

93/2009 Coll.

ACT

of 26 March 2009

on auditors and on amendments to selected acts (the Act on Auditors)

Amendment: 227/2009 Coll.
Amendment: 139/2011 Coll.
Amendment: 188/2011 Coll.
Amendment: 420/2011 Coll.
Amendment: 52/2012 Coll.
Amendment: 167/2012 Coll.
Amendment: 428/2011 Coll.
Amendment: 458/2011 Coll.
Amendment: 334/2014 Coll.
Amendment: 221/2015 Coll., 375/2015 Coll.
Amendment: 298/2016 Coll.
Amendment: 299/2016 Coll.
Amendment: 183/2017 Coll.
Amendment: 94/2018 Coll.

The Parliament has enacted the following act of the Czech Republic:

PART ONE

ON AUDITORS

TITLE I

INTRODUCTORY PROVISIONS

Section 1

Scope of the Act

This Act transposes the relevant laws and regulations of the European Union¹⁾ and it follows up directly applicable European Union legislation²⁴⁾ and governs the performance of audit activities, the scope of competences of the Chamber of Auditors of the Czech Republic (hereinafter the “Chamber”), the scope of competences of the Public Audit Oversight Board (hereinafter the “Board”), and the related rights and obligations of natural persons and legal entities.

Section 2

Definitions

For the purposes of this Act, the following definitions shall apply:

- (a) “statutory audit” shall mean an audit of financial statements or consolidated financial statements aimed at ascertaining whether the financial statements or consolidated financial statements achieve fair presentation in accordance with applicable laws or regulations and with an applicable financial reporting framework on which the financial statements or consolidated financial statements are based, where such audit is required by another law or regulation or by directly applicable European Union legislation;
- (b) “evaluation of an annual report or a consolidated annual report” shall mean an evaluation as to whether the information included in an annual report or a consolidated annual report describing the events that are also presented or disclosed in the financial statements or consolidated financial statements is, in all material respects, consistent with the relevant financial statements or consolidated financial statements; an evaluation of an annual report or a consolidated annual report shall not include an audit of financial statements or consolidated financial statements and of the auditor’s reports thereon;
- (c) “audit activities” shall mean carrying out statutory audits, reviews of financial performance in accordance with another law or regulation⁶; where such reviews are performed by auditors, reviews of accounting records, reviews of other financial information by auditors, or performance of other activities by auditors if so stipulated in another law or regulation or in directly applicable European Union legislation, or other reviews of financial statements, other accounting records or parts thereof performed by auditors;
- (d) “statutory auditor” shall mean a natural person who has been issued a licence to perform audit activities (hereinafter the “licence”) by the Chamber;
- (e) “audit firm” shall mean a legal entity which has been issued the licence by the Chamber;
- (f) “auditor” shall mean either a statutory auditor or an audit firm;
- (g) “third-country audit entity” shall mean an entity other than a natural person which is authorised to carry out statutory audits in a third country and is not allowed to carry out statutory audits in a Member State;
- (h) “third-country auditor” shall mean a natural person who is authorised to carry out statutory audits in a third country and is not allowed to carry out statutory audits in a Member State;
- (i) “audit entity from another Member State” shall mean an entity other than a natural person which is authorised to carry out statutory audits in another Member State;
- (j) “auditor from another Member State” shall mean a natural person who is authorised to carry out statutory audits in another Member State;
- (k) “group auditor” shall mean one or more auditor(s) carrying out statutory audits of consolidated financial statements;
- (l) “network” shall mean the larger structure of relations or entities to which the auditor belongs and which is aimed at cooperation and profit- or cost-sharing or shares common ownership, controlling entity or management, internal quality control policies and procedures, a common business strategy, the use of a common brand-

name or a significant portion of professional resources;

- (m) “affiliate of an audit firm” shall mean an entity which
1. shares the same controlling entity with the audit firm, or
 2. is under significant influence of the same entity as the audit firm pursuant to the Accounting Act;
- (n) “key audit partner” shall mean
1. one or more statutory auditor(s) designated by an audit firm as being primarily responsible for carrying out the statutory audit on behalf of an audit firm;
 2. in the event of a group audit, one or more statutory auditor(s) designated by an audit firm as being primarily responsible for carrying out the statutory audit at the level of the group, and one or more statutory auditor(s) designated as being primarily responsible at the level of material subsidiaries, or
 3. one or more statutory auditor(s) who sign(s) the auditor’s report;
- (o) “third country” shall mean a country which does not constitute a Member State;
- (p) “Member State” shall mean a European Union member state or a country which is a party to the European Economic Area Agreement;
- (q) “consolidating entity” shall mean an entity which is an undertaking and is a controlling entity, except for the controlling entities exercising joint influence;
- (r) “home Member State” shall mean a Member State in which a statutory auditor or an auditor from another Member State has acquired professional qualifications to carry out statutory audits in accordance with Section 4 or through a similar procedure set out by another Member State, or a state in which an audit firm or an audit entity from another Member State has been awarded the licence in accordance with Section 5 or through a similar procedure set out by another Member State.

Section 2a

repealed

Section 2b

General provisions

- (1) The supervisory body in this Act shall mean a supervisory board, a management board exercising supervisory powers, a supervisory committee, or any other body with similar supervisory powers, as appropriate for the legal form of the relevant legal entity.
- (2) The management body in this Act shall mean a statutory body of a business corporation; in the case of a joint stock company or a European company with the monist system of corporate internal structure, a management board exercising management powers, or any other body performing management functions, as appropriate for the legal form of the

relevant legal entity.

- (3) Where this Act sets out the rights and obligations of an entity that has no legal personality, such rights and obligations shall be exercised by those acting on its behalf.

TITLE II

Section 3

Performance of audit activities

- (1) Audit activities pursuant to this Act shall be performed solely by auditors.
- (2) An audit firm shall perform audit activities as a sole practitioner only.
- (3) A statutory auditor shall perform audit activities either as a sole practitioner or for another auditor under an employment contract or as a partner in an audit firm.
- (4) A statutory auditor performing audit activities as a sole practitioner shall not perform audit activities for another auditor under an employment contract or as a partner in an audit firm. A statutory auditor performing audit activities for another auditor under an employment contract or as a partner in an audit firm shall not perform audit activities for more than one auditor under an employment contract or as a partner in an audit firm.

heading deleted

Section 4

Issuance of the licence to natural persons

- (1) The Chamber shall, upon request, issue the licence to a natural person who:
 - (a) has completed university or college education within an accredited baccalaureate or magisterial study programme⁹⁾, foreign university or college education provided it is recognised in the Czech Republic as equivalent to university or college education within an accredited baccalaureate or magisterial study programme under an international agreement which is binding for the Czech Republic or if such education has been recognised pursuant to another law or regulation⁹⁾, or has completed studies recognised by the relevant Member State as part of its university or college education system and providing upon completion its students with university or college qualifications;
 - (b) has full legal capacity;
 - (c) is of integrity;
 - (d) has completed practical training for at least three years pursuant to Section 29, or practical training in a similar job position in another Member State, in the extent of at least 35 hours per week or for a period equivalent to three years if the training sessions per week are shorter;
 - (e) is not involved in any activity subject to restrictions referred to in Section 23;

