

Issued by the Commission for Public Oversight of Statutory Auditors

Prom. SG. № 55, 20<sup>th</sup> July 2012

## Chapter One

### GENERAL PROVISIONS

Art. 1. This regulation shall govern:

(1) The activity of the Commission for Public Oversight of Statutory Auditors, hereinafter "The Commission".

(2) The structure, functions and activity of its administration.

Art. 2. The Commission is an independent body, budget-subsidized legal entity, having its registered office in Sofia. The Commission's activity is financed by the state budget through the Financial Supervision Commission's budget.

Art. 3. The Commission shall exercise public oversight over the activity of statutory auditors and the activity of the Institute of Certified Public Accountants under Art. 37 of the Independent Financial Audit Law

Art. 4. The Commission shall cooperate with the respective authorities of the European Union, with supervision bodies of the Member States of the European Union or of third countries which are in charge of independent financial audit.

## Chapter Two

### STRUCTURE AND ACTIVITY OF THE COMMISSION

#### Section I

#### Composition and Competence of the Commission

Art. 5. (1) The Commission acts as a College and consists of a Chairman and four members. In the absence of the Chairman, his/her functions shall be performed by a member of the Commission, designated by the Chairman for each particular case.

(2) The Chairman and the members of the Commission are elected by the National Assembly.

(3) The mandate of the Commission is 4 years. The Chairman and the members of the Commission cannot be elected for more than two consecutive mandates. In case of termination of the mandate of a Chairman or of a member of the Commission they shall perform their duties until a new Chairman and members of the Commission are elected.

(4) The members of the Commission, excluding its Chairman, shall not be in employment or official legal relation with the Commission.

(5) The activity of the Commission shall be supported by an administration.

(6) To carry out its activity the Commission can hire outside not-on-the-payroll collaborators.

Art. 6. The Commission shall be in charge of the oversight over:

1. Acquisition of competence, registration of statutory auditors, including auditors and audit firms from other Member States of the European Union, and from third countries, as well as deprivation of the competence.

2. Adopting and observing standards for professional ethics, internal quality control of auditor firms and performing the audit.

3. Continuous training for the statutory auditors, quality assurance systems, investigation and penalties imposition.

Art. 7 The Commission shall approve of or return with a reasoned request to review the following rules, methodologies and provisions proposed by the Institute of Certified Public Accountants:

1. The rules and the procedures for carrying out quality assurance reviews of the activity of the statutory auditors, the persons involved in the reviews, as well as the annual plan for carrying out reviews.
2. The contents, organisation, rules and procedures for conducting the candidates' exams for obtaining a diploma for a certified public accountant.
3. The rules for organising and conducting continuous training of the certified public accountants.
4. The rules and the procedures for conducting in Bulgarian language the exams on Bulgarian commercial, taxation and insurance legislation for persons who have acquired audit capacity in a member state of EU, or in a state within the European Economic Area.
5. The amount of fees due from statutory auditors for carrying out quality assurance reviews of their audit activity.
6. The rules for entry in the Register under Art. 24 of the Independent Financial Audit Law (IFAL) for each auditor and audit firm from a third country under Art. 21a of IFAL.

Art. 8. The Commission shall:

1. Approve the Institute of Certified Public Accountants' quarter and annual reports on the outcomes of the quality assurance reviews of the activity of the statutory auditors.
2. Assess the outcomes of the quality assurance reviews carried out on the work of the auditors, performing independent financial audit of the enterprises that carry out an activity of public interest, on criteria adopted by it.
3. Assign further or repeated reviews in those cases where the outcomes of the quality assurance reviews carried out are unsatisfactory.
4. Appoint a member, respectively members, of the Commission to take

part in the reviews along with the Institute of Certified Public Accountants' bodies in case of repeated failure to observe the fixed terms for completion of the reviews or unsatisfactory quality of the reviews.

