and, where applicable, of Regulation (EU) No. 537/2014. This information shall also include data on the consequences of the violations, on the actions undertaken for their rectification, as well as on the changes made in the quality management system in connection with them. Statutory auditors shall also prepare an annual report on all the actions for rectification of the violations and shall disseminate this report within their audit practice.
- (4) When they use external experts for consultations, statutory auditors shall document the request made and the advice received.
- (5) (Supplemented, SG No. 79/2024) Statutory auditors shall keep all data and documents which corroborate the findings stated in the audit report covered by Article 51 or Article 51a, as the case may be, and, where applicable, in the reports covered by Articles 10 and 11 of Regulation (EU) No. 537/2014.
- (6) Statutory auditors shall create an audit file on each statutory financial audit carried out in which the data specified in Article 53 and, where applicable, in Articles 6 – 8 of Regulation (EU) No. 537/2014 must be documented. The audit file shall be closed and filed in the archives not later than 60 days after the date of signing the audit report.
- (7) Statutory auditors shall create and maintain a file on each audited entity which shall contain as a minimum the following information:
1. name, UIC, seat and registered office of the audited entity;
 2. names of the auditor in charge and of the person who performed a quality control review before the issuing of the audit report, where applicable;
 3. (supplemented, SG No. 79/2024) the remuneration received from the audited entity for each financial year and for each separate financial audit carried out, as well as for all other services provided to such entity.
- (8) Statutory auditors shall store in a register information regarding each appeal or complaint filed in writing in connection with the performance of a financial audit.
- (9) (New, SG No. 79/2024) The provisions of paragraphs 1 – 8 shall apply *mutatis mutandis* to statutory sustainability auditors when they carry out statutory sustainability assurance engagements.

Specific requirements to statutory financial audits of consolidated financial statements and statutory assurance engagements in respect of consolidated sustainability reports
(Title supplemented, SG No. 79/2024)

Article 57. (1) When carrying out a statutory financial audit of consolidated financial statements of a group of entities, the group auditor shall bear the entire responsibility for the opinion expressed in the audit report regarding the consolidated financial statements, including in accordance with the requirements of Regulation (EU) No. 537/2014.

(2) The group auditor shall prepare documentation on the work performed by the statutory auditors, auditors and/or audit firms from other Member States of the European Union or from third countries for the purposes of the audit of the group.

(3) The group auditor shall assess the work performed by the other auditors for the purposes of the audit of the group and shall document the nature, time of performance and scope of the work performed by said auditors, including, where applicable, the review performed by the group auditor of the documentation of said auditors. In order to be able to rely on their work, the group auditor shall request the consent of said auditors to the submission of the respective documentation when carrying out the audit of the consolidated financial statements.

(4) The group auditor shall check the work performed by the other auditors for the purposes of the audit of the group and shall document such checks. The documentation stored by the group auditor must afford a possibility for the Commission to perform inspections of the group auditor's work. When the group auditor is not able to perform such checks, they shall perform additional work on the audit, directly or by assigning these tasks to a subcontractor, and shall notify the Commission of this fact.

- (5) When the group auditor is subject to an inspection for quality assurance or is subject to an investigation in connection with a statutory financial audit of consolidated financial statements of a group of entities, the group auditor shall, upon request, provide to the Commission the respective documentation stored with them on the work performed by the other auditors for the purposes of the audit of the group, as well as all other working documents.
- (6) The Commission can request from the respective competent authorities of the Member States of the European Union additional information on the work performed by the other auditors for the purposes of the audit of the group.
- (7) When a parent undertaking or an entity controlled by the group is audited by a third-country auditor or audit firm, the Commission can request from the respective competent authorities of the third country additional documentation on the work performed by the other auditors for the purposes of the audit of the group through the currently effective arrangements specified in Article 104.
- (8) When a parent undertaking or an entity controlled by the group is audited by an auditor or by an audit firm from a third country with which no arrangements have been concluded in accordance with the requirements of Article 104, the group auditor shall also be responsible to ensure due and proper submission of additional information on the work performed by the auditors from the third country, including for the working papers related to the audit of the group. In order to ensure the submission, the group auditor shall store a copy of this documentation or shall agree with the auditors from the third country to obtain, upon request, authorised and unimpeded access to the documentation, or shall undertake other appropriate actions. When the working papers on the audit cannot be submitted by the auditor from the third country, the group auditor shall certify by using the documentation at their disposal that they have undertaken the necessary actions for obtaining access to these documents, and if there is a reason other than a reason relating to the legislation of the third country, the documentation shall include evidence of the existence of such reason.
- (9) Where a statutory auditor carries out a statutory financial audit at an entity which is part of a group the parent undertaking of which is established in a third country, the rules for professional secrecy stipulated in this Act shall not prevent the statutory auditor from submitting the respective documents on the work performed to the group auditor which is located in the third country if these documents are necessary for carrying out an audit of the consolidated financial statements of the parent undertaking.
- (10) A statutory auditor that carries out a statutory financial audit at an entity which has issued securities in a third country or which is part of a group which prepares consolidated financial statements in a third country, can submit the working papers or other documents held by it in connection with the audit of said entity to the competent authorities of the respective third countries only subject to the conditions stipulated in Article 105.
- (11) (Amended, SG No. 17/2019) Information shall be submitted to a group auditor located in a third country in compliance with the requirements for the protection of personal data.
- (12) (New, SG No. 79/2024) The provisions of paragraphs 1 – 11 shall apply mutatis mutandis to statutory assurance engagements carried out in respect of consolidated sustainability reports.

Restrictions on holding a position after the completion of a statutory financial audit and a statutory sustainability assurance engagement
(Title supplemented, SG No. 79/2024)

Article 58. (1) A statutory auditor that carries out a statutory financial audit may not be selected or appointed in an audited entity, prior to the expiration of one year, and, in the case of a statutory financial audit of a public-interest entity, prior to the expiration of two years from the date of completion of the audit, at the following positions:

1. managerial position;
2. member of an audit committee or of a body performing the functions of an audit committee;
3. (amended, SG No. 18/2020, effective 28.02.2020) member of a management or supervisory body.

(2) (Amended, SG No. 79/2024) The restriction stipulated in paragraph 1 shall apply to all statutory auditors who are natural persons, to the auditors in charge from an audit firm, as well as to all employees, partners or other natural persons who participated in carrying out of the respective statutory financial audit.

(3) (New, SG No. 79/2024) The provisions of paragraphs 1 and 2 shall apply mutatis mutandis to statutory sustainability auditors who carry out statutory sustainability assurance engagements.

Chapter seven

STATUTORY FINANCIAL AUDIT OF FINANCIAL STATEMENTS AND STATUTORY SUSTAINABILITY ASSURANCE ENGAGEMENT IN RESPECT OF SUSTAINABILITY REPORTS OF PUBLIC-INTEREST ENTITIES

(Title supplemented, SG No. 79/2024)

Audit Report

Article 59. (Amended, SG No. 79/2024) A statutory auditor who carries out a statutory financial audit of the annual financial statements of a public interest entity or a statutory sustainability auditor who carries out a sustainability assurance engagement in respect of the annual sustainability report of a public-interest entity, as the case may be, shall present the results from the audit or from the sustainability assurance engagement in an audit report which shall be drawn up in accordance with the provisions of Articles 51 and 51a and of Article 10 of Regulation (EU) No. 537/2014.

Additional report to the audit committee

Article 60. (1) A statutory auditor who carries out a statutory financial audit of the financial statements of a public-interest entity shall prepare and present to the audit committee an additional report to the report referred to in Article 59.

(2) In the case of a statutory financial audit of consolidated financial statements, the group auditor shall prepare and present to the parent undertaking's audit committee an additional report to the report referred to in Article 59.

(3) (Amended, SG No. 79/2024) The additional reports referred to in paragraphs 1 and 2 shall be prepared in accordance with the requirements of the applicable professional standards and with the provisions of Article 11 of Regulation (EU) No. 537/2014.

(4) At a request from a competent authority exercising oversight of the public-interest entity, the statutory auditor shall immediately present the respective additional report referred to in paragraphs 1 and 2.

(5) (New, SG No. 79/2024) Where no audit committee has been established in the public-interest entity, the statutory auditor shall submit the additional reports referred to in paragraphs 1 and 2 to the supervisory board or the board of directors of the respective entity.

Report to a competent authority exercising oversight

Article 61. (1) (Amended, SG No. 79/2024) A statutory auditor who carried out a statutory financial audit of the financial statements of a public-interest entity shall be obliged, by 15 October of the relevant year, to notify in writing the competent authority exercising oversight of this entity of any information concerning this entity which the statutory auditor has established in the course of carrying out the statutory financial audit and which has caused or may cause one of the following consequences:

1. a material breach of the statutory provisions which lay down the conditions governing authorisation or which specifically govern pursuit of the activities of such public-interest entity;
2. a material threat or doubt concerning the continuous functioning of the public-interest entity;
3. a refusal to issue an audit opinion on the financial statements or the issuing of an adverse or qualified opinion in accordance with Article 51(3)(5).

(2) (Amended, SG No. 79/2024) Statutory auditors shall also be obliged to report any information covered by paragraph 1 which they have established in the course of carrying out the statutory audit of an undertaking having close links with the public-interest entity for which they are also carrying out the statutory audit. The information covered by this paragraph shall concern the undertaking having close links with the public-interest entity.

Transparency report

Article 62. (1) A statutory auditor who carries out a statutory financial audit of the financial statements of a public-interest entity shall publish on an annual basis on its website a transparency report which shall include at least:

1. a description of the legal form, as well as of the shares and partners, when the statutory auditor is an audit firm;
2. where the audit firm is a member of an audit network:
 - (a) a description of the audit network, the legal and structural arrangements in the network;
 - (b) the name/company name of each statutory auditor practicing the profession as a natural person or as an audit firm;
 - (c) the countries in which each statutory auditor practicing the profession as a natural person or as an audit firm is qualified as a statutory auditor or has his, her or its seat or principal place of business;
 - (d) (amended, SG No. 18/2020, effective 28.02.2020) the net revenues from sales achieved by the statutory auditors that are members of the network, resulting from the statutory audit of annual individual and consolidated financial statements;
3. a description of the governance structure of the audit firm;
4. (amended, SG No. 79/2024) a description of the quality management system and a statement by the statutory auditor who is a natural person or by the persons managing the audit firm on the effectiveness of its functioning;
5. (amended, SG No. 18/2020, effective 28.02.2020) the date of the Commission's decision adopting the results of the last quality assurance inspection pursuant to Article 85, as well as the Commission's assessment of the quality of the professional activity of the statutory auditor; if the activity of the statutory auditor has not been inspected by the Commission over the last three years, this circumstance shall be disclosed in the report;
6. (amended and supplemented, SG No. 79/2024) a list of the public-interest entities in which the statutory auditor carried out statutory financial audits in respect of the entities' financial statements and/or a sustainability assurance engagement in respect of the entities' sustainability reports during the preceding year;
7. a description of the independence practices of the statutory auditor; the report shall confirm that in the preceding year an internal review of independence compliance has been conducted;
8. a description of the policy implemented by the statutory auditor as regards the training in connection with the continuing professional development in accordance with Article 30;
9. information concerning the basis for the partners' remuneration – in audit firms;
10. a description of the statutory auditor's policy concerning the rotation of the auditors in charge of audits and of the employees in accordance with Article 65;
11. (amended, SG No. 18/2020, effective 28.02.2020) information about the net revenues from sales achieved by the statutory auditor, divided into the following categories:
 - (a) (amended, SG No. 79/2024) revenues from statutory audits of annual individual and consolidated financial statements, as well as from statutory sustainability assurance engagements in

respect of annual individual and consolidated sustainability reports, of public-interest entities and entities belonging to a group whose parent undertaking is a public-interest entity;

(b) (amended, SG No. 79/2024) revenues from statutory audits of annual individual and consolidated financial statements, as well as from statutory sustainability assurance engagements in respect of annual individual and consolidated sustainability reports of other entities;

(c) revenues from permitted services other than audit provided to the audited entities;

(d) revenues from services other than audit provided to other clients;

12. (new, SG No. 18/2020, effective 28.02.2020) where the statutory auditor is a member of an audit network – information about the net revenues from sales achieved by all members of the network that operated in the territory of the country during the year, divided into the following categories:

(a) revenues from services provided to public interest entities and to entities which are part of a group and the parent undertaking of which is a public interest entity, audited by the statutory auditor;

(b) revenues from services provided to other entities audited by the statutory auditor.

(2) The transparency report shall be signed by the statutory auditor who is a natural person and by the persons managing the audit firm.

(3) The transparency report shall be published each year by 30 March and shall be accessible on the website of the statutory auditor for at least 5 years after the date of its publication.

Information provided to the Commission

Article 63. (1) (Supplemented, SG No. 79/2024) A statutory auditor who carries out a statutory financial audit of the financial statements and/or a statutory sustainability assurance engagement in respect of the sustainability report of a public-interest entity shall provide annually to the Commission the following information:

1. (amended, SG No. 79/2024) a list of the public-interest entities audited by the statutory auditor and, where applicable, a list of the public-interest entities in respect of which the statutory auditor has carried out a sustainability assurance engagement, including information regarding the revenues received from them; said information shall be divided into:

(a) (supplemented, SG No. 79/2024) revenues from statutory audit and from statutory sustainability assurance engagements;

(b) (supplemented, SG No. 79/2024) revenues from services other than audits and sustainability assurance engagements, and other than the services specified in Article 5(1) of Regulation (EU) No. 537/2014 which are required by the legislation of the European Union or by the national legislation;

(c) revenues from services other than audit and other than the services specified in Article 5(1) of Regulation (EU) No. 537/2014 which are not required by the legislation of the European Union or by the national legislation;

2. a list of all services provided to the audited entities by the members of the audit network where the statutory auditor is a member of an audit network;

3. (new, SG No. 18/2020, effective 28.02.2020, amended, SG No. 79/2024) additional information in connection with the function of the Commission to monitor the developments in the market for providing statutory financial audit and statutory sustainability assurance services to public-interest entities.

(2) The conditions and procedure for providing the information specified in paragraph 1 shall be stipulated by rules adopted by the Commission.

Prohibited services

Article 64. (1) The provisions of paragraphs 1, 4 and 5 of Article 5 of Regulation (EU) No. 537/2014 shall apply to statutory auditors who carry out a statutory financial audit of the financial statements of a public-interest entity. Statutory auditors can provide the services specified in Article 5(1)(2)(a)(vii) provided that:

1. the services have no direct or have immaterial effect, separately or in the aggregate, on the audited financial statements;
 2. the assessment of the effect on the audited financial statements is comprehensively documented and explained in the additional report to the audit committee;
 3. the statutory auditor complies with the independence requirements.
- (2) Paragraph 1 shall also apply to the persons specified in paragraphs 1 and 2 of Article 54, as well as to a spouse or a direct or collateral relative up to and including the second degree of kinship, or to persons related to the statutory auditor.
- (3) The statutory auditor and the persons specified in paragraph 2 can provide the services permitted according to paragraph 1 outside of the statutory financial audit subject to the approval of the audit committee, and the statutory auditor shall notify in writing the Commission of said approval within 7 days of the date of receiving it.
- (4) (New, SG No. 18/2020, effective 28.02.2020) For the purposes of paragraph 3, the audit committee may approve a list of services outside the statutory financial audit in compliance with the requirements set out in Article 5 of Regulation (EU) No. 537/2014. In this case, the statutory auditor shall notify in advance and in writing the Commission and the audit committee of any service in the list which he, she or it and, if applicable, any member of the audit network will provide to the audited entity, to its parent undertaking or to its controlled undertakings.
- (5) (New, SG No. 79/2024) When a member of an audit network to which the statutory auditor carrying out a statutory financial audit of the financial statements of a public-interest entity belongs provides any of the prohibited non-audit services, referred to in paragraph 1, to an undertaking incorporated in a third country which is controlled by the audited public-interest entity, the statutory auditor concerned shall assess whether his, her or its independence would be compromised by such provision of services by the member of the network. If his, her or its independence is affected, the statutory auditor shall apply safeguards in order to mitigate the threats. The statutory auditor may continue to carry out the statutory financial audit only if he, she or it justifies, in accordance with paragraph 1, that such provision of services does not affect his, her or its professional judgement and the reaching of an auditor's opinion.
- (6) (New, SG No. 79/2024) The provisions of paragraphs 1 and 2 shall apply mutatis mutandis to a statutory sustainability auditor when carrying out a statutory sustainability assurance engagement, except for the prohibition to provide services outside of a statutory sustainability assurance engagement according to Article 5(1)(2)(a) and (d) of Regulation (EU) No. 537/2014. Where a statutory financial audit and a statutory sustainability assurance engagement for the same undertaking are carried out by the same statutory auditor, the provisions of paragraphs 1 and 2 shall apply.