- (f) has passed the auditor's examination;
 - (g) is not in default with any payment due to any office of the Tax Administration of the Czech Republic and the Customs Administration of the Czech Republic, except for arrears where payment delay or instalment payments are permitted, is not in default with the payment of any insurance premiums and late charges concerning public health insurance, and is not in default with the payment of any insurance premiums and late charges concerning social security insurance and the contribution to the state employment policy, except for arrears where instalment payments are permitted and such person is not in default with the instalment payments;
 - (h) has taken the auditor's oath.
- (2) A person of integrity, for the purposes of this Act, shall not be deemed a natural person who:
- (a) has been finally sentenced for an intentional criminal offence; or
 - (b) has been finally sentenced for a negligent criminal offence in connection with the performance of audit activities unless he or she is considered not convicted¹¹⁾. Furthermore, a person of integrity shall not be deemed a natural person who does not enjoy good professional repute.
- (3) Compliance with the requirements:
- (a) referred to in Subsection 1(d) shall be evidenced by the applicant by an employment contract or a statement of employment;
 - (b) referred to in Subsection 1(e) shall be evidenced by the applicant by providing his or her affidavit;
 - (c) referred to in Subsection 1(g) shall be evidenced by the applicant by submitting relevant certificates that have been issued no more than 30 days prior to the application submission.
- (4) In order to prove the applicant's integrity pursuant to Subsection 1(c), the Chamber shall request an extract from the Criminal Register;
- (5) In order to prove integrity pursuant to Subsection 1(c), the applicant who is a national of a state other than the Czech Republic shall submit an extract from a criminal register or an equivalent document issued by the competent judicial or administrative authority of that state or of the state of the applicant's most recent residence; if the state of the applicant's most recent residence is the Czech Republic, the procedure referred to in Subsection 4 shall apply. If the relevant state does not issue an extract from a criminal register or an equivalent document, the applicant shall submit a declaration of integrity. If the applicant is a national of another Member State or has his or her residence in another Member State and has not submitted an extract from a criminal register or an equivalent document issued by the competent judicial or administrative authority of that state or of the state of his or her most recent residence, where it is or has been another Member State or the Swiss Confederation, the applicant shall prove his or her integrity by submitting an extract from the Criminal Register with a supplement containing information recorded in a criminal register of another Member State. Such documents shall not be older than three months prior to the application submission.

- (6) Within 30 days of the date of providing evidence of compliance with all requirements referred to in Subsections 1(a) to (g), the Chamber shall facilitate for the applicant to take the auditor's oath. The auditor's oath shall be administered by the President or the Vice-President of the Chamber. The wording of the oath: "I pledge on my honour and faith to comply in the performance of audit activities with the legal system of the Czech Republic, internal regulations of the Chamber of Auditors of the Czech Republic, and the auditing standards, to honour the ethics of the auditors' profession and to abide by the obligation of professional secrecy." Upon taking the oath, the Chamber shall issue the applicant without undue delay with the licence and it shall enter his or her name in the Register of Auditors (hereinafter the "register") pursuant to Section 12.

Section 5

Issuance of the licence to undertakings

- (1) The Chamber shall, upon request, issue the licence to an undertaking which satisfies the following conditions:
- (a) natural persons who perform statutory audits for such entity are statutory auditors;
 - (b) a majority of voting rights in the entity is held by statutory auditors, auditors from another Member State, audit firms or audit entities from another Member State;
 - (c) a majority of the members of its management body is comprised of statutory auditors, auditors from another Member State, audit firms or audit entities from another Member State; where the management body of the entity comprises two members, the aforementioned conditions shall be satisfied by at least one of them;
 - (d) members of its management body are persons of integrity; in assessing integrity of a member of the management body who is not an auditor, Subsection 4(2) (a) and (b) and Subsection 5(4) (a) and (b) shall apply *mutatis mutandis*;
 - (e) is not bankrupt according to a final judgment of a court of justice;
 - (f) does not carry out an activity subject to the restrictions referred to in Section 23;
 - (g) is not in default with any payment due to any office of the Tax Administration of the Czech Republic and the Customs Administration of the Czech Republic, except for arrears where payment delay or instalment payments are permitted, is not in default with the payment of any insurance premiums and late charges concerning public health insurance, and is not in default with the payment of any insurance premiums and late charges concerning social security insurance and the contribution to the state employment policy, except for arrears where instalment payments are permitted and such entity not in default with the instalment payments; the foregoing shall not apply for entities which prior to submitting an application for the issuance of the licence did not carry out their activities on the territory of the Czech Republic;
 - (h) is of integrity;
- (2) The Chamber shall, upon request, award the licence to a legal entity prior to its establishment if it is established as a joint stock company, partnership, limited partnership, limited liability company, European undertaking or European economic interest grouping and if it proves compliance with the conditions set out in Subsection 1(a) to (d). The licence of that entity shall be recognised as at the date of its entry in the

Commercial Register. If the entity fails to submit a request for a Commercial Register entry within 90 days of the date of delivery of the licence, or if the request is not satisfied within the set timeframe, the Chamber shall deem the conditions for the issuance of the licence not satisfied.

- (3) The Chamber shall enter an audit firm in the register and assign it a registration number
 - (a) as at the date of entry into force of the licence in the case of a legal entity referred to in Subsection 1;
 - (b) within five days of the date on which the Register Court notifies the Chamber about the publication of the entity's entry in the Commercial Register in the case of a legal entity referred to in Subsection 2.
- (4) A person of integrity, for the purposes of this Act, shall not be deemed a legal entity which:
 - (a) has been finally sentenced for an intentional criminal offence; or
 - (b) has been finally sentenced for a negligent criminal offence in connection with the performance of audit activities unless it is considered not convicted²³). Furthermore, a person of integrity shall not be deemed a legal entity which does not enjoy good professional repute.
- (5) In order to prove a legal entity's integrity pursuant to Subsection 1(h), the Chamber shall request an extract from the Criminal Register;
- (6) In order to prove the applicant's integrity pursuant to Subsection 1(h), the applicant from a state other than the Czech Republic shall submit an extract from a criminal register or an equivalent document issued by the competent judicial or administrative authority of that state. If the relevant state does not issue an extract from a criminal register or an equivalent document, the applicant shall submit a declaration of integrity. Such documents shall not be older than three months prior to the application submission.
- (7) To prove integrity of a member of the management body, Section 4(4) and (5) and Section 5(5) and (6) shall apply *mutatis mutandis*;
- (8) Compliance with the condition referred to in Subsection 1(g) shall be evidenced by the applicant by submitting relevant certificates that have been issued no more than 30 days prior to the application submission.
- (9) The Chamber shall, upon request, issue the licence also to a third-country audit entity if it satisfies the conditions for the issuance of the licence pursuant to Subsection 1 and the conditions set out in an international treaty that is part of the Czech legal system, and if that entity demonstrates that it is authorised to carry out statutory audits in the state that is a party to this international treaty binding the Czech Republic to ensure that third-country audit entities of that state have access to carrying out statutory audits.
- (10) Third-country audit entities which have been issued the licence are deemed audit firms pursuant to this Act.

Section 6

Suspension of performance of audit activities

- (1) The Chamber shall suspend the performance of audit activities of the statutory auditor if a criminal prosecution has been launched against him or her for an intentional criminal offence, until the date of entry into force of the decision terminating the criminal prosecution.
- (2) The Chamber may suspend the performance of audit activities of the statutory auditor if a criminal prosecution has been launched against him or her for a negligent criminal offence committed in connection with the performance of audit activities, or proceedings have been initiated to restrict his or her legal capacity. The performance of audit activities may be suspended for such reasons up until the date of entry into force of the decision terminating the criminal prosecution or the proceedings to restrict his or her legal capacity.
- (3) The Chamber shall suspend the performance of audit activities of the audit firm if a criminal prosecution has been launched against it for an intentional criminal offence, until the date of entry into force of the decision terminating the criminal prosecution.
- (4) The Chamber may suspend the performance of audit activities of the audit firm if a criminal prosecution has been launched against it for a negligent criminal offence committed in connection with the performance of audit activities. The performance of audit activities may be suspended for such reasons up until the date of entry into force of the decision terminating the criminal prosecution;
- (5) For the duration of the suspension of audit activities
 - (a) the auditor is not authorised to perform audit activity;
 - (b) the statutory auditor is suspended as regards the performance of any functions in the Chamber's bodies referred to in Section 32(1) (b) to (d);
 - (c) the statutory auditor cannot be elected to any bodies of the Chamber pursuant to Sections 32(1) (b) to (d);
 - (d) the auditor's obligations pursuant to this Act and directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities shall not be prejudiced.
- (6) The auditor is required to notify the Chamber in writing without undue delay about the matters referred to in Subsections 1 to 4. Copies of the relevant decisions shall be attached to the notification.