5. Verify compliance with the requirements of the regulations established under Art. 7.

Art. 9. (1) The Commission shall, by its own budget, finance the participation of the inspectors in the quality assurance reviews.

(2) Members of the Commission:

1. Receive remuneration for participation in each session, inspection (investigation) and international event of the Commission in the amount of 300 leva; however, the monthly remuneration of a member of the Commission cannot exceed 50% of the basic monthly remuneration of the Chairman of the Commission.

2. Could be awarded once in a calendar year with cash and prizes of up to 50 % of the basic monthly remuneration of the Chairman of the Commission.

Art. 10. (1) The Commission shall carry out investigations upon received warnings and proposals by interested persons regarding alleged contraventions. In these cases the Commission may be supported by the respective bodies of the Institute of Certified Public Accountants.

(2) On the basis of the outcomes from reviews the Commission has the right to prescribe mandatory instructions to the statutory auditors and undertake measures against them.

Art. 11. The Commission imposes penalties in the cases designated by the IFAL.

Art. 12. (1) The Commission, in a 14-day term, decides on complaints regarding decisions of the Management Board of the Institute of Certified Public Accountants providing refusal for membership and registration of candidates for statutory auditors.

(2) The Commission shall consider cases of exemption or resignation of a statutory auditor, as well as the explanations given.

Art. 13. The Commission develops and publishes on its website the following:

1. The annual working program for its activity.

2. The outcomes of the reviews.

3. Information on the cooperation with the respective authorities of the European Union, with supervision bodies of the Member States of the European Union or of third countries.

4. The annual activity report.

5. Other materials concerning its activity.

Art. 14. The Commission shall prepare and present to the National Assembly an annual activity report not later than May 30th of the following year.

Art. 15. (1) The Chairman of the Commission shall administer the activity of the Commission and shall represent it.

(2) The Chairman of the Commission shall be an authorising person of budget estimates.

(3) The Chairman of the Commission:

1. Represents the Commission in the country and abroad.

2. Summons and chairs sessions of the Commission.

3. Ordains penal decisions as per the Independent Financial Audit Law.

4. Organizes, administers and controls the activity of the administration of the Commission.

5. Endorses the payroll schedule of Commission's administration and the employees' job descriptions and approves the job description of the Secretary General and the officers who are directly subordinate to him;.

6. Signs, amends and terminates employment of the officers of the administration of the Commission.

7. Assigns the remuneration of the officers of the administration and the procedure of payment.

8. Signs civil contracts with not-on-the-payroll collaborators.

9. Signs contracts necessary for the functioning of the Commission and its administration.

10. Sends on official trips, in the country and abroad, members of the Commission and its administration.

11. Organizes drafting of the budget and submits it to the Commission for approval;

12. Organizes the implementation, closing and reporting of the budget and submits it to the Commission for approval.

13. Issues ordinances and instructions governing the activity of the administration of the Commission.

(4) The Chairman of the Commission has the right to establish consultative committees for the fulfillment of his functions.

(5) The procedure of commissioning and reporting of the Chairman is regulated in a decision of the Commission.

## **Section II** **Organisation of the Activity of the Commission**

Art. 16. (1) The Commission is a standing body.

(2) The Commission sits and decides matters of its competence in public sessions. Upon the Commission's decision given sittings can be in camera.

(3) The sessions of the Commission are regular and called meetings, as follows:

1. The Commission sits regularly at least twice a month with a preliminary communicated agenda; materials on the agenda are handed to the members not later than two days ahead of session.

2. The Commission is summoned on a called meeting by the Chairman or upon proposal of at least two members.

3. Matters not on the agenda can be discussed when none of the present members raises objection;

4. The Chairman of the Commission designates which officers of the administration should attend the sessions when sitting on specific issues.

Art. 17. (1) The sessions of the Commission shall be held when the Chairman and at least two members are present.

(2) The absence from sessions of a member is admissible only if he/she is:

1. on an official trip;
2. on leave, due to correspondent procedures;
3. on sick leave.