Appointment and rotation of the statutory auditors

- Article 65. (1) A statutory auditor shall be appointed to carry out a statutory financial audit of the financial statements of a public-interest entity also in accordance with the requirements of this Act and of Article 16 of Regulation (EU) No. 537/2014.
- (2) The minimum term of a contract for statutory financial audit of the financial statements of a public-interest entity may not be less than one year,
- (3) (Amended, SG No. 79/2024) An audit firm which has carried out statutory financial audits of the financial statements of a public interest entity shall withdraw after having performed statutory financial audit engagements for a total period of 10 years. Said audit firm may not perform audit engagements for this entity for a period of 5 consecutive years after the date of its withdrawal.
- (4) (Amended, SG No. 18/2020, effective 28.02.2020, SG No. 79/2024) A statutory auditor who is a natural person or an auditor in charge of an audit on behalf of an audit firm who has carried out statutory financial audits of the financial statements of a public interest entity shall be replaced after having performed statutory financial audit engagements for a total period of 7 years. Said statutory auditor may not perform audit engagements for this entity for 5 consecutive years after the date of his/her withdrawal.

(5) (New, SG No. 79/2024) A statutory auditor who has performed quality control reviews in accordance with Article 68 of statutory financial audits of the financial statements of a public interest entity shall be replaced after having performed such reviews for a total period of 7 years. Said statutory auditor may not perform audit engagements for this entity for three consecutive years after the date of his, her or its withdrawal.

(6) (New, SG No. 79/2024) A statutory auditor designated by an audit firm as team leader and auditor in charge of statutory financial audits of the financial statements of a public interest entity and who has performed activities other than those specified in paragraphs 4 and 5 shall be replaced after having performed such activities for a total period of 7 years. Said statutory auditor shall withdraw from audit engagements for this entity for 2 consecutive years after the date of his/her withdrawal.

(7) (New, SG No. 79/2024) A statutory auditor who has performed activities in his/her capacity as an auditor in charge and as a person designated by an audit firm as team leader and auditor in charge of statutory financial audits of the financial statements of a public interest entity shall be replaced after having performed in combination said activities for a total period of 7 years, and:

1. where during this period he/she has performed activities in his/her capacity as an auditor in charge for a total of 4 or more years, he/she shall be replaced and may not perform audit engagements for this entity for 5 (five) consecutive years after the date of his/her withdrawal;
2. in all other cases, he/she shall be replaced and may not perform audit engagements for this entity for two consecutive years after the date of his/her withdrawal.

(8) (New, SG No. 79/2024) A statutory auditor who has performed activities in his/her capacity as an auditor in charge and as a person performing quality control reviews in accordance with Article 68 of statutory financial audits of the financial statements of a public interest entity shall be replaced after having performed in combination said activities for a total period of 7 years, and:

1. where during this period he/she has performed activities in his/her capacity as an auditor in charge for a total of 4 or more years, he/she shall be replaced and may not perform audit engagements for this entity for 5 consecutive years after the date of his/her withdrawal;
2. in all other cases, he/she shall be replaced and may not perform audit engagements for this entity for three consecutive years after the date of his/her withdrawal.

(9) (New, SG No. 79/2024) A statutory auditor who has performed activities in his/her capacity as a person designated by an audit firm as team leader and auditor in charge of statutory financial audits of the financial statements of a public interest entity and as a person performing quality control reviews in accordance with Article 68 shall be replaced after having performed in combination said activities for a total period of 7 years, and:

1. where during this period he/she has performed activities in his/her capacity as a person performing quality control reviews in accordance with Article 68 for a total of 4 or more years, he/she shall be replaced and may not perform audit engagements for this entity for three consecutive years after the date of his/her withdrawal;
2. in all other cases, he/she shall be replaced and may not perform audit engagements for this entity for two consecutive years after the date of his/her withdrawal.

(10) (New, SG No. 79/2024) A statutory auditor who has performed activities in his/her capacity as an auditor in charge, a person designated by an audit firm as team leader and auditor in charge of statutory financial audits of the financial statements of a public interest entity and as a person performing quality control reviews in accordance with Article 68 shall be replaced after having performed in combination said activities for a total period of 7 years, and:

1. where during this period he/she has performed activities in his/her capacity as an auditor in charge and as a person performing quality control reviews in accordance with Article 68 for a total of 4 or more years, of which three years or more in his/her capacity as auditor in charge, he/she shall be replaced and may not perform audit engagements for this entity for 5 consecutive years after the date of his/her withdrawal;

2. in all other cases, he/she shall be replaced and may not perform audit engagements for this entity for three consecutive years after the date of his/her withdrawal.

(11) (New, SG No. 79/2024) During the period for which the statutory auditor has withdrawn, he/she may not:

1. be a member of the team performing the engagement for statutory financial audit of financial statements of this entity or perform quality control in accordance with Article 68;

2. advise the audit engagement team of that entity or the entity itself on methodological, technical and/or industry-specific matters, transactions and events affecting the audit engagement, except for discussions with the engagement team limited to the work performed or the conclusions reached during the last year of that statutory auditor's period of involvement, where they continue to be relevant to the audit;

3. be responsible for the direction or coordination of the professional services provided by the audit firm or firms in its network to the audited entity, or for the supervision of the relations between the audit firm or the firms in its network and the audited entity, or

4. perform, in relation to the audited entity, other functions or carry out any activity other than those specified above, including provide services that are not assurance engagements and would result in the statutory auditor:

(a) being in significant or frequent interaction with the management or the persons in charge of the general governance of the audited entity, or

(b) directly influencing the results of the audit engagement.

(12) (Renumbered from paragraph 5, amended and supplemented, SG No. 79/2024) The time periods specified in paragraphs 3 – 10 shall start from the year when the first statutory financial audit engagement was undertaken during the respective period. When the periods are calculated, the counting of years shall start again after the statutory auditor has ceased without interruption his, her or its participation in the performance of statutory financial audit engagements in the same enterprise during the relevant period for withdrawal.

(13) (New, SG No. 79/2024) When the periods specified in paragraphs 3 – 10 are calculated, in the cases where the statutory auditor has performed activities in his/her capacity as an auditor in charge and/or a person designated by an audit firm as team leader and auditor in charge of statutory financial audits of the financial statements of a public interest entity, the counting of the years shall include the time during which the statutory auditor has performed activities in this capacity in carrying out engagements for statutory financial audit of the financial statements of this entity in other audit firms or on his/her own.

(14) (Renumbered from paragraph 6, amended, SG No. 79/2024) The provisions of paragraph 3 shall also apply to the commercial companies referred to in Article 8(1)(1)(b).

(15) (New, SG No. 18/2020, effective 28.02.2020, renumbered from paragraph 7, SG No. 79/2024) In the cases of a legal requirement for a joint statutory financial audit of financial statements of public-interest entities, the period for withdrawal according to paragraph 3 may be extended by not more than 5 years. The extension shall be possible if there is a recommendation by the audit committee proposed to the general meeting of partners/shareholders, and said meeting has approved it.

(16) (New, SG No. 79/2024) The provisions of paragraphs 1 – 15 shall apply mutatis mutandis to statutory sustainability auditors carrying out statutory sustainability assurance engagements.

Auditor remuneration

Article 66. (1) When a statutory auditor provides to the audited entity, its parent undertaking or its controlled undertakings, for a period of three or more consecutive financial years, non-audit services other than those referred to in Article 5(1) of Regulation (EU) No. 537/2014, the total remuneration for such services may not exceed 70 % of the average amount of the remuneration paid in the last three consecutive financial years for the statutory financial audit(s) of the audited entity and, where applicable, of its parent undertaking, of its controlled undertakings and of the consolidated financial statements of that group of undertakings. This limit shall not apply to

non-audit services other than those specified in Article 5(1) of Regulation (EU) No. 537/2014 which are required by law.

(2) (Amended, SG No. 18/2020, effective 28.02.2020, amended and supplemented, SG No. 79/2024) When the total amount of remuneration received from a public-interest entity in each of the last two consecutive financial years exceeds or is likely to exceed 15 % of the total remuneration received by the statutory auditor or, where applicable, by the group auditor carrying out the statutory audit and/or the statutory sustainability assurance engagement, in each of those financial years the statutory auditor concerned shall disclose that fact to the audit committee and discuss with the audit committee the threats to his/her independence and the safeguards applied to mitigate those threats. In such a case, the audit committee shall consider whether the audit engagement must be subject to a quality control review by another statutory auditor determined by the audit committee prior to the issuance of the audit report.

(3) (Amended and supplemented, SG No. 79/2024) Where the remuneration paid by the public-interest entity continue to exceed 15 % of the total revenues of the statutory auditor or, where applicable, of the group auditor carrying out the statutory audit, the audit committee shall decide on the basis of objective criteria whether the auditor concerned may continue to carry out the statutory financial audit or the statutory sustainability assurance engagement for an additional period after the occurrence of these circumstances which may not exceed two years. In such a case, the audit engagement concerned must be subject to a quality control review by another statutory auditor determined by the audit committee prior to the issuance of the audit report.

(4) (New, SG No. 79/2024) Where the financial audit or the sustainability assurance engagement is carried out jointly by two statutory auditors, the other statutory auditor meets the requirements for the quality control review referred to in paragraph 3 if:

1. the circumstances described in paragraph 3 concern only one of the statutory auditors;
2. each of the statutory auditors performs audit procedures sufficient to accept full responsibility for the audit opinion expressed.

Preparation of statutory audits and statutory sustainability assurance engagements, and assessment of threats to independence
(Title supplemented, SG No. 79/2024)

Article 67. (Amended, SG No. 79/2024) Prior to undertaking or continuing a statutory financial audit engagement or a statutory sustainability assurance engagement for a public-interest entity, the statutory auditor, in addition to the actions specified in Article 54, shall perform additional actions to assess the threats to independence in accordance with the provisions of Article 6 of Regulation (EU) No. 537/2014.

Engagement quality control review

Article 68. (1) Before the reports referred to in Articles 59 and 60 are issued, a quality control review of the statutory financial audit engagement shall be performed to assess whether the statutory auditor could reasonably have come to the opinion and conclusions expressed in the draft of these reports.

(2) The quality control review of the statutory financial audit engagement shall be performed in accordance with the provisions of Article 8 of Regulation (EU) No. 537/2014.

(3) (New, SG No. 79/2024) The provisions of paragraphs 1 and 2 shall apply mutatis mutandis when a reasonable assurance is expressed in a statutory sustainability assurance engagement in a public-interest entity.

Irregularities

Article 69. (1) When a statutory auditor carrying out the statutory financial audit of the financial statements of a public-interest entity suspects or has reasonable grounds to suspect that irregularities, including fraud with regard to the financial statements of the audited entity, may occur or have occurred, he, she or it shall inform the audited entity and recommend to it to

investigate the matter and take appropriate measures to deal with such irregularities and to prevent any recurrence of such irregularities in the future.

(2) Where the audited entity does not investigate the matter or does not take appropriate measures, the statutory auditor is obliged to report immediately to the competent authority exercising oversight of this entity.

(3) The disclosure in good faith to the bodies of the audited entity by the statutory auditor of any irregularities referred to in the paragraph 1 shall not constitute a breach of any contractual or legal restriction on disclosure of information.

(4) (New, SG No. 79/2024) The provisions of paragraphs 1 – 3 shall also apply mutatis mutandis where a statutory sustainability auditor carries out a statutory sustainability assurance engagement.

PART THREE

PUBLIC OVERSIGHT

Chapter eight

COMMISSION FOR PUBLIC OVERSIGHT OF STATUTORY AUDITORS

Status of the Commission

Article 70. (1) The Commission is a specialised state authority for regulation and oversight of the activity of the persons specified in Article 12(2).

(2) The Commission is a legal entity financed by the budget with a seat in Sofia. The Chairperson of the Commission is a budget authorising officer by delegation.

(3) When performing its activity under this Act and under Regulation (EU) No. 537/2014, the Commission shall be independent and cannot accept instructions from other authorities, institutions and persons.

(4) The Commission shall report on its activity to the National Assembly.

Responsibility and functions of the Commission

Article 71. (1) The Commission shall be ultimately responsible for the oversight of:

1. the acquiring of the right to practice as a statutory auditor, registration of the auditors, including of the auditors from other Member States of the European Union and from third countries, and temporary deprivation of auditors from the right to practice as statutory auditors;
2. (amended, SG No. 79/2024) the adoption of standards for professional ethics, for quality management of the statutory auditors' activities and for carrying out statutory financial audits, statutory sustainability assurance engagements and performing audit-related services ;
3. the continuing professional development of statutory auditors;
4. the quality assurance system for the professional activity of statutory auditors;
5. the application of coercive administrative measures and the imposing of administrative penalties.

(2) The Commission shall exercise oversight through:

1. (amended, SG No. 18/2020, effective 28.02.2020) conducting quality assurance inspections of the professional activity of statutory auditors;
2. (amended, SG No. 18/2020, effective 28.02.2020) conducting investigations of complaints and signals and, at its discretion, of violations of Regulation (EU) No. 537/2014 and of this Act;
3. application of coercive administrative and of other measures set out in Article 89(2), hereinafter referred to as "supervisory measures";
4. launching proceedings for seeking administrative penal liability;

5. (amended, SG No. 18/2020, effective 28.02.2020) performing inspections of the compliance of the functions performed by the ICPA and set out in subparagraphs 1 – 3 and 5 of Article 36(1) and in Article 85(3) with the statutory requirements.

(3) The Commission shall:

1. adopt its Rules of Procedure which shall be published in the State Gazette;
2. (amended, SG No. 18/2020, effective 28.02.2020) adopt rules for quality assurance inspections of the professional activity of statutory auditors;
3. adopt the rules referred to in Article 31(1)(12) and Article 63;
4. (amended, SG No. 18/2020, effective 28.02.2020, supplemented, SG No. 79/2024) adopt rules and methodological instructions on the conditions and procedure for the functions performed by the ICPA in accordance with subparagraphs 1 – 3 and 5 of Article 36(1) and with Article 85(3), as well as for the reporting of the professional activities of statutory auditors according to the procedure laid down in Article 31(1)(7);
5. (amended, SG No. 18/2020, effective 28.02.2020) adopt other rules and guidance on the application of public oversight;
6. (new, SG No. 18/2020, effective 28.02.2020) adopt ordinances where this is provided for in this Act, and issue instructions and guidance on the application of public oversight in accordance with paragraphs 2 and 3 of Article 12;
7. (new, SG No. 18/2020, effective 28.02.2020) adopt rules for conducting investigations of violations of Regulation (EU) No. 537/2014 and of this Act; said rules shall cover at least the following:
 - (a) the procedures for the receipt of complaints and reports on violations and their follow-up;
 - (b) the protection of the personal data of the persons providing information about suspected or actual violations, as well as of the persons who are presumed to be committing or may have committed a violation;
 - (c) the procedures that ensure the right of the alleged offender to defence and to be heard before the adoption of a decision affecting him or her, as well as the right to effective remedy before a court against any decision or measure affecting that person.
- (4) (Supplemented, SG No. 18/2020, effective 28.02.2020) The Commission shall be the competent body for the implementation of Regulation (EU) No. 537/2014, as well as of this Act in respect of public oversight in accordance with paragraphs 2 and 3 of Article 12.

Composition of the Commission and requirements for the Chairperson and the Members

Article 72. (1) (Supplemented, SG No. 79/2024) The Commission is a body acting as a college and shall consist of a chairperson and 4 members. When the Chairperson is absent, his/her functions shall be performed by a member of the Commission designated by the Chairperson on a case by case basis. If the Chairperson is objectively unable to perform his/her functions for more than one month and no member has been designated to perform the functions of the Chairperson in accordance with the second sentence, the members of the Commission shall elect a member to perform the functions of the Chairperson until the return of the incumbent.