Section 7

Prohibition of performance of audit activities

- (1) Statutory auditors shall be prohibited from the performance of audit activities, provided:
 - (a) a final ruling has been imposed upon them prohibiting the performance of audit activities in proceedings conducted pursuant to Section 26 or Title XI;
 - (b) a punitive prohibition of the performance of activities has been imposed upon them

in accordance with another law or regulation providing for the prohibition of the performance of audit activities;

- (c) they are in default with the payment of their membership dues to the Chamber in excess of one year and the dues have not been paid even within an additional period of one month specified in a written notification of the Chamber, commencing on the first day subsequent to the lapse with no effect of such additional period; or
 - (d) their legal capacity has been restricted.
- (2) Audit firms shall be prohibited from the performance of audit activities, provided:
- (a) a final ruling has been imposed upon them prohibiting the performance of audit activities in proceedings conducted pursuant to Section 26 or Title XI;
 - (b) they no longer comply with any of the conditions referred to in Section 5(1) (a), (b) or (c) and they fail to remedy this non-compliance within six months of the date of breach of such condition, commencing from the date of expiry of that period;
 - (c) a punitive prohibition of the performance of activities has been imposed upon them in accordance with another law or regulation providing for the prohibition of the performance of audit activities; or
 - (d) they are in default with the payment of their membership dues to the Chamber in excess of one year and the dues have not been paid even within an additional period of one month specified in a written notification of the Chamber, commencing on the first day subsequent to the lapse with no effect of such additional period.
- (3) The Chamber shall prohibit the performance of audit activities, provided
- (a) the statutory auditor no longer meets the integrity requirement;
 - (b) the statutory auditor no longer meets the requirement referred to in Section 4(1) (e);
 - (c) the audit firm no longer meets the integrity requirement;
 - (d) the audit firm no longer complies with the requirement referred to in Section 5(1) (d) and it fails to remedy this non-compliance within six months of the date of breach of such requirement, commencing from the date of expiry of that period; or
 - (e) the audit firm no longer complies with the requirement referred to in Section (5)(1) (f).

Section 7a

repealed

Section 7b

Other reasons for termination of the licence to perform audit activities

- (1) The Chamber shall decide to terminate the licence to perform audit activities if requested

by the auditor in writing within 30 days of the date of delivery of the request to the Chamber unless a later date is specified in the request. Where the Chamber does not decide within that period, the licence to perform audit activities shall expire as of the date of the lapse with no effect of that period.

- (2) The statutory auditor's licence to perform audit activities shall be terminated if he or she has died or was declared dead, as of the date of death or the date deemed to be the date of his or her death.
- (3) The audit firm's licence to perform audit activities shall be terminated if the audit firm winds down, as of the date of its demise.
- (4) The Chamber shall suspend the proceedings to terminate the licence to perform audit activities pursuant to Subsection 1 where disciplinary proceedings, quality assurance inspections or other proceedings conducted by the Chamber or by the Board have not been completed or where the auditor failed to comply with all obligations to the Chamber and the Board, until the proceedings or inspections have been completed or until the obligations have been complied with.

Section 7c

Common provisions regarding suspension or prohibition of audit activities or termination of the licence to perform audit activities

- (1) The licence to perform audit activities of the auditor who is prohibited from the performance of audit activities pursuant to Section 7 shall be revoked concurrently.
- (2) The termination of the licence to perform audit activities shall be without prejudice to the obligation of professional secrecy pursuant to Section 15, the obligation to keep documents, information and records referred to in Article 15 of Regulation (EU) No 537/2014 of the European Parliament and of the Council, and the audit file pursuant to Section 20a(2).
- (3) If the person whose licence to perform audit activities has been terminated applies for a reissuance of the licence within a period shorter than five years from the date of termination of the licence to perform audit activities, Sections 4(1) (d), (f) and (h) shall not apply.
- (4) The timeframe set out in Subsection 3 for persons whose licence to perform audit activities has been terminated shall not apply for the period for which such persons act as inspectors within the quality assurance system pursuant to Section 24(2).
- (5) Persons whose licence to perform audit activities was revoked by prohibition pursuant to Section 7(1) (a) and (b) or Section 7(2) (a) and (c) may be reissued the licence only after the expiry of the period for which the prohibition of the performance of audit activity has been imposed.
- (6) The Chamber shall without undue delay record in the register information about the suspension of the performance of audit activities or the termination of the licence to perform audit activities and reasons thereof. The Chamber shall communicate these matters to the Board and the competent authority of the Member State in which the auditor

is approved to carry out statutory audit.

Section 8

Auditor's examination

- (1) The auditor's examination shall consist of several parts. The auditor's examination shall be deemed passed if all its parts have been successfully completed. The auditor's examination shall be conducted in Czech and in writing.
- (2) The content of each part of the auditor's examination shall be consistent with the purpose of the examination, which is to determine the applicant's level of knowledge required to perform audit activities.
- (3) The auditor's examination shall assess knowledge of the following subjects:
 - (a) general accounting theory and principles;
 - (b) laws, regulations and standards relating to the preparation of financial statements and consolidated financial statements;
 - (c) International Accounting Standards, International Financial Reporting Standards and related interpretations, subsequent amendments to those standards and related interpretations issued or adopted by the International Accounting Standards Board;
 - (d) financial analysis;
 - (e) management accounting;
 - (f) risk management and internal control;
 - (g) auditing and professional skills;
 - (h) laws, regulations and professional standards relating to statutory audit and statutory auditors;
 - (i) International Auditing Standards issued by the International Auditing and Assurance Standards Board and auditing standards issued by the Chamber;
 - (j) professional ethics and independence.
- (4) The auditor's examination shall furthermore focus, to the extent relevant for the performance of audit activities, on testing knowledge of the following subjects:
 - (a) corporate governance;
 - (b) information and communications systems;
 - (c) business, general and financial economics;
 - (d) mathematics and statistics; and
 - (e) basic principles of financial management.

- (5) The auditor's examination shall furthermore focus, to the extent relevant for the performance of audit activities, on testing knowledge of the Czech Republic's legal system in the following areas:
- (a) civil and commercial law;
 - (b) financial law;
 - (c) insolvency law; and
 - (d) labour law and social security law.
- (6) The Chamber shall schedule at least one date every calendar half-year for conducting each part of the auditor's examination. The auditor's examination shall be passed within five years of the date of taking the first partial examination. If any part of the auditor's examination was successfully completed more than five years before the date of successful completion of the last part of the auditor's examination, it shall be disregarded.
- (7) If a candidate has successfully passed a university final examination or any equivalent professional qualification examination in any Member State in one or more subject(s) or field(s) referred to in Subsections 3 to 5 whose extent and content are in relevant parts identical with the subjects or fields of the auditor's examination pursuant to Subsections 3 to 5, and such examination has been successfully passed within five years prior to the date of the candidate's application for the auditor's examination, such candidate shall be exempted from taking one or more partial auditor's examination(s) covered by that examination. The decision regarding conformity of the extent and content of the examination shall be made by the Chamber. Any such decision of the Chamber may be appealed against to the Board.
- (8) The Chamber shall keep the personal data listed in the application for the auditor's examination and for its parts until the end of the procedure for granting the licence.