(3) In case the person has not taken part without sound reason in three or more sessions of the Commission within a one-year period the Chairman of the Commission submits to the National Assembly a proposal for preliminary termination of the mandate of the correspondent member of the Commission.

(4) The Commission adopts decisions by open vote and a majority of three votes.

(5) Decisions under Art. 41 and Art. 42 of the Independent Financial Audit Law concerning deprivation of right to carry out an independent financial audit and the right of exercising audit activity are adopted by a majority of four votes and by secret vote.

(6) The Chairman and the members of the Commission cannot abstain from voting.

Art. 18. (1) Minutes of each session of the Commission are kept by a designated officer from the administration. The minutes are signed by the Chairman, the members of the Commission present at the session and the minute-keeper.

(2) On the basis of the minutes an abstract is drafted including topics on the agenda and the decisions taken. The abstract should be signed by the Chairman and a designated officer from the administration.

(3) The decisions of the Commission are communicated in writing to the interested persons in a seven-day term.

### **Section III**

#### **Quality Control on the Activity of Statutory Auditors**

Art. 19. (1) All statutory auditors and audit firms, which are members of the Institute of Certified Public Accountants, as well as statutory auditors and audit firms of EU Member States, or third countries, are subject to quality control of their activity.

(2) The quality control system is established and functions according to the rules, procedures, and plans approved by the Commission upon a proposal of the Institute of Certified Public Accountants (ICPA).

(3) The quality control system functions, while the inspectors appointed by the Commission and controllers of ICPA, carry out quality control reviews under the supervision of the Commission.

(4) The inspectors of the Commission are in official relationship or off-employment legal relations with the Commission. They are employed under a procedure designated by Civil Service Act and this Regulation.

(5) In fulfillment of their duties the members and inspectors of the Commission are obliged to identify themselves with an official card and to present the Commission's decision or an ordinance of the Chairman to carry out an inspection/investigation.

Art. 20. In carrying out their duties, the Chairman, the members of the Commission, and persons designated upon a decision of the Commission to carry out reviews, are entitled to require:

1. Within terms fixed by them, from the statutory auditor who is subject to review - documents, certified copies of documents, data, references and other information of importance for the reviews.

2. Within terms fixed by them, from the statutory auditor who is subject to review - explanations in writing on matters related to the review.

3. Certified copies of documents, data, references and other information - from legal persons and sole traders, out of the reviewed statutory auditor, that are related to the review;

4. From the Institute of Certified Public Accountants a provision of documents, data, references and other information related to the powers of the Commission.

Art. 21. Quality control on the activity of the statutory auditors should respect the following requirements:

1. The control is exercised by persons who are independent from the respective statutory auditors and audit firms.
2. The persons who do not exercise activity related to independent financial audit, involved in the carrying out of the reviews, are in official or non-employment relationships with the Commission.
3. The funding for the control system should be adequate, sufficient, and free from the influence of the statutory auditors subject to control.
4. Adequate resources to be secured for the appropriate control activity;
5. The persons who carry out quality control should have an adequate professional education and corresponding experience in the field of the independent financial audit and financial accounting and should have passed training in quality control.
6. There is no conflict of interests between the persons carrying out quality control, and the statutory auditors and audit firms subject of the review.

Art. 22. (1) Quality control of the statutory auditors' activity includes:

1. Review for compliance with the requirements of the International Standards on Auditing.
2. Review for compliance with the ethical principles and rules, including independence rules.
3. Ascertainment of adequacy of time and human resources, used for carrying out the audit according to its scope and its complexity.
4. Ascertaining the adequacy of the audit fees received for the audit.
5. Assessment of the internal quality control system, applied by the statutory auditor.

6. Review for compliance with the requirements set forth in Art. 40a, Para. 5 of the IFAL.

7. Review for compliance with the requirements set forth in Art. 22, Para. 2, Art. 27, Para. 4, Art. 28, 33, 40m and § 1, p. 9 from the additional provisions of the IFAA.