(2) The Chairperson and the members of the Commission can only be Bulgarian citizens who meeting the following requirements:

1. have diploma of completed higher education in law or economics with a master's degree;
2. (supplemented, SG No. 79/2024) have knowledge in the subjects relevant to financial audit and/or providing sustainability assurance, and have at least 5 years of professional experience in these subjects;
3. have not been convicted of premeditated publicly prosecuted offences;
4. meet the independence requirements set out in Article 21 of Regulation (EU) No. 537/2014.

Electing a Chairperson and Members of the Commission

Article 73. (1) The Chairperson of the Commission shall be elected by the National Assembly after conducting a public procedure.

(2) Within one month of the election of the Chairperson of the Commission, he/she shall hold consultations for nomination of candidate members of the Commission in line with the following principle:

1. one person shall be proposed by the Minister for Finance;
2. one person shall be proposed by the Governor of the Bulgarian National Bank;
3. one person shall be proposed by the Chairperson of the Financial Supervision Commission;
4. one person shall be proposed by the Management Board of the ICPA after having been elected by the General Assembly.

(3) The members of the Commission shall be elected by the National Assembly on a proposal from the Chairperson of the Commission.

Term of office and termination of the powers

Article 74. (1) The term of office of the Chairperson and of the members of the Commission shall be 4 years. The Chairperson and the Members of the Commission may not be elected for more than two consecutive terms of office.

(2) The powers of the Chairperson and of a member of the Commission shall be terminated by the National Assembly prior to expiration of their term of office:

1. at their request;
2. in case they are unable to perform their duties for more than 6 months;
3. if they no longer meet the requirements set out in subparagraphs 3 and 4 of Article 72(2);
4. if they fail to participate, without good reasons, in three or more meetings of the Commission over a period of one year;
5. upon the entry into force of an instrument establishing a conflict of interest pursuant to the Conflict of Interest Prevention and Ascertainment Act;
6. in the case of death.

(3) In the event of early termination of the term of office of the Chairperson or a member of the Commission, another person shall be elected in his/her place for the remaining term of his/her office in accordance with the procedure laid down in Article 73.

(4) After the expiration of the term of office for which they have been elected, the Chairperson and the members of the Commission shall continue exercising their powers pending the election of a new Chairperson and new members.

(5) The members of the Commission, excluding its Chairperson, shall not be in an employment or service relationships with the Commission.

Remunerations of the Chairperson and of the members of the Commission

Article 75. (1) The Chairperson of the Commission shall receive a basic monthly remuneration in the amount of 90 % of the remuneration of the Chairperson of the National Assembly.

(2) The members of the Commission, except for its Chairperson, shall receive remuneration for their participation in each meeting, quality assurance inspection and international event of the Commission in an amount determined by the Rules of Procedure referred to in Article 71(3)(1). The monthly remuneration received may not exceed 50 % of the basic monthly remuneration of the Chairperson.

Powers of the Chairperson of the Commission

Article 76. (1) The Chairperson of the Commission shall manage the activity of the Commission and shall represent the Commission.

(2) The Chairperson of the Commission shall appoint and dismiss the employees in the administration.

Powers of the Commission

Article 77. (1) (Amended, SG No. 79/2024) For the purposes of the public oversight in accordance with Article 12, the Commission:

1. shall exercise the oversight powers set out in subparagraphs 1 – 3 of Article 71(2), and can be assisted by the respective bodies of the ICPA;
 2. (amended, SG No. 18/2020, effective 28.02.2020) shall exercise oversight of the lawful and effective implementation of the functions set out in subparagraphs 1 – 3 and 5 of Article 36(1), of the implementation of the rules and methodological instructions referred to in subparagraphs 2 and 4 of Article 71(3), as well as of the compliance with the independence and conflict of interest requirements set out in Article 54;
 3. shall return for additional or repeated inspection the cases in which the quality of the performed quality assurance inspections of the professional activity of a statutory auditor is unsatisfactory;
 4. (repealed, SG No. 79/2024);
 5. (amended, SG No. 105/2020, effective 1.01.2021, supplemented, SG No. 79/2024) shall perform investigations at its own discretion or in the case of received reports on suspected violations in carrying out a statutory financial audit, in carrying out sustainability assurance engagements and/or in providing audit-related services ; in these cases the Commission can be assisted by the respective bodies of the ICPA; when it receives reports and complaints related to the oversight activity according to Article 12, the Commission can assign to the ICPA the task to perform inspections in connection with these reports;
 6. (amended, SG No. 18/2020, effective 28.02.2020) shall monitor on a continuous basis the developments in the market for providing services relating to statutory audits of the financial statements of public-interest entities and shall in particular assess the following:
 - (a) the risks arising from the existence of quality deficiencies in the work of a statutory auditor, including systematic deficiencies within an audit firm network, which may lead to the demise of any audit firm, the disruption in the provision of statutory audit services whether in a specific sector or across sectors, the further accumulation of risk of audit deficiencies and the impact on the overall stability of the financial sector;
 - (b) the market concentration levels, including in specific sectors;
 - (c) the performance of audit committees;
 - (d) the need to adopt measures to mitigate the risks referred to in point (a);
 7. shall notify the prosecutors' authorities upon establishing evidence of crimes committed;
 8. shall cooperate with the relevant authorities of the European Union, with the supervisory authorities of the other Member States of the European Union or from third countries responsible for statutory financial audit;
 9. may request from the statutory auditors, the ICPA, the audited entities, the audit committees and other person related to them to provide, within time limits stipulated by the Commission, certified copies of documents, information summaries and other information;
 10. (new, SG No. 18/2020, effective 28.02.2020) may notify the audit committees of public-interest entities of results of inspections or investigations performed and relating to statutory financial audit engagements for such entities;
 11. (renumbered from item 10, SG No. 18/2020, effective 28.02.2020) shall exercise other powers related to the responsibilities and functions set out in Article 71.
- (2) (Amended, SG No. 18/2020, effective 28.02.2020) By 31 July of the current year, the Commission shall submit to the National Assembly a report on its activity over the previous calendar year. Said report shall also contain information about:
1. (amended, SG No. 79/2024) the Commission's activity as regards the public oversight in accordance with Article 12;
 2. the overall results of the quality assurance system;
 3. summarised information about the findings and conclusions from the inspections and investigations.

Commission's administration

Article 78. (1) When performing its activity, the Commission shall be assisted by an administration whose structure and organisation of work shall be stipulated in the Rules of Procedure referred to in Article 71(3)(1).

(2) The activities of the administration shall be carried out by civil servants and by employees hired under employment legal relationships. Article 107a of the Labour Code shall apply to the employees hired under employment legal relationships.

(3) The Administration Act shall apply to the administration of the Commission insofar as it is not contrary to this Act.

(4) The inspections and investigations shall be performed by inspectors authorised by the Chairperson of the Commission.

(5) The requirements of Regulation (EU) No. 537/2014 shall be applied when the inspections and investigations are performed.

Meetings and decisions of the Commission

Article 79. (1) The meetings of the Commission shall be valid when the Chairperson and at least two of its members are present. The Chairperson can authorise a member of the Commission to preside over a meeting if the Chairperson is absent from it.

(2) The Commission shall adopt decisions with open voting and with a majority of three votes. The Chairperson and the members of the Commission may not abstain from voting.

(3) (Amended, SG No. 18/2020, effective 28.02.2020) The decisions on temporary deprivation of the right to perform financial audits and on revocation of a function or functions set out in subparagraphs 1 - 3 and 5 of Article 36(1) and in Article 85(3) shall be taken with a majority of 4 votes.

(4) (New, SG No. 18/2020, effective 28.02.2020) The decisions covered by paragraph 3 shall be disclosed on the website of the Commission, as follows:

1. until they enter into force, information shall be disclosed on an anonymous basis;
2. after they enter into force, the full decision shall be disclosed, as well as the manner and motives for the vote of every voter.

Transparency of the activity of the Commission

Article 80. The Commission shall publish on its website the following:

1. the decisions adopted;
2. an annual activity report in accordance with Article 77(2);
3. an annual plan of the inspection activity.

Principles in the activity of the Commission

Article 81. When performing its activity, the Commission and its bodies shall apply the basic principles set out in Articles 4 – 14 of the Administrative Procedure Code. The information pertaining to the compliance with the principle set out in Article 13 of the Administrative Procedure Code shall be published on the website of the Commission.

Obligation to safeguard professional secrets

Article 82. (1) A professional secret shall mean the information that the Chairperson and the members of the Commission, as well as the employees with the Commission's administration, create or receive in the course of or in connection with the implementation of their activity. Professional secrets shall not constitute an official secret within the meaning of the Classified Information Protection Act.

(2) Information which is subject to public disclosure according to this or other Acts shall not be professional secret.

(3) The Chairperson and the members of the Commission, as well as the employees with its administration shall be obliged to safeguard the professional secrets, including after leaving the Commission or its administration.

(4) Information constituting a professional secret can be used by the Commission only in the course of the implementation of its functions.

(5) Information constituting a professional secret can be disclosed only:

1. before the court and the prosecutors' office;
2. before the State Agency for National Security under conditions and according to a procedure stipulated by a joint instruction, to the extent that this is necessary for the implementation of the functions of these institutions;
3. before the respective competent authorities exercising oversight of public-interest entities;
4. in the form of summarised information in a manner which makes it impossible to identify individually the persons to whom the information pertains.

(6) Information on the results from inspections, investigations and reviews constituting a professional secret can also be exchanged between the Commission and the bodies of the ICPA. The conditions and procedure for the exchange of such information shall be stipulated by rules adopted by the Commission.

Conflict of interest when exercising oversight powers

Article 83. When exercising their oversight powers, the bodies of the Commission shall also comply with the requirements of points (b), (c) and (d) of Article 26(5) of Regulation (EU) No. 537/2014.

Liability of the Commission for damages

Article 84. When exercising their oversight powers, the Commission and its employees shall not be liable for damages, unless they acted deliberately.

Chapter nine

QUALITY ASSURANCE SYSTEM FOR THE PROFESSIONAL ACTIVITY OF STATUTORY AUDITORS AND FOR INVESTIGATIONS

Section I

Scope and principles

Scope

Article 85. (1) The quality assurance system for the professional activity of statutory auditors shall include the performance of inspections for:

1. (amended and supplemented, SG No. 79/2024) compliance with the requirements of the applicable professional standards in the course of carrying out statutory financial audits and statutory sustainability assurance engagements;
2. (amended and supplemented, SG No. 79/2024) compliance of the audit documentation in the course of carrying out statutory financial audits and statutory sustainability assurance engagements with the requirements of the applicable professional standards;
3. (supplemented, SG No. 79/2024) compliance with the ethical norms and requirements for independence of statutory auditors in the course of carrying out statutory financial audits and statutory sustainability assurance engagements;
4. (supplemented, SG No. 79/2024) adequacy of the time and human resources used for carrying out statutory financial audits and statutory sustainability assurance engagements for the scope and complexity of the engagement undertaken;

5. (amended, SG No. 18/2020, effective 28.02.2020, supplemented, SG No. 79/2024) adequacy of the audit remunerations for statutory financial audits and statutory sustainability assurance engagements;
 6. (amended, SG No. 18/2020, effective 28.02.2020, supplemented, SG No. 79/2024) adequacy of the quality management system applied by the statutory auditor;
 7. (amended, SG No. 79/2024) compliance with the requirements of Regulation (EU) No. 573/2014 by statutory auditors carrying out statutory financial audits and/or statutory sustainability assurance engagements in respect of public-interest entities;
 8. compliance with the instructions referred to in Article 89(2)(2).
- (2) The conditions and procedure for performing inspections shall be stipulated by rules adopted by the Commission.
- (3) (Supplemented, SG No. 18/2020, effective 28.02.2020, amended, SG No. 79/2024) The Commission may delegate to the ICPA the control functions aimed at assuring the quality of the professional activity of statutory auditors for statutory financial audits and statutory sustainability assurance engagements of audited entities that are not public-interest entities. These functions shall be delegated by a decision of the Commission adopted by a majority of 4 votes and a signed bilateral agreement.

Principles

Article 86. (1) The quality assurance system shall be set up in strict compliance with the following principles:

1. inspections shall be performed by persons who are independent of the relevant statutory auditors subject to inspection;
 2. the financing of the quality assurance system shall be adequate, sufficient and independent from statutory auditors;
 3. sufficient resources for performing the necessary activities shall be provided;
 4. (amended, SG No. 79/2024) the persons performing inspections shall have appropriate professional education and experience in the field of financial audit and financial reporting, as well as, where relevant, in the field of sustainability reporting and providing sustainability assurance or in the field of other services relating to sustainability, and must have completed quality assurance training;
 5. there is no conflict of interest between the persons performing inspections and statutory auditors;
 6. the inspections shall be appropriate and proportionate to the scale and complexity of the activity of the statutory auditor subject to inspection.
- (2) The principles set out in paragraph 1 shall also be applied when investigations are performed.
- (3) Conflict of interest within the meaning of paragraph 1(5) shall exist where the persons performing an inspection or an investigation:
1. (supplemented, SG No. 18/2020, effective 28.02.2020, SG No. 79/2024) and the statutory auditor subject to inspection or investigation have, in the previous three years, been partners in an entity whose subject of activity involves financial audit or carrying out sustainability assurance engagements;
 2. (amended, SG No. 79/2024) have carried out, during the previous three years, financial audits of entities whose financial statements were audited by the statutory auditor subject to inspection or investigation or in which the latter has carried out sustainability assurance engagements;
 3. and the statutory auditor subject to inspection or investigation are related parties.
- (4) (New, SG No. 18/2020, effective 28.02.2020) When performing inspections, inspectors shall declare that there is no conflict of interest between them and the statutory auditor subject to inspection.

Section II

Oversight for the purposes of quality assurance of the

professional activity of statutory auditors that carry out statutory financial audits of or statutory sustainability assurance engagements in public-interest entities (Title amended, SG No. 79/2024)

Inspections and investigations

Article 87. (1) (Amended, SG No. 18/2020, effective 28.02.2020) Comprehensive inspections shall be performed at least once every three years on the basis of a risk assessment. Thematic inspections shall be performed by a decision of the Commission.

(2) (Amended, SG No. 18/2020, effective 28.02.2020) Inspections and investigations shall be performed by teams in which inspectors from the Commission participate.

(3) (Amended, SG No. 79/2024) In the case of an inspection of an audit firm, the audit engagements for statutory financial audits, respectively the sustainability assurance engagements, carried out by each statutory auditor who performed an activity on the firm's behalf shall be inspected.

(4) (Supplemented, SG No. 79/2024) In the course of inspections and investigations, other audit-related services or services relating to providing sustainability assurance provided by the statutory auditors can be inspected as well.

(5) A report shall be prepared on the inspections/investigations performed and shall be delivered to the persons subject to inspection who have the right to submit objections within 14 days of delivery. The inspecting team shall issue an opinion on the objections made.

(6) The requirements of Article 26 of Regulation (EU) No. 537/2014 shall also be complied with when performing inspections.

(7) The Commission shall discuss each report at a meeting within a reasonable time limit after the report is submitted to the Chairperson, together with the collected evidence, the objections made and the opinion of the inspecting team on the objections.

(8) (New, SG No. 18/2020, effective 28.02.2020) The Commission shall make an assessment of the quality of the professional activity of the statutory auditor based on the results of any comprehensive inspection performed.

Powers and obligations in the course of performing an inspection or an investigation

Article 88. (1) When performing an inspection or an investigation, the Chairperson, the members and the inspectors of the Commission shall have the right to request, within the time limits stipulated by them:

1. from the statutory auditor subject to inspection or investigation:

(a) documents, certified copies of documents, evidence, information summaries and other information of relevance to the performance of the inspection or investigation;

(b) written explanation on matters related to the inspection or investigation;

(c) (new, SG No. 18/2020, effective 28.02.2020, amended, SG No. 79/2024) access to the policies, rules and procedures governing the quality management system of the statutory auditor, as well as to the full documentation in the audit files of the engagements included for inspection;

2. from natural persons and legal entities other than those specified in subparagraph 1 to provide certified copies of documents, evidence and information summaries related to the inspection or investigation;

3. (amended, SG No. 79/2024) from the Institute of Certified Public Accountants to provide documents, data, reports and other information relevant to the powers of the Commission;

4. from the audit committees referred to in Article 107 to provide certified copies of documents, information summaries and other information related to the powers of the Commission.