Section 8a

Aptitude test

- (1) Pursuant to the Act on the Recognition of Professional Qualifications¹³), the aptitude test shall assess the level of adequate knowledge of the legal system of the Czech Republic to the extent relevant for statutory audit.
- (2) The aptitude test shall consist of several parts. The aptitude test shall be deemed passed if all its parts have been successfully completed. The aptitude test shall be conducted in Czech and in writing.
- (3) To determine the content of each part of the aptitude test, the Chamber shall take into account the Board's recommendations issued pursuant to Section 38(2) (i).
- (4) Sections 8(6) to (8) shall apply for the aptitude test *mutatis mutandis*.

Section 8b

Rules of Examination

- (1) The Chamber shall issue the Rules of Examination which constitute internal regulations of the Chamber.
- (2) The Rules of Examination shall set out
 - (a) procedures applicable for the assessment of qualifications pursuant to Section 4;
 - (b) content of each part of the auditor's examination and each part of the aptitude test;
 - (c) number of the parts of the auditor's examination and of the parts of the aptitude test;
 - (d) amount of the fee payable for the application for a partial auditor's examination and the due date of such fee; the fee for the application for a partial examination shall not exceed CZK 7,000;
 - (e) amount of the fee payable for the application for a partial aptitude test and the due date of such fee; the fee required for conducting the aptitude test shall not exceed the amount set out in the Act on the Recognition of Professional Qualifications;
 - (f) procedures applied in the event of a failure to turn up for a partial auditor's examination or for a partial aptitude test;
 - (g) method of notifying applicants about the results of partial auditor's examinations or partial aptitude tests;
 - (h) number of members of the Appeal Examination Board and its procedures for reviewing the evaluation of the results of partial auditor's examinations or the results of partial aptitude tests by the Partial Examination Board;
 - (i) method of organising auditor's examinations and aptitude tests and method of recording the conduct, course and evaluation of the individual examinations and tests and, where applicable, their reviews.

Section 8c

Examination Board

- (1) The Examination Board shall consist of statutory auditors and other experts with theoretical knowledge and practical experience in the subjects and fields referred to in Section 8. Members of the Examination Board shall be appointed and removed by the Board.
- (2) The results of partial auditor's examinations or the results of partial aptitude tests shall be evaluated by the Partial Examination Board consisting of at least three members. The chair and members of the Partial Examination Board shall be appointed by the Chamber from the ranks of the members of the Examination Board. The number of members of the Partial Examination Board shall always be an odd number.
- (3) The Partial Examination Board shall decide on the evaluation of the results of partial

auditor's examinations or partial aptitude tests by issuing statements to the effect of "passed" or "passed not".

- (4) Applicants may request the Chamber in writing to review the evaluation of the results of partial auditor's examinations or partial aptitude tests within 15 days of the date of the applicant's notification about the results of partial auditor's examinations or partial aptitude tests.
- (5) Reviews of the evaluation of the results of partial auditor's examinations or partial aptitude tests shall be carried out by the Appeal Examination Board consisting of at least three members of the Examination Board who were not involved in the decision on the results of partial auditor's examinations or partial aptitude tests. The chair and members of the Appeal Examination Board shall be appointed by the Chamber.
- (6) The Appeal Examination Board shall decide on the application for a review of the evaluation of the results of partial auditor's examinations or partial aptitude tests within 30 days of the date of its delivery by altering or voiding the evaluation of the results of partial auditor's examinations or partial aptitude tests and by instructing the applicant to repeat the relevant partial auditor's examination or the relevant partial aptitude test where it finds out that applicable laws or regulations have been breached during that partial auditor's examination or that partial aptitude test or where other grave deficiencies have been identified which could affect the proper course or outcome of the partial auditor's examination or the partial aptitude test; in any case contrary to the foregoing, the Appeal Examination Board shall confirm the evaluation of the results of the partial auditor's examination or the partial aptitude test. The decision on the application for a review of the evaluation of the results of partial auditor's examinations or partial aptitude tests cannot be appealed.
- (7) Repetition of partial auditor's examinations or partial aptitude tests shall take place within 30 days of the date of issuing the decision pursuant to Subsection 6 before the Partial Examination Board appointed by the Chamber from the ranks of the members of the Examination Board.
- (8) The Administrative Procedure Code shall not apply for the decision on the evaluation of the results of partial auditor's examinations or partial aptitude tests by the Examination Board.

Section 9

Continuing education

Statutory auditors shall participate in programmes of continuing education in order to improve their theoretical knowledge and professional skills. Programmes of continuing education extending up to 60 hours per year shall be determined in an internal regulation of the Chamber.

Section 10

Auditors from other Member States and free provision of services

- (1) The Chamber shall, upon request, also issue the licence to auditors from other Member States unless they have been suspended or prohibited from carrying out statutory audits in their home Member State and provided they have passed an aptitude test. The

Chamber shall not require an aptitude test from auditors from other Member States if the level of knowledge of the Czech Republic's legal system is equivalent to the level required pursuant to Section 8.

- (2) Audit activities, except for statutory audits, may be performed on the territory of the Czech Republic also by natural persons approved to perform audit activities in another Member State or in the Swiss Confederation. The Chamber shall issue those natural persons with the licence except for carrying out statutory audits.
- (3) For the purposes of recognising qualifications referred to in Subsection 2, the Act on the Recognition of Professional Qualifications¹³⁾ shall apply. The Chamber shall act as the recognition authority.
- (4) Audit activities, except for statutory audits, may be performed on the territory of the Czech Republic, temporarily or occasionally, also by natural persons approved to perform audit activities in another Member State or in the Swiss Confederation subject to a written notification of their intention to perform such activity on the territory of the Czech Republic delivered to the Chamber prior to commencing such temporary or occasional audit activity.
- (5) In addition to the requirements and documents stipulated in the Act on the Recognition of Professional Qualifications, notifications referred to in Subsection 4 shall contain the following information:
 - (a) type of audit activities intended to be performed by the natural person;
 - (b) place of performance of audit activities;
 - (c) presumed duration of the performance of audit activities; and
 - (d) address for delivery of documents on the territory of the Czech Republic.
- (6) The Chamber shall be competent to review professional qualifications of persons authorised to perform audit activities pursuant to Subsections 1 and 4 in respect of audits of economic management of local authorities and voluntary unions of municipalities pursuant to another law or regulation⁶⁾; this activity shall be governed by the Act on the Recognition of Professional Qualifications¹³⁾.

Section 10a

Approval of third-country auditors

On the basis of reciprocity, third-country auditors shall be approved pursuant to this Act to perform audit activities on the territory of the Czech Republic if they have furnished evidence that they comply with the requirements equivalent to those set out in Sections 4 (a) to (e) and (g) and they have passed an aptitude test. The Chamber shall issue such persons with the licence.