(2) During an inspection of an audit firm the audits, carried out by each statutory auditor acting on behalf of the company, shall be included in the sample.

(3) Reports for the outcomes of each inspection carried out shall be prepared that contain the main conclusions from the controls carried out. A copy of the report shall be given to the statutory auditor - subject of the review.

(4) The statutory auditor or audit firm, subject to the review, has the right within 5 working days from the date when the report was received to submit to the Commission a statement regarding the findings included in the report.

Art. 23. (1) A statutory auditor, carrying out independent financial audit of a public interest entity, is subject to an audit quality control review at least once in three years.

(2) The Quality Control Review in Para. 1 is performed by inspectors and/or members of the Commission for Public Oversight of the Statutory Auditors. In the review may participate also registered auditors.

(3) The report on the outcomes and all documentation from the review should be provided to the Commission in three-day term from the expiry under Art. 22, Para. 4.

(4) A copy of the report from the review and a copy of the Commission's decision on its adoption are sent to the Institute of Certified Public Accountants.

Art. 24. (1) A statutory auditor who does not carry out independent financial audit of a public interest entity, shall be subject to review regarding the quality of the audit activity at least once in six years.

(2) The review under Para. 1 shall be performed by ICPA, in which by decision of the Commission may also involve inspectors.

(3) The Report for the outcomes from the review under Para. 1 shall be submitted for adoption by the Council of Control on the Quality of Audit Services of ICPA.

(4) The Institute of Certified Public Accountants draws a detailed report on the quality assurance reviews of the activity of these auditors per each calendar quarter. A copy of the report should be presented to the Commission within 15 days from the expiry of the respective quarter.

#### **Section IV**

#### **Cooperation and information exchange with the competent bodies of other states**

Art. 25. (1) The Commission cooperates with the respective competent authorities from other Member States of the European Union in order to exercise their powers in the field of public oversight of statutory auditors.

(2) In cases where requests have been submitted by the competent authorities of other states, the Commission should immediately undertake the appropriate actions to gather the required information. The Commission is supported by the Institute of Certified Public Accountants when performing this activity.

(3) The requirement for professional secrecy does not impede the information exchange between the Commission and the competent authorities of the Member States of the European Union.

Art. 26. (1) When the Commission has reasonable doubts that on the

territory of another Member State of the European Union activities, contrary to the provisions of Directive 2006/43/EC of the European Parliament and of the Council, are being carried out, the Commission should provide detailed information thereof to the competent authority of the respective Member State of the European Union.

(2) When the Commission has been notified by the competent authority of a Member State of the European Union of a violation of the requirements of Directive 2006/43/EC within the territory of the Republic of Bulgaria, the Commission shall take the appropriate measures and inform the respective competent authority of the Member State of the European Union about the outcome.

Art. 27. (1) The Commission carries out investigations upon request of the respective competent authority of another Member State of the European Union. In such cases the Commission may allow representatives of the competent authority of the Member State of the European Union to take part in the investigation.

(2) The Commission may also request an investigation to be carried out by the competent authority of another Member State of the European Union within the latter's territory, whilst its members participate as observers in the investigation.

Art. 28. (1) The Commission may refuse to act on a request for information and carrying out of investigation with the participation of observers in cases specified Art. 40 q of the Independent Financial Audit Law.

(2) In the cases referred to in Para. 1 the Commission shall notify the body which has requested the cooperation.

Art. 29. (1) The Commission may allow, in the cases specified by the IFAL, the transfer to third country competent authorities of audit working papers related to the carrying out of independent financial audit, or other documents held by the statutory auditors of the

competent authorities of a third country.

(2) The transfer is in accordance with the requirements of Chapter Six from the Law on Personal Data Protection.

(3) The request from a competent authority of a third country can be refused following the provisions of Art. 40s, Para. 2, p. 4 of the Independent Financial Audit Law.