- (2) The statutory auditors subject to inspection or investigation shall be obliged to provide assistance to the Commission's bodies and may not invoke the requirements for professional, banking or other secrecy protected by law.
- (3) (Amended, SG No. 18/2020, effective 28.02.2020) The Commission shall have a right, whenever necessary for the purposes of an inspection or investigation, to hire external experts for the performance of specific tasks. In these cases the experts shall not participate in the decision-making of the inspection/investigation teams and the Commission.
- (4) (New, SG No. 18/2020, effective 28.02.2020, supplemented, SG No. 79/2024) Experts participating in inspections shall have appropriate professional education and experience in the field of financial audit and financial reporting, as well as, where relevant, in the field of sustainability reporting and providing sustainability assurance or in the field of other services relating to sustainability, must have completed quality assurance training, and there should be no conflict of interest between them and the statutory auditors subject to the inspections.
- (5) (New, SG No. 18/2020, effective 28.02.2020, amended, SG No. 79/2024) Experts participating in investigations shall have appropriate professional education and experience in the field of financial audit and financial reporting, as well as, where relevant, in the field of sustainability reporting and providing sustainability assurance or in the field of other services relating to sustainability, and there should be no conflict of interest between them and the statutory auditors subject to the investigations.
- (6) (New, SG No. 18/2020, effective 28.02.2020) The information created or received by experts during or in connection with their participation in inspections or investigations shall be covered by professional secrecy. Experts shall safeguard professional secrets, including after completion of the inspections or investigations in relation to which they have been hired.
- (7) (Renumbered from paragraph 4, SG No. 18/2020, effective 28.02.2020) When performing an inspection or investigation, the members and inspectors of the Commission shall identify themselves by presenting an official card.

Violations and supervisory measures

Article 89. (1) (Amended, SG No. 18/2020, effective 28.02.2020) The Commission shall apply supervisory measures when the following are found:

1. omissions or violations in the statutory auditor's activity in the fields set out in Article 85(1);
 2. non-compliance with the obligations of the statutory auditor set out in Article 31;
 3. non-compliance with the provisions of Regulation (EU) No. 537/2014;
 4. (amended, SG No. 79/2024) failure to provide assistance or impeding in some other manner the oversight by the Commission.
- (2) In the cases covered by paragraph 1 the Commission can:
1. (repealed, SG No. 18/2020, effective 28.02.2020);
 2. give instructions that the statutory auditor discontinue or rectify the violations committed; acting upon said instructions shall be mandatory;
 3. disclose to the public through its website or in another appropriate manner the offender and the violations committed by him, her or it, as established by an instruments that has entered into force;
 4. disclose to the public through its website or in another appropriate manner the decision according to which a specific audit report does not meet the requirements of this Act and of Regulation (EU) No. 537/2014, as well as send such report to the Registry Agency for entry into the Commercial Register in the file of the audited entity to which the provision of Article 38(1)(1) of the Accountancy Act is applicable;
 5. (supplemented, SG No. 79/2024) deprive a statutory auditor of the right to carry out statutory financial audits of public-interest entities for a period of between one and three years;
 6. (supplemented, SG No. 79/2024) deprive a statutory auditor of the right to carry out financial audits for a period of between one and three years;
 7. deprive a statutory auditor of the right to practice the auditor's profession for a period of 5 years;

8. (supplemented, SG No. 79/2024) prohibit, for a period of between one and three years, a statutory auditor from performing quality assurance reviews of statutory financial audit engagements;
9. (supplemented, SG No. 79/2024) propose to a competent authority exercising oversight of a public-interest entity's activity to impose a ban on a member of the entity's management body to exercise his or her functions for a period of between one and three years, and the respective oversight authority shall notify the Commission of the measures undertaken within a reasonable time limit.
- (3) After the period specified in subparagraphs 5 and 6 of paragraph 2 expires, quality assurance inspections can be performed during the next three years.
- (4) The measures set out in subparagraphs 3 and 4 of paragraph 2 shall be applied for a period of 5 years from the entry into force of the decision of the Commission.
- (5) (Amended, SG No. 18/2020, effective 28.02.2020) When a measure set out in subparagraphs 5 and 6 of paragraph 2 has been applied with respect of a statutory auditor and an inspection or investigation during the period referred to in paragraph 3 finds a violation of that same type, the Commission shall impose the measure set out in subparagraph 7.
- (6) The measure set out in paragraph 2(6) shall be applied with respect of a statutory auditor that has committed a violation set out in paragraph 1(4). The Commission shall apply the measure set out in paragraph 2(7) in the case of a repeated violation.
- (7) (New, SG No. 79/2024) With respect to a statutory auditor who does not cooperate, without the presence of objective circumstances preventing his, her or its cooperation, in carrying out an inspection or investigation and such failure to cooperate results in a violation of the provisions of Article 87(1) or Article 90(1), the Commission shall apply the measure set out in paragraph 2(8).
- (8) (New, SG No. 79/2024) The measure specified in paragraph 2(7) shall be applied with respect to a statutory auditor who carries out a financial audit or a sustainability assurance engagement, as the case may be, during the period of an imposed disciplinary measure of temporary exclusion from the ICPA or of a supervisory measure of temporary deprivation of rights applied by the Commission.
- (9) (Renumbered from paragraph 7, SG No. 79/2024) When a violation covered by paragraph 1 is committed by a statutory auditor who carries out a statutory financial audit on behalf of an audit firm, the supervisory measure shall be applied both with respect to the statutory auditor as a natural person and with respect to the audit firm as a legal person.
- (10) (Amended, SG No. 18/2020, effective 28.02.2020, renumbered from paragraph 8, SG No. 79/2024) The measures set out in subparagraphs 5 – 7 of paragraph 2 may also be applied on a proposal of the Management Board of the ICPA. The proposal of the Management Board must be based on facts and circumstances established in the course of inspections by ICPA's bodies.
- (11) (New, SG No. 79/2024) A statutory auditor who is a natural person and has been temporarily expelled from the ICPA or temporarily deprived of the right to practice the auditor's profession for 5 or more than 5 years may be entered anew in the register after undergoing one-year practical training in accordance with Article 19 in the last two years before the period for which he/she has been temporarily expelled or temporarily deprived of rights.
- (12) (New, SG No. 79/2024) The provisions of paragraphs 1 – 11 shall apply mutatis mutandis to statutory sustainability auditors.

Section III

Oversight for the purposes of quality assurance of the professional activity of statutory auditors that do not carry out statutory financial audits of or statutory sustainability assurance engagements in public-interest entities (Title amended, SG No. 79/2024)

Inspections and investigations

Article 90. (1) Statutory auditors who do not carry out statutory financial audits of the financial statements of public-interest entities shall be subjected to quality assurance inspections at least once every 6 years on the basis of a risk assessment.

(2) The inspections and investigations under this section shall be performed according to the procedure laid down in Articles 87 and 88, and the provisions of paragraphs 3 – 5 of Article 87 and Article 89(1) shall be applied accordingly.

(3) The persons performing inspections covered by paragraph 1 shall meet the requirements of Article 86.

(4) The Commission can perform inspections for compliance with the requirements of Article 85(1).

(5) The measures set out in Article 89(2) shall be applied accordingly with respect to the statutory auditors that do not carry out statutory financial audits of the financial statements of public-interest entities.

(6) (New, SG No. 79/2024) The provisions of paragraphs 1 – 5 shall apply mutatis mutandis to statutory sustainability auditors.

Chapter ten

OVERSIGHT OF THE ACTIVITY OF THE ICPA

Scope of the oversight

Article 91. (Amended, SG No. 18/2020, effective 28.02.2020) The Commission shall perform inspections of the activity of the ICPA as to the lawful and effective implementation of the functions set out in subparagraphs 1 – 3 and 5 of Article 36(1) and in Article 85(3).

Procedure for performing inspections

Article 92. (Amended, SG No. 18/2020, effective 28.02.2020) In the cases of inspections covered by Article 91, no ICPA members shall participate in the inspecting team, and the provisions of Article 88 shall apply mutatis mutandis.

Violations and supervisory measures

Article 93. (1) When the Commission finds violations of the legal requirements committed by the ICPA in the course of the implementation of the functions set out in subparagraphs 1 – 5 of Article 36(1) and in Article 85(3), it may:

1. (supplemented, SG No. 18/2020, effective 28.02.2020) issue an order in writing to the Chairperson of the ICPA to undertake actions to discontinue and rectify the violations within a set time limit;

2. disclose the violations to the public through its website or in another appropriate manner;

3. issue a written warning of temporary revocation of a function or functions set out in subparagraphs 1 – 5 of Article 36(1) and in Article 85(3);

4. temporary revoke a function or functions set out in subparagraphs 1 – 5 of Article 36(1) and in Article 85(3);

5. (new, SG No. 18/2020, effective 28.02.2020) revoke finally the function set out in Article 85(3).

(2) (Amended and supplemented, SG No. 18/2020, effective 28.02.2020) The measure set out in paragraph 1(4) shall be applied by a decision of the Commission after the measures set out in subparagraphs 1 – 3 of paragraph 1 have been applied and the violations have not been rectified or discontinued within the time limit set according to paragraph 1(1). In such a case, the Commission shall perform the revoked functions for a period of up to three months which can be extended once by further three months.

(3) (New, SG No. 18/2020, effective 28.02.2020) The measure set out in paragraph 1(5) shall be applied by a decision of the Commission after the measure set out in paragraph 1(4) has been

applied and the violations have not been rectified or discontinued during the period for which the function was temporarily revoked.

Chapter eleven

ISSUING OF AND APPEALING AGAINST ACTS OF THE COMMISSION

Requirements to the Commission's decisions

Article 94. The decisions of the Commission whereby supervisory measures are applied shall be issued in compliance with the requirements of paragraphs 1 and 2 of Article 59 of the Administrative Procedure Code.

Notification and serving

Article 95. (1) The decisions of the Commission whereby supervisory measures are applied shall be notified to their addressees by being served against signature or by registered mail with acknowledgement of receipt. Decisions shall be served to statutory auditors by registered mail with acknowledgement of receipt to the address specified in the register referred to in Article 20. (2) When a decision of the Commission cannot be served in the manner specified in paragraph 1, it shall be considered to have been served upon being displayed in a place designated for this purpose in the building of the Commission. This fact shall be certified by a protocol drawn up by officers designated by an order of the Chairperson of the Commission. a place designated for this purpose in the Commission's building. This fact shall be certified by a protocol drawn up by officers designated by an order of the chairman of the Commission.

Judicial appeal

Article 96. (Amended, SG No. 18/2020, effective 28.02.2020, SG No. 79/2024) The decisions of the Commission whereby supervisory measures are applied, with the exception of the decisions concerning measures set out in subparagraphs 2 and 3 of Article 89(2) and in subparagraphs 1 - 3 of Article 93(1), shall be subject to judicial appeal regarding their lawfulness before the Administrative Court in the city of Sofia.

Application of the Code of Administrative Procedure

Article 97. To the extent that special rules are not envisaged in this chapter, the respective provisions of the Administrative Procedure Code shall apply.

Chapter twelve

COOPERATION AND EXCHANGE OF INFORMATION WITH THE EUROPEAN UNION AND WITH THE COMPETENT AUTHORITIES OF OTHER COUNTRIES

Section I

Cooperation and exchange of information with the European Union and with the competent authorities of other Member States of the European Union

Purpose

Article 98. The Commission shall cooperate with the authorities of the European Union and with the respective competent authorities of other Member States of the European Union for the purpose of carrying out their powers in the field of public oversight of statutory auditors.

Exchange of information with the Committee of European Auditing Oversight Bodies (CEAOB)

Article 99. The Commission shall be the competent authority for cooperation and for receiving and submitting information from/to the CEAOB in accordance with the provisions of Regulation (EU) No. 537/2014.

Exchange of information with the competent authorities for public oversight of the statutory auditors in the other Member States of the European Union and in third countries

Article 100. (1) The Commission shall be the competent authority for cooperation and for receiving and submitting information from/to the competent authorities for public oversight of statutory auditors in the other Member States of the European Union and in third countries.

(2) Upon receiving a request from a competent authority of another Member State of the European Union, the Commission shall immediately take the actions necessary to collect the information requested.

(3) The requirement for professional secrecy set out in Article 82 shall not prevent the exchange of confidential information between the Commission and the competent authorities of the other Member States of the European Union.

(4) The requirement for professional secrecy set out in Article 82 shall apply to the information under this Chapter received from a competent authority of another Member State of the European Union, and such information may be used by the Commission and its administration only in relation to exercising the powers of the Commission under this Act.

(5) (Amended, SG No. 79/2024) Where the Commission has reasonable grounds to suspect that activities contrary to the requirements of Directive 2006/43/EC, of Directive 2014/56/EC 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 L 158/196 of 27.5.2014), hereinafter referred to as "Directive 2014/56/EC", or of Regulation (EU) No. 537/2014 are being carried out on the territory of another Member State of the European Union, it shall submit detailed information of this to the competent authority of the relevant Member State of the European Union.

(6) Where the Commission is notified by the competent authority of a Member State of the European Union of a violation of the requirements of Directive 2006/43/EC, Directive 2014/56/EC or Regulation (EU) No. 537/2014 committed on the territory of the Republic of Bulgaria, it shall take the necessary measures and shall notify the competent authority of the relevant Member State of the European Union of the results from said measures.

(7) (Amended, SG No. 18/2020, effective 28.02.2020) The Commission shall provide on an annual basis to the CEAOB aggregated information about the supervisory measures applied and the administrative penalties imposed.

(8) (Amended, SG No. 18/2020, effective 28.02.2020) The Commission shall immediately inform the CEAOB of all applied supervisory measures set out in subparagraphs 5 – 7 of Article 89(2).

Investigations

Article 101. (1) The Commission shall conduct an investigation at the request of the respective competent authority of another Member State of the European Union.

(2) In the cases covered by paragraph 1 the Commission can allow representatives of the competent authority of the Member State to participate as observers in the investigation where such a request has been made.

(3) The Commission can request that an investigation be carried out by the competent authority of another Member State of the European Union on the territory of that Member State, as well as that its members take part as observers in such investigation.

Refusal to provide information

Article 102. (1) The Commission may refuse to act upon a request for information under Article 100 or refuse to carry out an investigation or to have observers participating under Article 101 where:

1. the carrying out of an investigation or the provision of information might affect the sovereignty, security or public order of the Republic of Bulgaria;
 2. judicial proceedings have already been initiated before the judicial authorities of the Republic of Bulgaria in respect of the same actions and against the same statutory auditors in relation to whom the cooperation is requested;
 3. final ruling has already been passed in the Republic of Bulgaria in respect of the same actions and the same statutory auditors in relation to whom the cooperation is requested.
- (2) In the cases covered by paragraph 1 the Commission shall notify the authority that requested the cooperation.

No additional requirements

Article 103. (1) In case of a financial audit of consolidated financial statements of a local company, no additional requirements shall apply to the auditor or audit firm carrying out financial audits of a controlled undertaking in another Member State of the European Union in relation to the financial audit in terms of the registration, the quality assurance review, the auditing standards, the professional ethics and the independence of the statutory auditor who carries out the audit of such undertaking.

(2) In the case of a financial audit of financial statements of an undertaking headquartered in another Member State of the European Union whose securities are traded on a Bulgarian regulated market, no additional requirements shall apply in relation to the financial audit in terms of the registration, the quality assurance review, the auditing standards, the professional ethics and the independence of the statutory auditor who carries out the audit of such undertaking.

(3) (New, SG No. 79/2024) The provisions of paragraphs 1 and 2 shall apply mutatis mutandis when sustainability assurance engagements are carried out.