Section 10b

Audit entities from other Member States and free provision of services

- (1) The Chamber shall, upon request, also issue the licence to audit entities from other Member States unless they have been suspended or prohibited from carrying out statutory audits in their home Member State and provided the key audit partner appointed by an audit entity from another Member State to carry out a statutory audit on its behalf is statutory auditor.
- (2) In order to assess the requirements referred to in Subsection 1 the Chamber shall request from the competent authority of the home Member State a certificate confirming the approval of the audit entity from another Member State to carry out statutory audits in the home Member State.
- (3) The Chamber shall without undue delay notify the Board and the competent authority of the home Member State of the issuance of the licence pursuant to Subsection 1.
- (4) Audit entities from other Member States that have been issued the licence shall be deemed audit firms pursuant to this Act; Section 7(2) (b) and Sections 24 to 24i shall not apply.
- (5) Audit entities from other Member States that have been issued the licence may not engage in audit activities if
 - (a) their licence has been terminated pursuant to Section 7c; or
 - (b) they no longer satisfy any of the conditions set out in Subsection 1 or their license to carry out statutory audits in the home Member State has been revoked.
- (6) The Chamber shall without undue delay notify the Board, the competent authority of the home Member State and the competent authorities of the other Member State in which the audit entity from another Member State that has been issued the licence is approved to carry out the statutory audit about the termination of the licence pursuant to Subsection 5(a).
- (7) Audit activities, except always for statutory audits, may be performed on the territory of the Czech Republic, temporarily or occasionally, also by other than natural persons approved to perform audit activities in another Member State or in the Swiss Confederation subject to a written notification of their intention to perform such activity on the territory of the Czech Republic delivered to the Chamber prior to commencing such temporary or occasional audit activity; Section 10(5) shall apply *mutatis mutandis*.

Register of Auditors

Section 11

- (1) The Chamber shall keep a register containing information about:
 - (a) statutory auditors;
 - (b) audit firms;
 - (c) persons who perform audit activities in the Czech Republic, temporarily or occasionally, pursuant to Section 10(4) or Section 10b(7);
 - (d) assistant auditors;

- (e) persons registered pursuant to Section 47.
- (2) The register shall also contain addresses of the registered offices and contact details of the Chamber and of the Board and of their competent bodies responsible for quality assurance pursuant to Section 24 and proceedings pursuant to Section 26 and Title XI.
- (3) The register shall be maintained in electronic form.
- (4) Information in the register shall be kept in the Czech language.
- (5) Information included in the register, except for birth registration numbers, dates of birth, addresses of residence and measures regarding reprimand, shall be publicly available on the Chamber's website.
- (6) Data related to assistant auditors shall not be made public.
- (7) The Chamber may stipulate in the Statutes of the Chamber that other necessary data shall be entered in the non-public section of the register.
- (8) Information for the register in the Czech language and duly signed shall be provided to the Chamber without undue delay by persons to whom such information pertains.
- (9) Persons referred to in Subsection 1 shall report without undue delay any information entered in the register or changes thereof. In the absence of notification about relevant changes or in the case of a serious impact of such absence of notification the Chamber may initiate proceedings pursuant to Section 26.

Section 12

- (1) The register shall contain the following information regarding statutory auditors:
 - (a) name, birth registration number or date of birth if no birth registration number has been assigned, address of residence; business name, registered office and registration number, if applicable
 - (b) website address, if applicable;
 - (c) data box identifier pursuant to the law governing electronic acts;
 - (d) date of issuance of the licence;
 - (e) information on the licence to perform audit activities except for statutory audits pursuant to Section 10(2);
 - (f) registration number assigned as at the date of entry into force of the licence (hereinafter the "registration number");
 - (g) name of the audit firm by which the statutory auditor is employed or to which he or she is affiliated as a partner or otherwise, its registered office and registration number, or name of the statutory auditor performing audit activities as a sole practitioner by whom he or she is employed and, where applicable, registered office

and registration number;

- (h) overview of the measures imposed, including the nature of the measure, the administrative penalties imposed pursuant to Title XI and the reasons for their imposition unless otherwise provided for in this Act.
- (2) The register shall contain the following information regarding audit firms:
- (a) business name, registered office and registration number of the entity;
 - (b) information on members of the management body
 - 1. for natural persons: name, birth registration number or date of birth if no birth registration number has been assigned, residence address; business name, registered office and registration number, if applicable;
 - 2. for legal entities: business name, registered office and registration number of the entity if assigned, and name and residence address of the natural person acting on behalf of the entity;
 - (c) names and addresses of residence, or business names and registered offices of all partners, including the scope of their voting rights;
 - (d) data box identifier pursuant to the law governing electronic acts or, where applicable, the name and details of the primary contact person;
 - (e) address of the permanent establishment, if applicable;
 - (f) website address, if applicable;
 - (g) date of issuance of the licence;
 - (h) registration number;
 - (i) name and registration number of the statutory auditor performing a statutory audit for an audit firm under an employment contract or based on another relationship;
 - (j) if applicable, membership in a network and a list of names and addresses of member firms and affiliates or an indication of the place where such information is publicly available;
 - (k) all other registration(s) as audit firm with the competent authorities of other Member States and as audit entity with third countries, including the name(s) of the registration authority(ies) and, if applicable, the registration number(s);
 - (l) overview of the measures imposed, including the nature of the measure, the administrative penalties imposed pursuant to Title XI and the reasons for their imposition unless otherwise provided for in this Act.

Section 12b

In the case of persons referred to in Section 11(1) (c), the information specified in the notification pursuant to Section 10(5) shall be entered in the register.

Section 12c

The register shall contain the following information regarding assistant auditors

- (a) name, birth registration number or date of birth if no birth registration number has been assigned, address of residence, address for delivery of documents if not identical with the address of residence;
- (b) name of the audit firm where professional practice is carried out, its registered office and registration number, or name of the statutory auditor performing audit activities as a sole practitioner where professional practice is carried out, his or her registered office and registration number;
- (c) date of entry in the register;
- (d) registration number assigned upon entry in the register.

Section 12d

In the case of persons registered pursuant to Section 47, the information referred to in Sections 12 and 12a shall be entered in the register if maintained for those persons in foreign registers.

Section 12e

(1) To maintain the register and enter information in it the Chamber shall use

- (a) reference data from the basic population register;
- (b) data from the population information system;
- (c) data from the foreigners' information system;

(2) Data used pursuant to Subsection 1(a) shall include

- (a) surname;
- (b) name(s);
- (c) date of birth;
- (d) residence address;
- (e) date of death; if a court ruling on a declaration of death is issued, the date stated in the ruling as the date of death or the date which the data subject declared dead did not survive, and the date of entry into force of that ruling;
- (f) citizenship(s);

- (3) Data used pursuant to Subsection 1(b) shall include
- (a) name(s) and surname;
 - (b) date of birth;
 - (c) birth registration number;
 - (d) citizenship;
 - (e) residence address;
 - (f) date of death;
 - (g) date stated in the court ruling as the date of death or the date which the data subject declared dead did not survive;
 - (h) restriction of legal capacity;
- (4) Data used pursuant to Subsection 1(c) shall include
- (a) name(s) and surname;
 - (b) date of birth;
 - (c) citizenship(s);
 - (d) type and address of residence;
 - (e) date of death;
 - (f) date stated in the court ruling as the date of death or the date which the data subject declared dead did not survive;
- (5) The data kept as reference data in the basic population register shall be used from the population information system or the foreigners' information system only if they are in a format preceding the current state.
- (6) From the data available only those necessary to fulfil relevant tasks are required to be used in specific cases.

Section 13

Code of Ethics

Auditors, in performing audit activities, shall abide by the Code of Ethics which represents minimum standards of professional ethics of auditors. The Code of Ethics shall set out, in particular, more detailed conditions of compliance with the principles of integrity, independence, objectivity, professional competence and due care. The Code of Ethics shall be issued by the Chamber as its internal regulation. In the publication of the Code of Ethics the Chamber shall adhere to international ethical requirements, primarily the Code of Ethics of the International Ethics Standards Board for Accountants.