### **Chapter Three**

#### **ADMINISTRATION OF THE COMMISSION**

#### **Section I**

##### **General Provisions**

Art. 30. (1) When carrying out its functions and powers the Commission shall be supported by a specialized and a general administration which are organized into two Directorates.

(2) The total number of the administration is 24 payroll employees, divided by structural units according to the Appendix.

(3) The Chairman and the staff of the Commission have the right to:

1. An additional paid annual holiday for the performance of official duties off working hours. The amount of the additional holiday for the Chairman is set in a Commission's decision, and for the staff members in a Chairman's ordinance.

2. Improvement of qualification and re-qualification through the Commission's budget, in compliance with art. 35 of the Civil Service Act.

3. Entertainment allowances for working clothing under the Ordinance for the official status of civil servants adopted with Decree №34/2000 (SG 23/2000; last am. №49/2012). The specific amount of the means is set by the Chairman of the Commission for each calendar year.

4. Bonuses for the execution of specific functions provided by the Independent Financial Audit Law following rules of procedure determined by the Civil Service Act and the internal rules for salaries.

(4) In carrying out its activity the Commission may contract outside collaborators and experts when and where necessary. Their status is determined by a Commission's decision.

Art. 31. The preliminary financial control shall be exercised by an officer designated by an ordinance of the Chairman of the Commission.

Art. 32. The management of the administration associated with the direct implementation of the Commission's decisions as well as the informational, technical and administrative assurance of its activity are carried out by a Secretary General who is appointed by the Chairman of the Commission.

**Section II.**  
**Structure and Functions of Administration**

Art. 33. (1) The Secretary General carries out the administrative functioning of the Commission's administration as follows:

1. Coordinates and controls the administrative units for the compliance of the regulations, the implementation of the Commission's decisions and the orders of the Chairman.

2. Is in charge of the planning and accountability when implementing the annual goals of the administration.

3. Organizes and supervises the drafting of the budget and the annual financial statement.

4. Coordinates the development, current implementation and reporting of the annual program of the Commission.

5. Represents the Commission's administration before legal and natural persons in the country and abroad, in compliance with the powers designated by the Chairman of the Commission.

6. Coordinates and monitors the development of the materials for the

Commission's sessions.

7. Manages and controls the procedures for the development, approving, and amending the job descriptions of the employees.

8. Approves the job descriptions of administrative personnel, except for those under Art. 15, para. 3, item 5.

9. Organizes the training, the improvement of qualification, and the retraining of the Administration's employees.

10. Carries out other tasks, designated by the Chairman of the Commission.

(2) The Secretary General takes part in the sessions of the Commission with the right of advisory vote.

(3) (In case of absence of the Secretary General, he/she is substituted by a person, appointed by an order of the Commission's Chairman.

Art. 34. (1) The Specialized Administration supports the implementation of the powers of the Commission.

(2) The Specialized Administration is organized in Directorate "Oversight Activity" and carries out its activities in three main directions - quality control of the activity of statutory auditors, international relations, and methodology and internal control.

(3) Directorate "Oversight Activity"

1. Prepares a draft annual program for the control activity.

2. Carries out the planned and additionally assigned inspections of the quality of the activity of statutory auditors.

3. Carries out investigations upon received signals and suggestions to the Commission.

4. Presents before the Commission reports on the outcomes of inspections and investigations carried out by suggesting taking appropriate actions and/or penalties.

5. Supports the members of the Commission in their inspections.
6. Takes part in joint inspections with representatives of the supervisory authorities of third countries.
7. Maintains contacts with the systems of independent financial audit supervision in the Member States of the European Union and the relevant authorities of the European Commission.
8. Carries out activities in relation to the exchange of information with the competent authorities for public oversight of statutory auditors and audit firms of Member States of the European Union and third countries.
9. Studies and promotes the good international practice and that of the Commission in the oversight activities.
10. Prepares and coordinates the implementation of international projects.
11. Develops and implements methods for quality control of the activity of statutory auditors and internal quality control of the inspection activities.
12. Engages in activities related to the training and the improvement of qualification of officers of the Administration.