Section II

Cooperation and exchange of information with competent authorities of third countries

Transfer of working papers by the Commission

Article 104. (1) The Commission may allow the transfer to the competent authorities of a third country of working papers related to carrying out a financial or other documents held by statutory auditors, provided that:

1. those audit working papers or other documents relate to financial audits of companies which have issued securities in that third country or which form part of a group issuing statutory consolidated financial statements in that third country;
2. the transfer takes place via the Commission to the competent authorities of that third country and at their request;
3. the competent authorities of the third country meet requirements which have been declared adequate by the European Commission in accordance with the procedure laid down in Article 48 of Directive 2006/43/EC;
4. (amended, SG No. 79/2024) there are working arrangements on the basis of the principle of comparability and equivalence of requirements agreed between the competent authorities concerned;
5. (amended, SG No. 17/2019) the transfer is made in accordance with the requirements for the protection of personal data.

(2) The working arrangements referred to in paragraph 1(4) shall ensure that:

1. justification as to the purpose of the request for working papers related to carrying out a financial audit or other documents held by statutory auditors is provided by the competent authorities of the third country;
 2. the employees or the persons employed by the competent authorities of the third country, as well as the other persons that receive the papers and documents, are subject to obligations of professional secrecy;
 3. the competent authorities of the third country shall use the provided papers and documents only for the exercise of their functions of public oversight, quality assurance inspections and investigations that meet the requirements of Articles 29, 30 and 32 of Directive 2006/43/EC;
 4. the request from the competent authority of a third country can be refused where:
 - (a) the provision of the papers and documents would affect the sovereignty, security or public order of the Republic of Bulgaria;
 - (b) judicial proceedings have already been initiated before the judiciary authorities in the Republic of Bulgaria in respect of the same actions and between the same parties in respect of whom the provision of the documents has been requested.
- (3) The Commission shall cooperate with the European Commission in the assessment of the adequacy under paragraph 1(3), and shall take the actions required for the implementation of the decisions of the European Commission.
- (4) (New, SG No. 79/2024) The provisions of paragraphs 1 – 3 shall apply mutatis mutandis to the transfer of working papers related to carrying out sustainability assurance engagements.

Direct transfer of working papers by statutory auditors

Article 105. (Supplemented, SG No. 79/2024) The Commission can refuse to apply Article 104(1) and can allow statutory auditors to transfer working papers relating to statutory financial audit or statutory sustainability assurance engagements, as the case may be, or other documents held by them directly to the competent authorities of a third country, provided that:

1. investigations have been initiated by the competent authorities in that third country;
2. the transfer does not conflict with the obligations with which statutory auditors are required to comply in accordance with this Act;
3. there are working arrangements with the competent authorities of that third country that allow the Commission reciprocal direct access to working papers relating to statutory financial audit or to other documents of that third-country's statutory auditors;
4. the requesting competent authority of the third country informs in advance the Commission of each direct request for documents, indicating the reasons for it;
5. the conditions referred to in Article 104(2) are complied with.

Notification of the European Commission

Article 106. The Commission shall notify the European Commission of the working arrangements referred to in Article 104(1)(4) and in Article 105(3).

PART FOUR

AUDIT COMMITTEE IN PUBLIC-INTEREST ENTITIES

Setting up an audit committee

Article 107. (1) (Supplemented, SG No. 18/2020, effective 28.02.2020) An audit committee shall be set up in each public-interest entity. The audit committee of an entity specified in points (d) and (e) of § 1(22) of the Supplementary Provisions of the Accountancy Act may perform the functions entrusted to it by law also with regard to the funds managed by the entity.

(2) (Supplemented, SG No. 79/2024) The members of the audit committee shall be elected by the general meeting of shareholders or partners at a proposal by the Chairperson of the management

board or the supervisory board, or the Board of Directors, or the Managing Director of the entity, or the shareholders or partners, as the case may be. Members of the supervisory board of the entity or non-executive members of the management bodies can also be elected to be members of the audit committee.

(3) (Amended, SG No. 18/2020, effective 28.02.2020) Persons who have acquired a bachelor's degree and have knowledge in the field of operation of the entity shall be elected to be members of the audit committee, and at least one of the members must have at least 5 years of professional experience in the field of accounting or audit.

(4) (Supplemented, SG No. 18/2020, effective 28.02.2020) The audit committee of public-interest entities, except for those meeting the criteria of paragraphs 2 and 3 of Article 19 of the Accountancy Act, shall consist of at least three members, including the chairperson. The majority of the members of the audit committee shall be external to and independent of the public-interest entity. The following persons may not be independent members of an audit committee:

1. (amended, SG No. 18/2020, effective 28.02.2020) an executive member of a management or supervisory body or an employee of the entity;
2. a person who is in long-term commercial relations with the entity;
3. (amended, SG No. 18/2020, effective 28.02.2020) an executive member of a management or supervisory body, a managerial agent or an employee of an entity covered by subparagraph 2;
4. (amended, SG No. 18/2020, effective 28.02.2020) a related person to another member of a management or supervisory body or to a member of the audit committee of the public-interest entity.

(5) The absence of the circumstances set out in paragraph 4 shall be established by a written declaration submitted before the election date to the general meeting by each person nominated to be a member of an audit committee. When one or more of these circumstances occur after the election, the respective member of the audit committee shall immediately notify in writing the management and supervisory bodies of the entity and shall stop performing his/her functions, and a new member shall be elected in his or her place at the next general meeting.

(6) The Chairperson of the audit committee shall be elected by the members of the audit committee. The Chairperson must also meet the requirements set out in paragraph 4.

(7) (Supplemented, SG No. 79/2024) The general meeting of shareholders or partners shall approve a statute of the audit committee, in which the audit committee's functions, rights and responsibilities in respect of financial audit and sustainability assurance engagements, internal control and internal audit, as well as in respect of its relations with the management bodies, shall be laid down.

(8) (Supplemented, SG No. 79/2024) Audit committees can also be set up in other entities by a decision of the general meeting of shareholders or partners. Audit committees shall carry out their activities in compliance with this Act.

Rights and obligations of the audit committee

Article 108. (1) The audit committee shall:

1. (amended, SG No. 18/2020, effective 28.02.2020, supplemented, SG No. 79/2024) inform the entity's management and supervisory bodies of the results of the statutory audit and clarify how the statutory audit has contributed to the credibility of the financial reporting and, where applicable, the sustainability reporting, as well as of the role of the audit committee in this process;
2. (amended, SG No. 79/2024) monitor the process of financial reporting and, where applicable, of sustainability reporting, and present recommendations and proposals to ensure the credibility of the reports prepared and issued;
3. (amended and supplemented, SG No. 79/2024) monitor the effectiveness of the internal control system, the risk management system and the internal audit activity in the entity in respect of the financial reporting and, where applicable, of the sustainability reporting;
4. (amended and supplemented, SG No. 79/2024) monitor the carrying out of statutory financial audits of the annual financial statements and, where applicable, of statutory sustainability assurance

engagements, and take into consideration the findings and conclusions of the Commission in application of Article 26(6) of Regulation (EU) No. 537/2014;

5. verify and monitor the independence of statutory auditors in accordance with the requirements of Chapters Six and Seven of this Act, as well as in accordance with Article 6 of Regulation (EU) No. 537/2014, including the appropriateness of the provision of non-audit services to the audited entity in accordance with Article 5 of that Regulation;

6. (amended, SG No. 18/2020, effective 28.02.2020) be in charge of the procedure for the selection of the statutory auditor and recommend its appointment, with the exception of the cases where the audited entity has a selection commission; where the entity has a selection commission, the audit committee shall monitor its work and, based on its results, shall propose to the general meeting of shareholders or partners to assign the audit engagement in compliance with the requirements of Article 16 of Regulation (EU) No. 537/2014;

7. (amended and supplemented, SG No. 18/2020, effective 28.02.2020) inform through its chairperson the Commission, as well as the management or supervisory bodies of the entity, of any granted approval referred to in Article 64(3) and Article 66(3) within 7 days of the date of the decision;

8. report on its activity before the body in charge of its appointment;

9. (amended, SG No. 18/2020, effective 28.02.2020) prepare and, through its chairperson, submit to the Commission by 31 May an annual report on its activity; the report shall be prepared in a form and with a content conforming with an ordinance adopted by the Commission.

(2) The entity's management body shall provide the audit committee with sufficient resources for effective implementation of its duties.

(3) (Amended, SG No. 18/2020, effective 28.02.2020) The members of the management or supervisory bodies and the entity's employees shall assist the audit committee in the implementation of its activity, including provide within reasonable time limits the information requested by the audit committee.

Monitoring, assessment and measures of the Commission in respect of the activity of the audit committees

Article 109. (1) (Supplemented, SG No. 79/2024) The Commission shall regularly monitor the quality, developments and competition in the market for providing statutory audit services to public-interest entities according to the requirements laid down in Article 27 of Regulation (EU) No. 537/2014, including the activity of the audit committees.

(2) (New, SG No. 18/2020, effective 28.02.2020) The Commission shall organise the development of and shall maintain a Register of audit committees in public-interest entities for the purposes of the public oversight in accordance with Article 12(3).

(3) (New, SG No. 18/2020, effective 28.02.2020) The register referred to in paragraph 2 shall contain the following information:

1. name of the entity;

2. uniform identification code of the entity;

3. names of the chairperson and of the members of the audit committee;

4. (amended, SG No. 79/2024) telephone number and electronic address for correspondence with the audit committee.

(4) (New, SG No. 18/2020, effective 28.02.2020) The chairperson of the audit committee shall notify in writing the Commission within 14 days of the occurrence of or change in any circumstance subject to registration in the register referred to in paragraph 2.

(5) (New, SG No. 18/2020, effective 28.02.2020) The conditions and procedure for developing and maintaining the register referred to in paragraph 2 shall be stipulated in an ordinance adopted by the Commission.

(6) (Renumbered from paragraph 2, amended, SG No. 18/2020, effective 28.02.2020) The Commission shall develop, disseminate and update methodological guidelines in the field of the activities of the audit committees in public-interest entities in compliance with the requirements of

this Act, the applicable instruments of the European Union and good practices. The Commission may make recommendations for improving the activities of the audit committees in the public-interest entities.

PART FIVE

ADMINISTRATIVE PENAL PROVISIONS

Administrative violations and penalties

Article 110. (1) (Amended, SG No. 18/2020, effective 28.02.2020) A fine or a financial penalty in the amount of up to 10 % of the total amount of the net revenues from sales for the previous financial year as of the date of establishing the violation, but of not less than BGN 2000, shall be imposed on a statutory auditor when it is found that:

1. the statutory auditor has issued an audit report containing an auditor's opinion or a refusal to issue an opinion which is not consistent with the evidence collected in the process of the financial audit;
2. (amended, SG No. 79/2024) the statutory auditor has failed to comply with the requirements of the applicable professional standards and this affected adversely the results from his, her or its work and the auditor's opinion issued by him, her or it;
3. the statutory auditor has failed to comply with the independence and conflict of interest requirements;
4. the statutory auditor has failed to comply with the requirements for safeguarding the professional secrecy according to Article 11;
5. the statutory auditor has failed to comply with the obligation to provide to the statutory auditor filling in for him, her or it the information as required by Article 31(1)(4) and/or Article 31(2)(2);
6. the statutory auditor has failed to comply with the requirements for storing the audit documentation set out in Article 31(1)(10);
7. (amended, SG No. 79/2024) the statutory auditor has failed to comply with the obligations to create and maintain files set out in paragraphs 5, 6 or 7 of Article 56, or said files are incomplete;
8. the statutory auditor has failed to comply with the obligation to report to a competent authority exercising oversight of a public-interest entity, as well as to the Commission, or has provided incomplete or false information when reporting in accordance with Article 61;
9. the statutory auditor has failed to comply with the obligation to publish an annual transparency report in accordance with the requirements of Article 62, or the published report contains incomplete or false information;
10. the statutory auditor has failed to comply with the restrictions or prohibitions set out in Article 64;
11. the statutory auditor has failed to comply with the requirements for maximum period of engagement set out in Article 65;
12. the statutory auditor has failed to comply with the requirements regarding the remuneration set out in Article 66;
13. the statutory auditor refuses or fails to provide assistance in the course of an inspection or investigation, or the statutory auditor impedes in some other manner the implementation of the functions of the Commission or of the ICPA;
14. the statutory auditor has failed to issue an audit report for a statutory financial audit of a public-interest entity through his, her or its own fault, if there are no valid reasons according to Article 49(2) or in the case of a refusal to continue performance under an audit contract, as well as in the case of a failure to issue an audit report within the stipulated time limit and, due to the late date of issuance, the report cannot fulfil the objective for which the audit was assigned;
15. the statutory auditor has failed to provide to the Commission the information required under this Act or has provided it more than one month after the expiration of the stipulated time limit, or has provided incomplete or false information;

16. (amended, SG No. 18/2020, effective 28.02.2020) the statutory auditor has not acted upon the instructions referred to in Article 89(2)(2);
17. the statutory auditor has failed to perform a quality assurance review in accordance with the requirements of Article 8 of Regulation (EU) No. 537/2014;
18. the statutory auditor has performed a quality assurance review in accordance with the procedure laid down in Article 8 of Regulation (EU) No. 537/2014 and an audit report containing an auditor's opinion or a refusal to issue an opinion which is not consistent with the evidence collected in the course of the statutory financial audit has been issued, and this fact has not been adequately recorded by the reviewer before the issuing of the audit report;
19. the statutory auditor has failed to present within the deadline specified in Article 11 of Regulation (EU) No. 537/2014 an additional report to the audit committee, or such additional report was presented but contained false or incomplete information;
- (2) (Amended, SG No. 18/2020, effective 28.02.2020) A statutory auditor shall be punished by a fine of between BGN 500 and BGN 3000 if he or she is a natural persons, or by a financial penalty of between BGN 500 and BGN 5000 if it is a legal entity or sole trader, where it is found that:
1. (amended, SG No. 79/2024) other requirements of the applicable professional standards not specified in paragraph 1 have not been complied with;
 2. the information required by this Act has been provided to the Commission within up to one month after the expiration of the stipulated time limit;
 3. other requirements of this Act or of instruments issued by the Commission for its application have not been complied with.
- (3) Where the violations covered by paragraph 1 or paragraph 2 are committed by a statutory auditor who carries out statutory financial audit or audit-related services on behalf of an audit firm, a penalty shall be imposed on both the statutory auditor who is a natural person and the audit firm on whose behalf the audit has been carried out.
- (4) When the documents and information requested in accordance with Article 77(1)(9) and Article 88(1) are not provided or are provided after the stipulated deadline, or when they are false or incomplete, a fine or a financial penalty of between BGN 500 and BGN 2000 shall be imposed on the respective person other than a statutory auditor.
- (5) (Amended, SG No. 18/2020, effective 28.02.2020) A Chairperson of a management board or of a supervisory board, or a Chairperson of the board of directors, or a managing director of a public-interest entity who fails to comply with his or her obligations under Article 107(2) shall be punished by a fine of between BGN 500 and BGN 3000.
- (6) A financial penalty of between BGN 2000 and BGN 20 000 shall be imposed on a public-interest entity which fails to comply with its obligation under Article 107(1).
- (7) A financial penalty of between BGN 2000 and BGN 20 000 shall be imposed on a public-interest entity which fails to comply with its obligation under Article 107(7).
- (8) (New, SG No. 18/2020, effective 28.02.2020) A chairperson of an audit committee of a public-interest entity who fails to perform his/her obligations set out in subparagraphs 7 and 9 of Article 108(1) shall be punished by a fine of between BGN 500 and BGN 3000.
- (9) (New, SG No. 18/2020, effective 28.02.2020) A chairperson of an audit committee of a public-interest entity who fails to perform his/her obligations set out in Article 109(4) shall be punished by a fine of between BGN 200 and BGN 2000.
- (10) (New, SG No. 79/2024) A statutory auditor who carries out a financial audit during the period of an imposed disciplinary measure of temporary expulsion from the ICPA or of a supervisory measure of temporary deprivation of rights applied by the Commission shall be punished by a fine or a financial penalty in the amount of 10 % of the total amount of the net revenues from sales for the previous financial year as of the date entry into force of the respective measure, but of not less than BGN 5000.

(11) (Renumbered from paragraph 8, SG No. 18/2020, effective 28.02.2020, renumbered from paragraph 10, SG No. 79/2024) In the event of a repeated violation, the fine or financial penalty shall be imposed in a double amount.