Section 13a

Professional scepticism of auditors

Statutory auditors carrying out statutory audits shall maintain 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, notwithstanding the auditor's past experience of honesty and integrity of the audited entity's management and of the persons charged with its governance; statutory auditors shall maintain this attitude in particular when reviewing management estimates relating to

- (a) fair value measurement;
- (b) impairment of the entity's assets;
- (c) recognition, changes, measurement and use of the entity's provisions; and
- (d) future cash flows relevant for the entity's ability to continue as a going concern.

Section 14

Independence

- (1) Auditors shall be independent of the audited entities. If the auditor carries out a statutory audit of an entity, he or she must be independent for at least the period corresponding to the reporting period covered by the financial statements or consolidated financial statements and also until the auditor's report is issued.
- (2) Auditors shall not be regarded as independent of the entity if
 - (a) there is any financial or business relationship or any other contractual relationship, including the provision of non-audit services, between the auditor or persons forming a network with him or her and the entity;
 - (b) when carrying out a statutory audit of an entity the auditor would self-review his or her own services; or
 - (c) when carrying out a statutory audit of an entity the auditor would be self-interested in the outcome of the statutory audit.
- (3) Auditors may be considered independent if the matters referred to in Subsection 2 do not cause a conflict of interests or compromise compliance with the requirements set out in this Act or in directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities.
- (4) The auditor shall not carry out the statutory audit of an entity if he or she
 - (a) exercises an influence over the entity's management;
 - (b) obtains or has the promise to obtain from the audited entity any benefit other than

- fees for services rendered to the entity; or
- (c) holds investment instruments issued, guaranteed or supported by the entity, except for collective investment securities owned indirectly through investment funds, mutual funds or funds administered by pension companies, or has a material and direct beneficial interest in, or engages in any transaction in those investment instruments;
- (5) The auditor shall not carry out the statutory audit of an entity if the conditions referred to in Subsection 4(c) are satisfied by
- (a) statutory auditor who carries out the statutory audit on his or her behalf;
 - (b) his or her key audit partner;
 - (c) employee, representative of the auditor or person whose services the auditor receives who directly engage in activities related to the statutory audit of that entity;
 - (d) husband or partner in accordance with the law governing registered partnerships, dependent child in accordance with the law governing the provision of state social support, or direct line relative or sibling who have lived together in a common household for at least one year with the statutory auditor performing audit activities as a sole practitioner or with a person referred to in (a) to (c) herein;
 - (e) person controlled by the auditor, or person controlling the auditor who are directly involved in activities related to the statutory audit of the entity concerned;
 - (f) legal entity which is controlled by the persons referred to in (a) to (d) herein;
 - (g) trust, other legal arrangement without legal personality, or other similar relationship under foreign law established for the benefit of the auditor or persons referred to in (a) to (d) herein; or
 - (h) person whose economic interests are substantially similar to the economic interests of the auditor or persons referred to in (a), (b) or (d) herein;
- (6) Subsections 1 to 4 shall apply *mutatis mutandis* for persons who may influence the outcome of the statutory audit.
- (7) Where in the reporting period covered by financial statements or consolidated financial statements the legal entity subject to a statutory audit has been transformed, the auditor in relation to the persons involved in the transformation shall assess the ability to continue to carry out the statutory audit of the entity after the relevant date of the transformation, taking into account the conditions of independence set out in Subsections 2 to 5. If the auditor finds that any of the conditions referred to in Subsections 2, 4 or 5 are satisfied, he or she shall adopt necessary measures without undue delay but no later than within three months.
- (8) Subsection 7 shall apply *mutatis mutandis* in the event of the transformation of other entities or in the event of an acquisition of an interest in the audited legal entity, or if that legal entity acquires an interest in another legal entity.

Section 14a

Independence of persons when performing audit activities

- (1) When the statutory auditor carries out audit activities for an audit firm, the audit firm shall ensure that the conduct of the audit activities is not intervened in any way which compromises the independence and objectivity of the statutory auditor who performs the audit activities by
 - (a) partners of the audit firm concerned;
 - (b) members of the audit firm's bodies;
 - (c) key audit partners of the audit firm;
 - (d) senior executives or representatives of the audit firm;
 - (e) employees of the audit firm or any other natural persons rendering services to the audit firm;
 - (f) persons of a network to which the audit firm belongs; or
 - (g) related parties.
- (2) When the statutory auditor performs audit activities for a statutory auditor performing audit activities as a sole practitioner, the statutory auditor for whom the audit activities are performed shall not intervene in the performance of audit activities in any way which compromises the independence and objectivity of the statutory auditor who performs the audit activity; the provisions of Subsections 1(d) to (f) shall apply *mutatis mutandis*.
- (3) Additionally, persons controlled by the auditor or persons controlling the auditor shall not intervene in the performance of audit activities in any way which compromises the independence and objectivity of the statutory auditor who performs the audit activity.
- (4) Auditors, statutory auditors performing audit activities as sole practitioners and persons referred to in Section 14(5) shall not solicit or accept pecuniary and non-pecuniary gifts or favours from the audited entity or any entity related to the audited entity unless the value of such pecuniary or non-pecuniary gifts or favours may be considered trivial or inconsequential. Related party in this case shall mean a related party defined in directly applicable EU legislation by which some international accounting standards are adopted.
- (5) Auditors shall document in the audit file all threats to their independence and objectivity, as well as the safeguards applied to mitigate those threats.

Section 14b

Preparation for statutory audit and assessment of threats to independence

- (1) Prior to accepting an audit engagement, auditors shall assess whether
 - (a) they comply with the requirements of independence referred to in Sections 14 and 14a;

- (b) there are threats to their independence and, if so, safeguards have been applied to mitigate those threats;
 - (c) the requirements set out in Section 14g(4) are met in such a way that the statutory audit is carried out pursuant to this Act and directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities;
 - (d) the requirement referred to in Section 5(1) (a) or Section 10b(1) is met; and
 - (e) outsourcing of audit activities does not impair the effectiveness of the internal quality control system and the exercise of public oversight pursuant to this Act and directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities;
- (2) Auditors shall document all matters referred to in Subsection 1 and, if they accept an audit engagement, shall include the documents in an audit file.

Section 14c

Management and control system of auditors

- (1) Audit firms shall implement a management and control system which includes
- (a) prerequisites for corporate governance which always include
 1. management policies and procedures;
 2. organisational structure with an adequate, transparent and comprehensive definition of competences and decision-making powers;
 3. procedures to prevent any conflict of interests or threats to independence and objectivity of the auditor;
 4. sound administrative procedures and accounting policies in accordance with other laws or regulations;
 5. remuneration policies regarding statutory auditors, employees or representatives, persons whose services the auditor receives, partners and members of the management and supervisory bodies, including remuneration decision-making procedures and performance evaluation procedures, insofar as the remuneration policies contribute to adequate and effective risk management and are consistent with it; in particular, the amount of fees that the audit firm derives from providing non-audit services to the audited entity shall not form part of the performance evaluation and remuneration of any person involved in the audit activities;
 - (b) risk management system which always includes
 1. risk identification, assessment, measurement and monitoring procedures;
 2. risk management requirement;

3. procedures for adopting measures mitigating risks or their impact;
 - (c) internal control system which always comprises regular reviews of compliance with laws, regulations and obligations arising from the Code of Ethics, the auditing standards referred to in Section 18, directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities, and internal regulations or methodologies of audit firms.
- (2) Statutory auditors performing audit activities as sole practitioners shall implement a management and control system which includes the requirements set out in Subsection 1(a) points (1) and (3) to (5) and Subsection 1(b) and (c).
- (3) Statutory auditors performing audit activities as sole practitioners need not establish a management and control system pursuant to Subsection 2 if they conduct audit activities only for micro entities or small entities in accordance with the Accounting Act or if they perform audit activities except for statutory audit; in such case, they shall at least implement procedures to prevent any potential conflict of interests or threats to independence and objectivity of the auditor and regular reviews of compliance with laws, regulations and obligations arising from the Code of Ethics, the auditing standards referred to in Section 18, and internal regulations or methodologies.
- (4) The management and control system shall be effective, comprehensive and proportionate to the nature, scope and complexity of the risks associated with the audit activities of the audit firm or statutory auditor performing audit activities as sole practitioners and shall cover all of their functions.
- (5) Audit firms and statutory auditors carrying out audit activities as sole practitioners shall ensure that the requirements for the management and control system and its components and the procedures to meet them, as well as the requirements set out in Sections 14d to 14f, are reflected in internal regulations or methodologies. Audit firms and statutory auditors carrying out audit activities as sole practitioners shall establish a procedure to adopt, modify and apply internal regulations or methodologies.