(4) The Director of "Oversight Activity" Directorate:

1. Manages the Directorate in accordance with the specified functions in the Regulation; supervises the observance of internal statutory acts and the orders of the Chairman of the Commission; distributes the assignments among employees of the Directorate; monitors and is in charge of their timely and quality performance.
2. Participates in the Commission's sessions where issues within the competence of the relevant Directorate are on the agenda; including when making statements.
3. Proposes officers from the relevant Directorate for promotion, stimulation, transferring or imposition of a penalty.
4. Makes proposals for sending officers from the relevant Directorate on official trips in the country and abroad.
5. Assists the inspectors of the Commission in the exercise of control over the statutory auditors.

6. Supervises inspectors for compliance with the rules and procedures in carrying out inspections of the quality of the activity of statutory auditors.

7. Makes statements on proposals for approval by the Commission of ICPA acts.

8. Prepares statements on the objections filed by statutory auditors against findings and conclusions in reports for the outcomes of inspections and investigations carried out of their activities.

9. Performs other tasks assigned by the Chairman of the Commission and the Secretary General.

(5) In case of absence the Director shall be substituted by the person appointed by order of the Chairman.

Art. 35 (1) The General Administration supports the technical and organizational activities of the Commission and is organized in "General Administration" Directorate.

(2) Directorate "General Administration":

1. Organizes the administrative and technical preparation of the Commission's sessions; prepares the minutes of the sessions and the abstracts of the decisions of the Commission; the latter are communicated to the relevant bodies and persons within 7 days.

2. Provides the legal services and the legal representation of the Commission.

3. Organises the overall financial and accounting service of the Commission; drafts the budget and the annual financial statement.

4. Organises and performs administration activity.

5. Carries out activities related to human resources management, incl. the preparation of acts and storing of documents related to occurrence, amendment and termination of employment.

6. Carries out the prior judicial review in accordance with the requirements of the Financial Management and Control in the Public Sector Act.

7. Liaises with the general public.

8. Provides adequate information and maintenance activities of the Commission

9. Is in charge of security, order and cleanliness of the Commission;
10. Organises maintenance and repair works of the premises and the equipment.

(3) The Director of “General Administration” Directorate:

1. Manages the Directorate in accordance with the specified in the Regulation functions; supervises the observance of internal statutory acts and the orders of the Chairman of the Commission; distributes the assignments among employees of the Directorate; monitors and is in charge of their timely and quality performance.
2. Participates in the Commission’s sessions where issues within the competence of the relevant Directorate are on the agenda; including when making statements.
3. Proposes officers from the relevant Directorate for promotion, stimulation, transferring or imposition of a penalty.
4. Makes proposals for sending officers from the relevant Directorate on official trips in the country and abroad.
5. Performs other tasks assigned by the Chairman of the Commission and the Secretary General.

(4) In case of absence the Director shall be substituted by the person appointed by order of the Chairman.

Art. 36. Upon a decision of the Commission members and officers of the Commission may be granted insignia of honour and rewards; the terms and conditions for that are provided in the internal rules.

### **Concluding provisions**

§ 1. This regulation is adopted on the grounds of art. 35 d, Para. 1 of the Independent Financial Audit Law, at a Commission session, dated 6<sup>th</sup> July 2012.

§ 2. This Regulation repeals the Regulation of the Commission for Public Oversight of Statutory Auditors (prom., SG. 1 of 2009, amend. № 38 of 2009, № 36 and № 70 of 2010, № 75 of 2011, and № 6 of 2012).

Appendix to Art. 30, Para. 2

Number of administrative officers - 24 permanent appointments,  
including:

1. Secretary General - one.
2. "Oversight Activity" Directorate - 15, including Director of Directorate.
3. **"General Administration" Directorate - 8, including Director of Directorate.**