(12) (Renumbered from paragraph 9, SG No. 18/2020, effective 28.02.2020, renumbered from paragraph 11, SG No. 79/2024) The statements ascertaining violations shall be drawn up by the Commission's inspectors or by ICPA's controllers authorised by the Chairperson of the Commission to whom the performance of the inspection or investigation has been assigned.

(13) (Renumbered from paragraph 10, SG No. 18/2020, effective 28.02.2020, renumbered from paragraph 12, SG No. 79/2024) Penalty notices shall be issued by the Chairperson of the Commission.

(14) (Renumbered from paragraph 11, SG No. 18/2020, effective 28.02.2020, renumbered from paragraph 13, SG No. 79/2024) The statements shall be drawn up, and penalty notices shall be issued, appealed against and executed in accordance with the procedure established by the Administrative Violations and Sanctions Act.

(15) (New, SG No. 79/2024) The provisions of paragraphs 1 – 4 and 10 – 14 shall apply mutatis mutandis to statutory sustainability auditors in connection with completed statutory sustainability assurance engagements.

Agreement on termination of the administrative penal proceedings

Article 110a. (New, SG No. 18/2020, effective 28.02.2020) Until the issuing of the penalty notice but not later than 30 days after the statement ascertaining an administrative violation is served, the administrative sanctioning authority and the offender may reach an agreement to terminate administrative penal proceedings for violations covered by paragraphs 1 and 2 of Article 110, except in the cases of repeated violation or where the act constitutes a criminal offence.

Concluding an agreement on termination of the administrative penal proceedings

Article 110b. (New, SG No. 18/2020, effective 28.02.2020) (1) The agreement shall be drawn up in writing and shall reflect the agreement between the administrative sanctioning authority and the offender on the following issues:

1. has an act been perpetrated, has it been perpetrated by the offender, has it been perpetrated by premeditation, does the act constitute an administrative violation;

2. the amount and type of the penalty.

(2) An amount of the fine or of the financial penalty that is lower than 70 % of the minimum amount provided for the specific administrative violation may not be settled with the agreement.

(3) The agreement shall be signed by the administrative sanctioning authority and by the offender or his/her/its representative authorised expressly to reach an agreement.

(4) Within fourteen days after the signing of the agreement on terminating the administrative penal proceedings the Commission shall issue a decision whereby it shall approve or refuse to approve the agreement. The decision to approve the agreement on termination of the administrative penal proceedings shall be sent to the relevant prosecutor within 7 days of being issued.

(5) The agreement shall be approved if the provisions of the law have been complied with.

(6) The decision referred to in paragraph 4 whereby an agreement on terminating the administrative penal proceedings is approved may be objected by the public prosecutor in court in terms of its lawfulness in accordance with the procedure laid down in the Administrative Procedure Code, and the objection shall not have the effect of staying the enforcement of the decision. Apart from the case described the previous sentence, the decision referred to in paragraph 4 may not be appealed or objected.

(7) The time limits for issuing a penalty notice shall stop running as of the moment of instituting judicial proceedings on a prosecutor's objection until such proceedings are concluded.

(8) In the cases where the agreement on terminating the administrative penal proceedings is not approved or the decision with which it is approved is rescinded by the court, the administrative sanctioning authority shall issue a penalty notice under the general procedure.

Entry into force of the agreement on termination of the administrative penal proceedings

Article 110c. (New, SG No. 18/2020, effective 28.02.2020) (1) The agreement on termination of the administrative penal proceedings shall enter into force if the fine and/or the financial penalty is paid within 7 days of the notification of the offender of the approval of the agreement.

(2) In the event that the fine and/or the financial penalty is not paid within the time limit specified in paragraph 1, the proceedings shall continue by issuing a penalty notice under the general procedure.

Publishing of information on administrative penalties imposed and administrative measures taken

Article 111. (1) The Commission shall publish on its website all imposed and effective administrative penalties and supervisory measures, and information on the type and nature of the violation and on the identity of the natural person or legal entity in respect of which the penalties and measures have been imposed shall be specified.

(2) The Commission shall publish the information specified in paragraph 1 on an anonymous basis when:

1. the penalty was imposed on a natural person and, after a preliminary assessment of the proportionality of publishing the person data, it is found that such publishing is disproportionate;
2. the publishing would jeopardise the stability of the financial markets or an ongoing investigation;
3. the publishing would inflict disproportionate damages to institutions or persons concerned;
4. (new, SG No. 18/2020, effective 28.02.2020) an agreement is entered on termination of the administrative penal proceedings in accordance with the procedure of Articles 110a – 110c.

SUPPLEMENTARY PROVISIONS

§ 1. Within the meaning of this Act:

1. "Activity similar to financial audit" means the activity as an inspector at the Commission for Public Oversight of Statutory Auditors.
2. "Good repute" shall exist when the statutory auditor who is a natural person or the partners or members of the management and supervisory bodies of the audit firm have not been convicted for premeditated publicly prosecuted offence and have not been deprived of the right to practice the auditor's profession or activity, or other similar professions or activities in the fields of finance and accounting.
3. (Supplemented, SG No. 79/2024) "Home Member State" means another Member State of the European Union which has authorised a statutory auditor or an audit firm to perform financial audits or sustainability assurance engagements in that state according to its national legislation in accordance with the requirements of Article 3(1) of Directive 2006/43/EU.
4. (Supplemented, SG No. 79/2024) "Expert" means a natural person with specific knowledge of financial markets, accounting, financial reporting, sustainability reporting, auditing and other fields related to inspections and the practice of audits carried out in accordance with this Act.
5. "Interested party" means a person who has vested interest in the activity of a statutory auditor, the Commission or the ICPA.
- 5a. (New, SG No. 79/2024) "Provision of sustainability assurance" means the implementation of the procedures in the course of a sustainability assurance engagement, as a result of which the statutory sustainability auditor forms an audit opinion, respectively an audit conclusion, expressed in accordance with point (aa) of the second subparagraph of Article 34(1) and Article 34(2) of Directive 2013/34/EU and with the applicable professional standards.
6. (Amended, SG No. 79/2024) "Inspector" means a person who is employed or otherwise contracted by the Commission, has appropriate professional education and corresponding experience in the field of financial audit, provision of sustainability assurance, financial reporting

and sustainability reporting, does not carry out activities relating to financial audit and sustainability assurance, and has undergone training in quality control of the activities of statutory auditors.

7. (Supplemented, SG No. 18/2020, effective 28.02.2020, amended, SG No. 79/2024) "Inspection" means a set of procedures for reviewing the activity of statutory auditors which is aimed at providing assurance of the quality of their activity and includes assessment of compliance with the applicable professional standards and the independence requirements, of the quantity and quality of spent resources, of the received auditor remuneration and of the quality management system. Inspections can be planned or ad hoc, as well as comprehensive or thematic. Comprehensive inspections shall have the scope set out in subparagraphs 1 – 5 of Article 85(1). Thematic inspections shall have a limited scope as compared to the requirements set out in subparagraphs 1 – 5 of Article 85(1), and their scope shall be determined by the Commission.

8. (Supplemented, SG No. 79/2024) "Selection commission" means a commission in which the shareholders or partners have significant influence and which is entrusted with the task to make a recommendation regarding the selection of an auditor.

9. (Supplemented, SG No. 79/2024) "Competent authority from a third country" means the authority which is responsible for public oversight or for the approval and registration of persons carrying out audits of annual financial statements and providing sustainability assurance in countries which are not member states of the European Union.

10. "Competent authority" means the authority or the authorities designated by a law, which are entrusted with the regulation and/or oversight of the activity of statutory auditors or with specific regulation or oversight functions. Reference to "competent authority" in a specific article shall be reference to the authority responsible for the functions specified in that article.

11. (Supplemented, SG No. 79/2024) "Controller" means a person who is a member or an employee of the ICPA and who has undergone training in quality control of the activities of statutory auditors and has been approved by the Board for Oversight of the Quality of Audit Services of the ICPA.

12. (Supplemented, SG No. 79/2024) "Person who does not carry out activities relating to financial audit and sustainability assurance" means any natural person who, in the course of his or her participation in public oversight and in the three-year period before his or her participation in public oversight, has not carried out financial audits and/or sustainability assurance engagements within the meaning of this Act, has not held shares, stocks or other securities issued by an audit firm, has not been a member of a management or controlling body of an audit firm, and has not been employed by an audit firm or related otherwise to an audit firm.

13. "Net revenues from sales" means the total amounts received from sales of the statutory auditor's activity after deducting the commercial rebates, the value added tax and the other taxes directly related to the revenues. When the statutory auditor practices the auditor's activity directly, the net revenues from sales for the purposes of this Act shall include the total amounts from sales received by the natural person directly from the activity of the commercial company through which he or she provides audit services, as well as from his or her participation in a partnership according to the Obligations and Contracts Act, where applicable.

14. (Amended, SG No. 79/2024) "Subjects relevant to financial audit and/or providing sustainability assurance" are internal audit, external audit in the public sector, independent financial audit, sustainability reporting, sustainability assurance engagements, financial reporting and accounting.

14a. (New, SG No. 18/2020, effective 28.02.2020) "Audit committee" means a specialised, monitoring, advisory body with the powers set out in Article 108(1).

14b. (New, SG No. 79/2024) "Limited assurance" means a level of assurance where the audit risk is reduced to an acceptable level in the particular circumstances of the engagement, but is greater than that in a reasonable assurance engagement. The type, timing and volume of procedures in limited assurance engagements are more limited than those in reasonable assurance engagements. Limited assurance is provided as a negative auditor's conclusion in the audit report, i.e. as an assurance that no matters, facts and circumstances have been established that give rise to doubt in the statutory

auditor that the information subject to an audit or another assurance engagement does not contain material misstatements.

15. (Supplemented, SG No. 79/2024) "Group auditor" means a statutory auditor who carries out financial audits of consolidated financial statements of an entity or, where applicable, sustainability engagements in respect of consolidated sustainability reports.

16. (Amended, SG No. 79/2024) "Third-country auditor" means a natural person who has the legal capacity to carry out financial audits of annual financial statements or, where applicable, to carry out sustainability assurance engagements, of an undertaking established in a third country, other than a person registered in a Member State of the European Union.

17. "Audit network" is an association to which a statutory auditor or an audit firm belongs, and which is aimed at cooperation, profit- or cost-sharing or shares common ownership, control or management, common quality-control policies and procedures, a common business strategy, the use of a common brand-name or a significant part of professional resources.

18. (Supplemented, SG No. 79/2024) "Auditor's profession" means the profession of statutory auditors for providing financial audit services, sustainability assurance services, audit-related services or similar services, directly or through an audit firm.

19. (Supplemented, SG No. 79/2024) "Audit engagement" means a financial audit engagement or a sustainability assurance engagement.

19a. (New, SG No. 79/2024) "Audit firm" means an entity, regardless of its legal and organisational form, which carries out financial audits of annual financial statements and/or sustainability assurance engagements in respect of sustainability reports, and which is entered in the register referred to in Article 20.

20. (Supplemented, SG No. 79/2024) "Third-country audit firm" means an entity, regardless of its legal form, which carries out financial audits of annual financial statements and/or sustainability assurance engagements in respect of an entity established in a third country, and other than an entity registered as an audit firm in a Member State of the European Union.

21. "Experience in the field of financial audit" means experience in the field of accounting, financial reporting and auditing.

21a. (New, SG No. 79/2024) "Experience in the field of sustainability assurance" means experience in the field of carrying out sustainability assurance engagements, sustainability reporting or other services related to corporate sustainability reporting.

22. (Supplemented, SG No. 18/2020, effective 28.02.2020, SG No. 79/2024) "Principal subject of activity" means the commercial company's activity, when the total net revenues from sales from this activity exceed 50 % of the total amount of the net revenues from sales for the reporting period. The sum of the net revenues from sales from financial audit and from sustainability assurance engagements shall furthermore include the revenues from performance of engagements other than financial audit or sustainability assurance engagements which the statutory auditor is required by law to perform, as well as revenues from the provision of audit services for components for the purposes of financial audits and sustainability assurance engagements for a group.

23. "Auditor in charge" means an auditor:

(a) (amended, SG No. 79/2024) designated by the audit firm as team leader and auditor in charge of carrying out a financial audit or, where applicable, of carrying out a sustainability assurance engagement on behalf of the audit firm, or

(b) (amended, SG No. 79/2024) designated by the audit firm as team leader and auditor in charge of carrying out a financial audit of financial statements or, where applicable, of carrying out a sustainability assurance engagement at group level, and an auditor designated as team leader and auditor in charge of carrying out the audit of financial statements or, where applicable, of carrying out a sustainability assurance engagement of key controlled undertakings in case of group audit, or

(c) (supplemented, SG No. 79/2024) who signs the audit report on the financial audit or, where applicable, on the sustainability assurance engagement.

- 23a. (New, SG No. 79/2024) "Sustainability report" means the sustainability report within the meaning of Article 2(18) of Directive 2013/34/EC and the Accountancy Act.
24. "Entity/undertaking" is a concept within the meaning of Article 2 of the Accountancy Act.
25. (Amended and supplemented, SG No. 79/2024) "Repeated" is the violation committed within one year from the issuance of a criminal decree that entered into force or an agreement concluded pursuant to Art. 110a, respectively, from the issuance of an effective decision to impose a disciplinary measure, by which the offender was punished, respectively imposed a disciplinary measure, for the same type of violation.
26. "Public-interest entity" is a concept within the meaning of § 1(22) of the Supplementary Provisions of the Accountancy Act.
- 26a. (New, SG No. 79/2024) "Recognised forms of training" means the forms of training determined in accordance with the rules referred to in Article 71(3)(4).
27. "Applicable financial reporting framework" means the financial reporting framework adopted by an entity when preparing its financial statements and appropriate in terms of the nature of the entity and the purpose of the financial statements, or required by a law or by another statutory instrument. The applicable financial reporting framework determines the form and content of the financial statements.
28. (Amended, SG No. 79/2024) "Applicable sustainability reporting framework" means the sustainability reporting framework adopted by an entity which is appropriate in terms of the nature of the entity and the purpose of the sustainability report, or is required by a law or by another statutory instrument. The applicable sustainability reporting framework determines the form and content of the sustainability report.
- 28a. (New, SG No. 79/2024) "Principle of comparability and equivalence of requirements" is a requirement for the existence of comparability and equivalence of the requirements applied simultaneously by the Commission and the competent authorities from third countries when registering statutory auditors and when providing working papers, in accordance with Article 44(1) of Directive 2006/43/EC.
29. (Repealed, SG No. 18/2020, effective 28.02.2020).
- 29a. (New, SG No. 79/2024) "Inspection" within the meaning of Article 38(6) means a set of procedures for reviewing the quality of the professional activity of members of the ICPA, as well as performing inspections in pursuance of the function delegated in accordance with Article 85(3).
30. "Professional scepticism" means an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence.
31. "Professional activity of a member of the ICPA" means the activity for provision of services requiring accounting or related skills, performed by members of the ICPA and including engagements for financial audit, for review of financial information, for sustainability assurance, other than audit or review, under contractual procedures and for compilation.
32. (Supplemented, SG No. 79/2024) "Professional activity of statutory auditors" means the activity for statutory financial audit, for statutory sustainability assurance engagements and for audit-related services.
33. (Amended and supplemented, SG No. 79/2024) "Professional judgement" means applying the practical training received, the knowledge and the experience of the statutory auditor in accordance with the professional standards, the ethical requirements and the applicable reporting basis in a competent, adequate and appropriate to the circumstances manner when making decisions in the course of a financial audit or a sustainability assurance engagement.
34. (Amended and supplemented, SG No. 79/2024) "Investigation" means the implementation of a set of procedures for reviewing the work of statutory auditors for the purpose of detecting and assessing any incorrect implementation of statutory financial audit engagements, statutory sustainability assurance engagements and audit-related services from the point of view of the requirements of the applicable professional standards and of the legal provisions.