Section 14d

Ensuring and organisation of audit activities

- (1) Audit firms and statutory auditors performing audit activities as sole practitioners shall implement
 - (a) procedures to ensure that statutory auditors and employees who are involved in statutory audit activities have adequate knowledge and experience necessary to carry out the statutory audit;
 - (b) procedures to ensure identification, assessment, measurement, monitoring and reporting of any threat to independence or any breach of the requirements referred to in Sections 14g to 14i;
 - (c) procedures to ensure coaching of statutory auditors, employees and other natural persons involved in statutory audit activities and their supervision;

- (d) internal control system to ensure the quality of the performance of audit activities; responsibility for the internal quality control system shall lie with statutory auditors, auditors from another Member State, audit firms or audit entities from another Member State who are members of a management body pursuant to Section 5(1) (c) jointly and severally;
 - (e) procedures to review the internal control system;
 - (f) procedures to ensure proper maintaining of audit files, including their layout; and
 - (g) appropriate organisational arrangements to deal with and record incidents which have, or may have, serious consequences for the auditor's integrity.
- (2) Audit firms and statutory auditors performing audit activities as sole practitioners shall use appropriate systems, resources and procedures to ensure continuity and regularity in performing statutory audit activities.
- (3) Audit firms and statutory auditors performing audit activities as sole practitioners shall regularly review and evaluate the effectiveness of the internal control system and arrangements referred to in Subsections 1 and 2 and in directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities. Audit firms and statutory auditors performing audit activities as sole practitioners shall carry out an evaluation of the internal control system at least once a year.

Section 14e

Identification and prevention of conflicts of interests

- (1) Audit firms shall implement procedures or other measures to ensure that persons referred to in Section 14a(1) and (3) do not intervene in the performance of audit activities in any way which may compromise the independence and objectivity of the statutory auditor who carries out the audit activities.
- (2) Statutory auditors performing audit activities as sole practitioners shall implement procedures or other measures to ensure that persons referred to in Section 14a(2) and (3) do not intervene in the performance of audit activities in any way which may compromise the independence and objectivity of the statutory auditor who carries out the audit activities.
- (3) Audit firms and statutory auditors performing audit activities as sole practitioners shall ensure that in the case of outsourcing audit activities the quality of the performance of the audit activity is not affected and there is no restriction in the exercise of public oversight pursuant to this Act and directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities. This procedure shall be without prejudice to the auditor's responsibility concerning the performance of audit activities.
- (4) The procedures or other measures implemented by audit firms and statutory auditors performing audit activities as sole practitioners shall be proportionate to the scope and complexity of the activities of the audit firms or statutory auditors performing audit activities as sole practitioners.

Section 14f

Information and communication

- (1) Audit firms and statutory auditors performing audit activities as sole practitioners shall keep records of the findings of evaluations pursuant to Section 14d(3) and of any proposed measures to modify the internal quality control system.
- (2) Statutory auditors performing audit activities as sole practitioners shall implement procedures for their employees or representatives to report any actual or suspected breaches of this Act or of directly applicable EU legislation governing specific requirements regarding statutory audit of public-interest entities internally through a specific, independent and separate communication channel.

Section 14g

Selected aspects of carrying out statutory audit

- (1) The audit firm shall designate at least one key audit partner as being responsible for carrying out the statutory audit on behalf of the audit firm; this shall apply for each audited entity or group.
- (2) The main criteria for designating a key audit partner shall be ensuring the quality of the statutory audit, meeting the requirements for independence and objectivity of the auditor and carrying out the statutory audit with professional competence and due care.
- (3) The key audit partner(s) shall be actively involved in carrying-out the statutory audit.
- (4) To carry out the statutory audit, the audit firm shall ensure for the key audit partner designated pursuant to Subsection 1, and the statutory auditor performing audit activities as a sole practitioner shall ensure
 - (a) providing sufficient time for the engagement;
 - (b) allocating appropriate resources; and
 - (c) an appropriate audit team with regard to meeting the requirement of carrying out the statutory audit with professional competence and due care and the requirement for the auditor's independence and objectivity.

Section 14h

Record keeping and retaining of documents

- (1) Audit firms and statutory auditors performing audit activities as sole practitioners shall prepare at least annually an overview of measures adopted to remedy any breach and to modify the internal quality control system and shall communicate the content of the overview to their employees. An overview of measures adopted to remedy any breach and to modify the internal quality control system shall contain a summary of all measures relating to any breach of this Act and of directly applicable European Union legislation

governing the specific requirements regarding statutory audit of public-interest entities in connection with the performance of audit activities which was identified during audit work of an audit firm or a statutory auditor performing audit activities as sole practitioners or which was subject to disciplinary proceedings or administrative offence proceedings.

- (2) Audit firms and statutory auditors performing audit activities as sole practitioners shall document the assignment, scope and manner of the provision of advisory services by another person when performing audit activities.
- (3) Audit firms and statutory auditors performing audit activities as sole practitioners shall keep records of the audited entity; such records shall include
 - (a) business company or name, registered office or residence address if different from the registered office where the entity is a self-employed individual, or business company or name and registered office where the entity is a legal entity, subsidiary or another branch of a legal entity, or identification of an entity without legal personality;
 - (b) in the case of an audit firm, name(s) of key audit partner(s);
 - (c) information on fees charged by an audit firm or charged or recorded by a statutory auditor performing audit activities as sole practitioners for each reporting period, broken down into fees charged or recorded for
 1. statutory audit;
 2. other audit activities; and
 3. non-audit services.
- (4) Audit firms and statutory auditors performing audit activities as sole practitioners shall keep records of any complaints made in writing about the performance of the statutory audits carried out and any breach of this Act and of directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities pursuant to Subsection 1.
- (5) Audit firms and statutory auditors performing audit activities as sole practitioners shall keep records prepared in accordance with Subsections 1 to 4 and Articles 6 and 8 of Regulation (EU) No 537/2014 of the European Parliament and of the Council for at least 10 years from the first day of the calendar year following the calendar year in which they were prepared.

Section 14i

Relationship between the statutory auditor and the audited entity

- (1) Statutory auditors shall not take up in an entity any employment position where that job position has a significant influence or makes them responsible for implementing strategies proposed by the entity's management or supervisory body and policies approved by the entity's management or supervisory body, or makes them responsible for the performance of another function designated by the entity on the basis of evaluation as key to the entity's operations, or the function of a member of the audit committee or a member of the management or supervisory body (hereinafter the "person in key management function") before a period of at least one year has elapsed since they carried out a statutory audit of that entity or were involved in a statutory audit engagement.

- (2) Subsection 1 shall apply *mutatis mutandis* for natural persons who carried out a statutory audit or were involved in a statutory audit engagement whose licence has been terminated.
- (3) Natural persons involved in a statutory audit engagement who have been issued the licence to perform audit activities shall not accept any position of a person in key management function before a period of at least one year has elapsed since they were involved in the statutory audit engagement.