35. (Amended, SG No. 79/2024) "Reasonable assurance" means a high but not absolute level of assurance where the audit risk is reduced to an acceptable low level in the particular circumstances of the engagement. The type, timing and volume of procedures in reasonable assurance engagements are wider than those in limited assurance engagements. Reasonable assurance is provided as a positive auditor's opinion in the audit report, i.e. as an assurance that the information subject to an audit or another assurance engagement does not contain material misstatements.
36. (Supplemented, SG No. 79/2024) "Statutory auditor" means a natural person or an audit firm entered in the register referred to in Article 20 and having the right to sign audit reports containing an auditor's opinion on financial statements and/or audit report containing an auditor's opinion or an auditor's conclusion, as the case may be, on the information in the sustainability report accompanying the management report.
37. (Supplemented, SG No. 79/2024) "Statutory auditor from a Member State of the European Union" means a natural person or an audit firm who or which has acquired in a Member State of the European Union the right to sign audit reports containing an opinion on the annual financial statements of undertakings, as well as, where applicable, an auditor's opinion or an auditor's conclusion, as the case may be, on the information in the sustainability report accompanying the management report.
- 37a. (New, SG No. 18/2020, effective 28.02.2020) "Statutory auditor who is otherwise related to a statutory auditor who is a natural person or to an audit firm" under Article 21(2)4) and Article 21(3)(10) means a person who meets the criteria set out in Article 3(1)(26) of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC (OJ L 173/1 of 12.6.2014).
- 37b. (New, SG No. 79/2024) "Statutory sustainability auditor" means a natural person or an audit firm entered in the register referred to in Article 20 and having the right to sign audit reports containing an auditor's opinion or an auditor's conclusion, as the case may be, on the information in the sustainability report accompanying the management report.
- 37c. (New, SG No. 79/2024) "Statutory sustainability auditor from a Member State of the European Union" means a natural person or an audit firm who or which has acquired in a Member State of the European Union the right to sign audit reports containing an auditor's opinion or an auditor's conclusion, as the case may be, on the information in the sustainability report accompanying the management report.
38. "Management" means the persons managing and representing the audited entity.
39. "Managerial position" means a position that involves performance of functions for management and control of structural units which have a direct bearing on the implementation of the principal subject of activity of the entity.
40. "Audit-related services" are, as follows:
- (a) audits of financial statements prepared in accordance with special-purpose frameworks for regulatory or supervisory purposes, of public-interest entities;
 - (b) (supplemented, SG No. 79/2024) assurance engagements carried out by virtue of a law or intended for a wide circle of users and other than audits or reviews of historical financial information of public-interest entities;
 - (c) assurance engagements in respect of reports on greenhouse gases.
41. "Related persons" is a concept within the meaning of § 1(3) of the Supplementary Provisions of the Tax And Social Insurance Procedure Code.
42. (Amended, SG No. 25/2022, effective 29.03.2022) "Close links" is a concept within the meaning of Article 4(1)(38) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No. 648/2012 (OJ L 176/1 of 27.6.2013).

43. "Conditional remuneration" means remunerations for audit engagements calculated on a pre-determined basis related to the result from a specific transaction or from the work performed. Remunerations shall not be considered "conditional" when they are determined by a court or by a competent authority.

44. (Amended, SG No. 15/2018, effective 16.02.2018) "Financial instruments" is a concept according to Article 4 of the Markets in Financial Instruments Act.

45. (Supplemented, SG No. 79/2024) "A wide circle of users" means an unlimited number of persons, other than the management of the audited entity and/or other than the specific users of financial information and, where applicable, of information prepared for sustainability reporting purposes, specified in the contract for the respective service.

§ 2. (1) This Act introduces the requirements of:

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
 2. 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;
 3. Article 35 of 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 L 182/19 of 29.6.2013);
 4. (New, SG No. 79/2024) Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No. 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting.
- (2) This Act envisages measures for the application of 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.

TRANSITIONAL AND FINAL PROVISIONS

§ 3. This Act repeals the Independent Financial Audit Act (promulgated, SG No. 101/2001; amended, SG No. 91/2002, No. 96/2004, No. 77 and 105/2005, No. 30, 33, 62 and 105/2006, No. 67/2008, No. 95/2009, No. 54/2010, No. 99/2011, No. 38, 60 and 102/2012, No. 15/2013 and No. 61 and 95/2015).

§ 4. The Chairperson and members of the Commission for Public Oversight of Statutory Auditors shall continue to exercise their powers until the expiration of the term of office for which they have been elected.

§ 5. The repealed Independent Financial Audit Act shall be applied to the carrying out of audits of the financial statements of public-interest entities and of audits of financial statements under the Insurance Code, the Social Insurance Code and the Credit Institutions Act for reporting periods ending on 31 December 2016.

§ 6. (1) A public-interest entity which, by and including 16 June 2014, has accepted an engagement for statutory financial audit with a statutory auditor who has provided, as of that date, to that entity statutory financial audit services over a period of 20 or more consecutive years, may not accept or continue an engagement for statutory financial audit with that same auditor from 17 June 2020 onwards.

(2) A public-interest entity which, by and including 16 June 2014, has accepted an engagement for statutory financial audit with a statutory auditor who has provided, as of that date, to that entity statutory financial audit services over a period of 11 or more consecutive years but less than 20

consecutive years, may not accept or continue an engagement for statutory financial audit with that same auditor from 17 June 2023 onwards.

(3) A public-interest entity which, by and including 17 June 2016, has accepted an engagement for statutory financial audit with a statutory auditor who, by and including 16 June 2014, has provided to that entity statutory financial audit services over a period of less than 11 consecutive years, may accept or continue engagements for statutory financial audit with that same auditor until the maximum period of engagement set out in Article 65 is reached.

§ 7. (1) Within six months of the entry into force of the Act, the Commission for Public Oversight of Statutory Auditors and the Institute of Certified Public Accountants shall bring their activities in line with the Act.

(2) Within three months of the entry into force of the Act, the Institute of Certified Public Accountants shall bring the professional seals of statutory auditors in line with the Act.

§ 8. Within six months of the entry into force of the Act:

1. the public-interest entities shall set up an audit committee and shall adopt its rules of procedure in accordance with Article 107(7);
2. the Registry Agency shall bring its activities in line with the Act.

§ 9. The instruments of the Commission for Public Oversight of Statutory Auditors and the Institute of Certified Public Accountants issued before the entry into force of this Act shall be applied to the extent to which they are not contrary to this Act.

§ 10. The administrative penal proceedings, the inspections and the investigations that are still pending at the time of entry into force of this Act shall be completed in accordance with the procedure laid down in the repealed Independent Financial Audit Act.

§ 11. The following amendments and supplementations shall be made in the Insurance Code (promulgated, SG No. 102/2015; supplemented, SG No. 62/2016):

1. In Article 101:

a) Paragraph 1 shall be amended to read as follows:

"(1) The annual financial statements of an insurer, a reinsurer, an insurance holding or a financial holding with mixed activities with a seat in the Republic of Bulgaria, their consolidated financial statements, where applicable, as well as the annual information summaries, reports and appendices under Article 126 (1) shall be audited and certified by two audit companies which are registered auditors according to the Independent Financial Audit Act. When the insurer does not have a right of access to the common market under Article 16, the audit and the certification shall be implemented by a single audit company.";

b) Paragraph 3 shall be amended to read as follows:

"(3) An audit company whose registered auditors, who are to perform the certification on behalf of such audit company, have been deprived of the right to practice as an auditor in the Republic of Bulgaria or in another Member State and who do not meet the criteria under Article 101a (3) may not be an auditor under Paragraph 1.";

c) Paragraph 4 shall be repealed.

2. Article 101a shall be created as follows:

"Endorsement of auditors

Article 101a. (1) The insurers, reinsurers, insurance holdings and financial holdings with mixed activities with a seat in the Republic of Bulgaria shall select their auditors under Article 101 (1) after preliminary coordination of their choice with the Financial Supervision Commission.

(2) The criteria for coordination of the choice of auditors under Paragraph 1 shall be approved by the commission in coordination with the Commission for Public Oversight over Registered Auditors.

(3) If the Financial Supervision Commission has not lodged an objection within a 14-day time limit from the date of the request for coordination, it shall be assumed that the proposal for choice of an auditor has been duly coordinated therewith."

3. In Article 103, the words "audit entity" shall be replaced everywhere with the words "the auditors under Article 101 (1)".

4. In Article 125, Paragraph 3 shall be created as follows:

"(3) The management body of an insurance holding or of a financial holding with mixed activities with a seat in the Republic of Bulgaria, which is at helm of a group of companies, shall prepare and submit to the commission the company's financial statements, as well as the consolidated financial statements audited in accordance with Article 101 (1) within a time limit of not later than 20 weeks after the end of the financial year."

5. Article 126 (3), the words "the specialised audit entity under Article 101" shall be replaced by the words "the auditors under Article 101 (1)".

6. In Article 587 (3):

a) in Item 1, the words "the audit entity" shall be replaced by the words "the auditors under Article 101 (1)";

b) in Item 10, the words "audit entity" shall be replaced by the words "registered auditors according to the Independent Financial Audit Act".

7. In Article 599, Paragraphs 3 and 4, the words "the audit entity" shall be replaced by the words "the auditors under Article 101(1)".

§ 12. The following amendments and supplementations shall be made in the Social Insurance Code (promulgated, SG No. 110/1999; Ruling No. 5 of the Constitutional Court of 2000 - No. 55/2000; amended, SG No. 64/2000, No. 1, 35 and 41/2001, No. 1, 10, 45, 74, 112, 119 and 120/2002, No. 8, 42, 67, 95, 112 and 114/2003, No. 12, 21, 38, 52, 53, 69, 70, 112 and 115/2004, No. 38, 39, 76, 102, 103, 104 and 105/2005, No. 17, 30, 34, 56, 57, 59, 68, 76, 80, 82, 95, 102 and 105/2006, No. 41, 52, 53, 64, 77, 97, 100, 109 and 113/2007, No. 33, 43, 67, 69, 89, 102 and 109/2008, No. 23, 25, 35, 41, 42, 93, 95, 99 and 103/2009, No. 16, 19, 43, 49, 58, 59, 88, 97, 98 and 100/2010; Ruling No. 7 of the Constitutional Court of 2011 – No. 45/2011; amended, No. 60, 77 and 100/2011, No. 7, 21, 38, 40, 44, 58, 81, 89, 94 and 99/2012, No. 15, 20, 70, 98, 104, 106, 109 and 111/2013, No. 1, 18, 27, 35, 53 and 107/2014, No. 12, 14, 22, 54, 61, 79, 95, 98 and 102/2015 and No. 62/2016):

1. In Article 187:

a) in Paragraph 1, the words "by two registered auditors or by a specialised audit entity" shall be replaced by the words "jointly by two audit entities which are registered auditors according to the Independent Financial Audit Act";

b) in Paragraph 2, the words "and the specialised audit entities" shall be deleted.

2. Article 187a shall be created as follows:

"Selection and appointment of auditors

Article 187a. (1) The pension insurance companies shall select the auditors under Article 187 (1) after preliminary coordination of the choice with the Financial Supervision Commission.

(2) The criteria for coordination of the choice of auditors under Paragraph 1 shall be approved by the Financial Supervision Commission in coordination with the Commission for Public Oversight over Registered Auditors.

(3) If the Financial Supervision Commission has not lodged an objection within a 14-day time limit from the date of the request for coordination, it shall be assumed that the proposal for choice of an auditor has been duly coordinated therewith."

§ 13. The following amendments and supplementations shall be made in the Credit Institutions Act (promulgated, SG No. 59/2006; amended, SG No. 105/2006, No. 52, 59 and 109/2007, No. 69/2008, No. 23, 24, 44, 93 and 95/2009, No. 94 and 101/2010, No. 77 and 105/2011, No. 38 and 44/2012, No. 52, 70 and 109/2013, No. 22, 27, 35 and 53/2014, No. 14, 22, 50, 62 and 94/2015 and No. 33, 59, 62 and 81/2016):

1. In Article 71, Paragraph 1, Item 7, the word "auditor" shall be replaced by the word "auditors".
2. In Article 76:
 - a) in Paragraph 1, the words "by a specialised audit entity which is a registered auditor" shall be replaced by the words "jointly by two audit entities which are registered auditors";
 - b) in Paragraph 4, the word "auditor" shall be replaced by the word "auditors" and a second sentence shall be created as follows: "The Bulgarian Central Bank, in coordination with the Commission for Public Oversight over Registered Auditors, shall adopt criteria for coordination of the choice.";
 - c) in Paragraph 6, the word "auditor" shall be replaced by the word "auditors";
 - d) in Paragraph 7, in the text before Item 1, the words "the auditor shall give" shall be replaced by the words "the auditors shall give" and the words "The auditor shall make a review and shall express" shall be replaced by the words "The auditors shall make a review and shall express".
3. In Article 77, Paragraph 1, Item 4, the words "the auditor to certify" shall be replaced by the words "the auditors to certify".
4. In Paragraph 78 (1), the words "by a specialised audit entity which is a registered auditor" shall be replaced by the words "jointly by two audit entities which are registered auditors".

§ 14. The following amendments and supplementations shall be made in the Accountancy Act (promulgated, SG No. 95/2015; supplemented, SG No. 74/2016):

1. In Article 38, Paragraph 11 shall be created as follows:

"(11) By the 31st of June of the current year, the Registry Agency shall provide electronically to the National Revenue Agency a list of the entities which failed to publish their annual financial statements for the previous year within the time limit stipulated in Paragraphs 1 and 2. The list shall contain the name of the entity and the BULSTAT code. By the 30th of September of the current year, the National Revenue Agency shall undertake the necessary measures for the implementation of audits and for the establishing of violations under Paragraphs 1 - 10."
2. In Article 74 (1), the words "within the time limits under Article 38" shall be added after the words "fails to publish financial statements".
3. In § 1, Item 22 of the supplementary provisions, letter "k" shall be amended to read as follows:

"l) Water Supply and Sewerage operators within the meaning of Article 2 (1) of the Regulation of Medium and Large Water Supply and Sewerage Companies Act."

§ 15. The following amendments shall be made in the Collective Investment Schemes and Other Undertakings for Collective Investments Act (promulgated, SG No. 77/2011; amended, SG No. 21/2012, No. 109/2013, No. 27/2014, No. 22 and 34/2015 and No. 42 and 76/2016):

1. In Chapter Fourteen, in the title of Section III, the word "independent" shall be replaced by the word "registered".
2. In Article 150:
 - a) in Paragraph 1, in the text before Item 1, the words "independent auditor" shall be replaced by the words "registered auditor according to the Independent Financial Audit Act";
 - b) in Paragraph 2, the words "the independent" shall be replaced by the words "the registered";
 - c) in Paragraph 3, the words "independent" and "the independent" shall be replaced by the words "registered" and "the registered" respectively.
3. In Article 151, Paragraph 1, Item 3, the words "the independent" shall be replaced by the words "the registered".

§ 16. The following amendments shall be made in the Supplementary Supervision of Financial Conglomerates Act (promulgated, SG No. 59/2006; amended, SG No. 52/2007, No. 77 and 105/2011, No. 70/2013, No. 27/2014 and No. 102/2015):

1. In Paragraph 19 (2) the words "independent auditor" shall be replaced by the words "registered auditor according to the Independent Financial Audit Act".
2. In Article 20, Paragraph 3, Item 7, the word "independent" shall be replaced by the word "registered".

§ 17. In the Payment Services and Payment Systems Act (promulgated, SG No. 23/2009; amended, SG No. 24 and 87/2009, No. 101/2010, No. 105/2011, No. 103/2012, No. 57 and 102/2015 and No.59/2016), in Article 23 (1), the words "specialised audit entity" shall be replaced by the words "audit company".

§ 18. In the Film Industry Act (promulgated, SG No. 105/2003; amended, SG No. 28, 94 and 105/2005, No. 30, 34 and 80/2006, No. 53 and 98/2007, No. 42 and 74/2009, No. 99/2010; Ruling No. 1 of the Constitutional Court of 2011 – No. 31/2011; amended, SG No. 82/2012 and No. 15 and 68/2013), in Article 26 (3), the words "independent financial auditor" shall be replaced by the words "registered auditor according to the Independent Financial Audit Act".

§ 19. The following amendments shall be made in the Postal Services Act (promulgated, SG No. 64/2000; amended, SG No. 112/2001, No. 45 and 76/2002, No. 26/2003, No. 19, 88, 99 and 105/2005, No. 34, 37, 80 and 86/2006, No. 41, 53 and 109/2007, No. 109/2008, No. 35, 87 and 93/2009, No. 101 and 102/2010, No. 105/2011, No. 38/2012, No. 61/2014 and No. 81/2016):

1. In Article 29a (3), the word "auditor" shall be replaced by the words "registered auditor according to the Independent Financial Audit Act".

2. In Article 29b (5), the word "independent" shall be replaced by the word "registered".

§ 20. The following amendments shall be made in the Bank Bankruptcy Act (promulgated, SG No. 92/2002; amended, SG No. 67/2003, No. 36 and 2004, No. 31 and 105/2005, No. 30, 34, 59 and 80/2006, No. 53 and 59/2007, No. 67 and 2008, No.105/2011, No. 98/2014, No. 22, 41, 50, 61, 62 and 94/2015 and No. 33/2016):

1. In Article 78 (1), the words "the preparation of the appraisal under Article 80 (1)" shall be replaced by the words "the completion of the inventory taking and of the appraisal under Article 52 (1)".

2. In Article 80 (7), the words "specialised audit entity" shall be replaced by the words "audit company".

§ 21. The following amendments shall be made in the Forestry Act (promulgated, SG No. 19/2011; amended, SG No. 43/2011, No. 38, 60, 82 and 102/2012, No. 15, 27, 66 and 109/2013, No. 28, 53, 61 and 98/2014, No.60, 79 and 100/2015 and No. 13, 15, 57 and 61/2016):

1. In Article 170, Paragraph 1, Item 5, the words "or a specialised audit entity" shall be deleted.

2. In Article 172, Paragraph 1, Item 13, the words "or by a specialised audit entity" shall be deleted.

§ 22. The following amendments shall be made in the Electronic Communications Act (promulgated, SG No. 41/2007; amended, No. 109/2007, No. 36, 43 and 69/2008, No. 17, 35, 37 and 42/2009; Ruling No. 3 of the Constitutional Court of 2009 – No. 45/2009; amended, SG No. 82, 89 and 93/2009, No. 12, 17, 27 and 97/2010, No. 105/2011, No. 38, 44 and 82/2012, No. 15, 27, 28, 52, 66 and 70/2013, No. 11, 53, 61 and 98/2014, No. 14/2015; Ruling No. 2 of the Constitutional Court of 2015 – No. 23/2015; amended, SG No. 24, 29, 61 and 79/2015 and No. 50/2016):

1. In Article 172 (2) the words "independent auditor" shall be replaced by the words "registered auditor according to the Independent Financial Audit Act".

2. In Article 188 (4), the word "independent" shall be replaced by the word "registered".

3. In Article 222 (8), the word "independent" shall be replaced by the word "registered".

§ 23. In the Excise Duties and Tax Warehouses Act (promulgated, SG No. 91/2005; amended, SG No. 105/2005, No. 30, 34, 63, 80, 81, 105 and 108/2006, No. 31, 53, 108 and 109/2007, No. 36 and 106/2008, No. 6, 24, 44 and 95/2009, No. 55 and 94/2010, No. 19, 35, 82 and 99/2011, No. 29, 54 and 94/2012, No. 15, 101 and 109/2013, No. 1 and 105/2014, No. 30, 92 and 95/2015 and No. 45 and 58/2016), in Article 48, Paragraph 2, Item 18, the words "or specialised audit entity" shall be deleted.

§ 24. In the Water Act (promulgated, SG No. 67/1999; amended, SG No. 81/2000, No. 34, 41 and 108/2001, No. 47, 74 and 91/2002, No. 42, 69, 84 and 107/ 2003, No. 6 and 70/2004,

No. 18, 77 and 94/2005, No. 29, 30, 36, 65, 66, 105 and 108/2006, No. 22 and 59/2007, No. 36, 52 and 70/2008, No. 12, 32, 35, 47, 82, 93, 95 and 103/2009, No. 61 and 98/2010, No. 19, 28, 35 and 80/2011, No. 45, 77 and 82/2012, No. 66 and 103/2013, No. 26, 49, 53 and 98/2014, No. 12, 14, 17, 58, 61, 95 and 101/2015 and No. 15, 51 and 52/2016), in § 46, Paragraph 2 of the transitional and final provisions, the word "auditor" shall be replaced by the words "registered auditor according to the Independent Financial Audit Act".

§ 25. In the Value Added Tax Act (promulgated, SG No. 63/2006; amended, SG No. 86, 105 and 108/2006; Ruling No. 7 of the Constitutional Court of 2007 – No. 37/2007; amended, SG No. 41, 52, 59, 108 and 113/2007, No. 106/2008, No. 12, 23, 74 and 95/2009, No. 94 and 100/2010, No. 19, 77 and 99/2011, No. 54, 94 and 103/2012, No. 23, 30, 68, 98, 101, 104 and 109/2013, No. 1, 105 and 107/2014, No. 41, 79, 94 and 95/2015 and No. 58, 60, 74 and 88/2016), in Article 166, Paragraph 3, Item 2, the words "or specialised audit entity" shall be deleted.

§ 26. In the Financial Management and Control in the Public Sector Act (promulgated, SG No. 21/2006; amended, SG No. 42/2009, No. 54/2010, No. 98/2011, No. 15/2013 and No. 43/2016), in Article 16, Paragraphs 2 and 3 shall be amended to read as follows:

"(2) In fulfilling his or her duties under this act, the Minister of Finance shall be assisted by employees of a unit in the specialised administration of the Ministry of Finance, which shall be directly subordinated to him or her.

(3) The employees under Paragraph 2 must have completed their higher education and must have acquired an educational qualification degree of "Master" and at least 3 years of work experience in the field of internal control, internal audit or external audit."

§ 27. The following amendments and supplementations shall be made in the Internal Audit in the Public Sector Act (promulgated, SG No. 27/2006; amended, SG No. 64 and 102/2006, No. 43, 69, 71 and 110/2008, No. 42, 44, 78, 80, 82 and 99/2009, No. 54/2010, No. 8 and 98/2011, No. 50/2012, No. 15/2013, No. 101/2015 and No. 43 and 51/2016):

1. In Article 12 (1) the following third sentence shall be created: "The internal audit in the Ministry of Finance can be performed by internal auditors within the unit referred to in Article 16 (2) of the Financial Management and Control in the Public Sector Act, where in such a case the head of the unit shall also be head of the internal audit at the Ministry of Finance and must meet the requirements of Article 21, Paragraphs 1 and 2."

2. In Article 14 (1), the words "Paragraph 1" shall be replaced by the words "Paragraph 2".

3. In Article 47, Paragraphs 2 and 3 shall be amended to read as follows:

"(2) In fulfilling the duties under this act, the Minister of Finance shall be assisted by employees of the unit under Article 16 (2) of the Financial Management and Control in the Public Sector Act.

(3) The employees referred to in Paragraph 2 must meet the requirements of Article 21 (1)."

§ 28. In the Civil Aviation Act (promulgated, SG No. 94/1972; amended and supplemented, SG No. 30/1990, No. 16/1997, No. 85/1998, No. 12/2000, No. 34 and 111/2001, No. 52 and 70/2004, No. 88 and 102/2005, No. 30, 36, 37, 105 and 108/2006, No. 10, 41 and 109/2007, No. 36, 66 and 67/2008, No. 35, 47, 82 and 102/2009, No. 63, 73 and 94/2010, No. 41, 81 and 99/2011, No. 38, 60 and 82/2012, No. 15 and 66/2013, No. 12, 53 and 98/2014, No. 28 and 89/2015 and No. 15/2016), in Article 48, the word "independent" shall be deleted.

This act was passed by the 43th National Assembly on 15 November 2016 and was sealed with the official seal of the National Assembly.

TRANSITIONAL AND FINAL PROVISIONS

to the Act to Amend and Supplement the Independent Financial Audit Act

(SG No. 18/2020, effective 28.02.2020, amended, SG No. 52/2022, effective 1.07.2022)

§ 46. All documents and information relevant for the registration of the statutory auditors in the register referred to in Article 20 shall be submitted by the ICPA to the Commission within 6 months of the entry into force of this Act. Until the full set of documents and information are transferred, the conditions for maintaining the register before the entry into force of this Act shall apply.

§ 47. The amendments with regard to the rotation of statutory auditors set out in paragraphs 3 and 4 of Article 65 shall enter into force for audits of financial statements for reporting periods ending on 31 December 2019.

§ 48. The chairpersons of the audit committees at public-interest entities are obliged to submit the initial information covered by Article 109(4) within 6 months of the entry into force of this Act.

§ 49. As regards the administrative penal proceedings that are still pending on the date of entry into force of this Act, agreements on their termination may be concluded in accordance with the procedure laid down in Articles 110a – 110c.

§ 50. The Commission shall issue the ordinances referred to in Article 20(8), Article 108(1)(9) and Article 109(5) within three months of the entry into force of this Act.

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§ 56. The proceedings ongoing as of the entry into force of this Act for imposition of attachment or distraint on petitions filed by prosecutors from the specialised prosecutor's office shall be examined by the courts in which they were instituted.

.....

§ 59. For 2020, for the places of accommodation registered under the Tourism Act, the amount of the tourist tax for 2020 shall apply as set in the relevant ordinance referred to in Article 1(2) of the Local Taxes and Fees Act for places of accommodation classified as "one star".

.....

§ 62. (1) Producers of energy products within CN codes 3403 and 3814 which were not subject to licensing pursuant to the Excise Duties and Tax Warehouses Act before the date of entry into force of this Act, provided they file a request and the required documents for the issuing of a tax warehouse operation license within one month of the entry into force of this Act, may continue their activity under the Excise Duties and Tax Warehouses Act until a decision is issued by the Director of the Customs Agency, but not later than four months after the entry into force of this Act, subject to compliance with the provisions regarding the obligations of authorised warehousekeepers.

(2) The persons that have been granted a certificate of excise-exempt end-user for production of products falling within CN code 3814 shall bring their activity in line with the requirements of Article 59(6) of the Excise Duties and Tax Warehouses Act within two months of the entry into force of this Act, or shall file an application under paragraph 1.

.....

§ 64. (1) When an advance payment has been received before the entry into force of this Act for supplies relating to transfer of greenhouse gas emission allowances under Annex No. 2, part three of the Value Added Tax Act, for which the tax treatment of the person paying the tax is changed with the Value Added Tax Act and for which the chargeable event arises after the day of entry into force of this Act, the supplier shall document the supply by cancelling the invoice issued for the advance payment and shall issue a new invoice stating the total taxable amount for the supply. A protocol under Article 116(4) of the Value Added Tax Act shall be issued for the cancellation.

(2) When an advance payment has been made before the entry into force of this Act for a supply relating to transfer of greenhouse gas emission allowances under Annex No. 2, part three of the

Value Added Tax Act, for which the tax treatment of the person paying the tax is changed with the Value Added Tax Act and for which the chargeable event arises after the day of entry into force of this Act, the recipient that is a registered person under the Value Added Tax Act shall charge a tax on the total taxable amount of the supply, including on the advance payment made.

(3) When, before the entry into force of this Act, tax has not been charged on the total taxable amount of a supply relating to transfer of greenhouse gas emission allowances, it shall be deemed that the tax on the supply is due and payable by the recipient, and the supplier shall document the supply and shall apply paragraph 1 by 31 March 2020.

(4) Paragraph 3 shall furthermore apply to administrative and court proceedings which are still pending on the date of entry into force of this Act.

§ 65. (Amended, SG No. 52/2022, effective 1.07.2022) The provisions of Article 163e and part three of Annex No. 2 in Chapter Nineteen "a" of the Value Added Tax Act shall apply until 31 December 2026.

§ 66. This Act shall enter into force on the day of its publication in the State Gazette, with the exception of:

1. subparagraph 2 of § 57 and § 60 which shall enter into force as from 1 January 2020;
2. subparagraph 1 of § 57 which shall enter into force as from 1 January 2021.

TRANSITIONAL AND FINAL PROVISIONS

to the Act on the Measures and Actions during the State of Emergency
Declared by a Resolution of the National Assembly of 13 March 2020

(SG No. 28/2020, effective 13.03.2020, amended, SG No. 44/2020, effective 14.05.2020)

.....
§ 43. In 2020, the time limit referred to in:

1. Article 62 (3) of the Independent Financial Audit Act shall be extended until the 31st day of July 2020;
2. Item 9 of Article 108 (1) of the Independent Financial Audit Act shall be extended until the 30th day of September 2020.

.....
§ 52. (Amended, SG No. 44/2020, effective 14.05.2020) This Act shall enter into force as from the 13th day of March 2020 with the exception of Article 5, § 3, § 12, § 25 to 31, § 41, § 49 and § 51 herein, which shall enter into force on the date of promulgation of the said Act in the State Gazette.

TRANSITIONAL AND FINAL PROVISIONS

to the Act Amending and Supplementing
the Independent Financial Audit Act

(SG No. 79/2024)

§ 91. The additional requirements regarding the acquiring of qualification as a statutory sustainability auditor set out in Chapter Two shall not apply to the statutory auditors who, as of 1 January 2024, are entered or are in the process of being entered in the register referred to in Article 20, to the certified public accountants who, as of 1 January 2024, are in the process of being entered in the register referred to in Article 17, as well as to the candidates for certified public accountants who, as of 1 January 2024, are undergoing the application procedure, provided that said procedure is successfully completed by 1 January 2026. These persons may practice as statutory sustainability auditors after successfully acquiring the necessary knowledge in sustainability reporting and providing sustainability assurance, including on the topics specified in Article 19a(1), through additional training in accordance with the rules referred to in Article 71(3)(4).

§ 92. The training referred to in § 91 shall be carried out by the Institute of the Certified Public Accountants.

§ 93. Until the European Commission adopts the standards referred to in Article 9(2), the International Auditing Standards, International Standards on Quality Control 1 and 2 and the other international standards issued by the International Federation of Accountants through the International Auditing and Assurance Standards Board shall apply.

§ 94. Within three months of the entry into force of this Act, the International Auditing Standards, International Standards on Quality Control 1 and 2 and the other international standards issued by the International Federation of Accountants through the International Auditing and Assurance Standards Board shall be published in the State Gazette. The standards shall be published by an ordinance adopted by the Commission on the proposal of the Institute of Certified Public Accountants on the basis of an agreement between the Institute and the International Federation of Accountants.

§ 95. Within three months of the entry into force of this Act, the Handbook of the International Code of Ethics for Professional Accountants (Including International Independence Standards) issued by the International Federation of Accountants through the International Ethics Standards Board for Accountants shall be published in the State Gazette. The Handbook shall be published by an ordinance adopted by the Commission on the proposal of the Institute of Certified Public Accountants on the basis of an agreement between the Institute and the International Federation of Accountants.

§ 96. Until the European Commission adopts the European Standards on Sustainability Assurance referred to in Article 3a(4), statutory engagements for providing limited assurance on the sustainability reports of undertakings shall be carried out, unless an undertaking requests an engagement for providing a reasonable assurance to be carried out in respect of its sustainability report.

§ 97. For the employees of the Commission's administration who are in employment or service relationships before 1 January 2025, the exams specified in Article 19a(1) shall be recognised as having been successfully passed after the necessary knowledge in sustainability reporting and providing sustainability assurance have been successfully acquired through additional training in accordance with the rules referred to in Article 71(3)(4).

§ 98. Within six months of the entry into force of the Act, the General Meeting of the Institute of Certified Public Accountants shall adopt the relevant amendments to its articles of association.

§ 99. Within three months of the entry into force of this Act each statutory auditor shall create his, her or its personal profile in the information system for secure electronic service as a module of the Electronic Government Portal within the meaning of the Electronic Government Act, and provide to the Commission for Public Oversight of Statutory Auditors information regarding the profile so that it can be entered in the register referred to in Article 20.

§ 100. The requirements of Article 108(1)(6) shall not apply to the selection of statutory sustainability auditors for the 2024 reporting year.

§ 101. The administrative, administrative penal and disciplinary proceedings that are still pending on the date of entry into force of this Act shall be completed in accordance with the procedure laid down in this Act.

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