Section 15

Professional secrecy obligation of auditors

- (1) Unless otherwise provided for in this Act or in another law or regulation, auditors shall be subject to professional secrecy regarding any information that is not publicly available and that relates to the audited entity, and/or any other information that is not publicly available and that relates to any other entities which they can access in their capacity as group auditors. This obligation shall also extend to auditors who have ceased to be involved in any such audit engagement, auditors whose licence has been suspended or terminated, employees or representatives of the auditor, partners and members of bodies of an audit firm, and other natural persons whose services are received by the auditor in relation to the performance of audit activities.
- (2) In the event of replacing an auditor with another auditor, the former shall provide the new auditor with access to all accumulated material information relating to the audited entity and the performed audit activities.
- (3) The following cases shall not be considered a breach of professional secrecy
 - (a) information provided to the Czech National Bank which relates to its oversight competences on the financial markets¹⁶⁾, or to any competent authorities pursuant to another law or regulation concerning selected measures against legitimisation of proceeds of crime and financing of terrorism, or any other law or regulation covering the imposition of international sanctions aimed at safeguarding global peace and security, protection of fundamental human rights and combating terrorism;
 - (b) information provided to new auditors pursuant to Subsection 2 or to group auditors when carrying out a statutory audit of consolidated financial statements pursuant to Section 19;
 - (c) information provided to other auditors for the purposes of an engagement quality control review and monitoring the principles and procedures of the internal quality control system;
 - (d) compliance with the obligations referred to in Section 21(3) to (5);
 - (e) documents provided by the Board to the competent authority of another Member State pursuant to Section 42(1), and/or to the competent authority of a third country pursuant to Section 49, or by the auditor to the competent authority of a third country pursuant to Section 49(4);
 - (f) information provided to quality assurance inspectors for the purposes of quality

assurance;

- (g) information provided to the relevant law enforcement authorities concerning matters indicating potential commitment of a criminal offence of bribery;
 - (h) information provided to law enforcement authorities, insofar as such criminal proceedings relate to auditors;
 - (i) compliance with the statutory obligation to ward off or report a criminal offence;
 - (j) information provided in accordance with Article 7 or 12 of Regulation (EU) No 537/2014 of the European Parliament and of the Council;
 - (k) information provided pursuant to the second subparagraph of Article 12(2) of Regulation (EU) No 537/2014 of the European Parliament and of the Council to the European Systemic Risk Board and to the Committee of European Auditing Oversight Bodies;
 - (l) information provided to other auditors for the purposes of joint carrying out of a statutory audit pursuant to Section 20c;
 - (m) information provided to the tax administrator in order to comply with the obligations set out in the Tax Code for the auditor as a liable entity pursuant to the Act on selected measures against legitimisation of proceeds of crime and financing of terrorism.
- (4) Auditors shall not call for the application of the obligation of professional secrecy in connection with the exercise of the rights and obligations of the Chamber or of the Board concerning supervisory and oversight activities, or the application of directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities.

Section 15a

Exemption of auditors from professional secrecy obligation

- (1) Auditors may be exempted from the obligation of professional secrecy by
- (a) an entity or, in the event of the entity's demise, the legal successor of the entity by its statement; if the entity has more legal successors, to exempt the auditor from the professional secrecy obligation shall require the consensus of all legal successors of the entity; or
 - (b) the Chamber, where it is necessary to protect their rights or for legally protected interests as auditors.
- (2) Auditors shall not be bound by the obligation of professional secrecy to the extent necessary for proceedings before a court or another authority where the proceedings pertain to a dispute between them and the entity in which they (have) performed audit activities, or the entity's legal successor; additionally, auditors shall not be bound by the obligation of professional secrecy in other proceedings to the extent necessary to protect their rights or for their legally protected interests as auditors.

- (3) Employees or representatives of an auditor, partners and members of bodies of an audit firm, and natural persons whose services are received by an auditor in relation to the performance of audit activities shall not be bound by the obligation of professional secrecy to the extent necessary for proceedings before a court or other authority where the proceedings pertain to a dispute between the auditor and the entity in which that auditor (has) performed audit activities, or the entity's legal successor, within the scope of exemption of that auditor from the obligation of professional secrecy pursuant to Subsection 1.
- (4) Subsection 2 and Section 15(2) and (3) shall apply *mutatis mutandis* for employees or representatives of an auditor, partners and members of bodies of an audit firm, and natural persons whose services are received by an auditor in relation to the performance of audit activities.

Section 15b

Professional secrecy obligation of other persons

- (1) Unless otherwise provided for in this Act or other legislation, members of the Board, members of the Chamber, employees of the Chamber, employees of the Board and persons authorised to perform the activities of the Chamber and of the Board shall be subject to professional secrecy concerning any information that is not publicly available, that is known to them in connection with the performance of their functions or employment, or that pertains to the activities of the Chamber or the Board even after the termination of such function or the termination of employment or other contractual relationship; this obligation shall also apply to persons who, by virtue of delegation by the Chamber or the Board, (have) had access to such information.
- (2) The persons referred to in Subsection 1 or in Articles 22 and 34 of Regulation (EU) No 537/2014 of the European Parliament and of the Council may, in particularly justified cases, be exempted from the obligation of professional secrecy concerning information that is not publicly available by
- (a) the Chamber where it concerns
1. member of the Chamber's body;
 2. employee of the Chamber;
 3. person authorised by the Chamber; or
- (b) President of the Board where it concerns
1. member of the Board's body;
 2. employee of the Board; or
 3. person authorised by the Board.
- (c) The disclosure of information by the persons referred to in Subsection 1 and in Articles 22 and 34 of Regulation (EU) No 537/2014 of the European Parliament and of the Council, concerning matters not publicly known, to the Board, the Chamber, the competent authorities of the Member States or third countries, or the Committee of European Auditing Oversight Bodies for the purposes of exercising the powers of the Board under this Act and directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities,

quality assurance inspections or cooperation with competent authorities of Member States or third countries pursuant to this Act and directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities shall not be regarded as a breach of the obligation of professional secrecy.

Section 16

Statutory audit fees

- (1) Auditors shall not request or accept from an entity a fee for carrying out a statutory audit which is
 - (a) influenced or determined by the provision of additional services to the audited entity by the auditor;
 - (a) calculated on a predetermined basis relating to the outcome of the statutory audit; or
 - (b) influenced by other factors that may compromise the independence, objectivity or quality of the statutory audit.

Section 17

Appointment of auditors and statutory audit contract

- (1) Where an entity which is a legal entity is required to have its financial statements audited, an audit firm or a statutory auditor performing audit activities as sole practitioners shall be appointed by its supreme body.
- (2) Where an entity referred to in Subsection 1 has no such supreme body, an audit firm or a statutory auditor performing audit activities as sole practitioners shall be appointed by its supervisory body unless members of the supervisory body are members of the management body.
- (3) Where an entity without legal personality is required to have its financial statements audited, an audit firm or a statutory auditor performing audit activities as sole practitioners shall be appointed in accordance with the procedure referred to in Subsections 1, 2 and 4 by
 - (a) manager in the case of mutual funds or sub-funds he or she manages;
 - (b) manager in the case of trusts pursuant to the act governing investment companies and investment funds;
 - (c) pension company in the case of participating, transformed or pension funds it manages;
 - (d) person who has established the entity if the entity is a branch.
- (4) Where an entity is required to have its financial statements audited and it is not possible to appoint an audit firm or a statutory auditor performing audit activities as sole

practitioners in accordance with the procedure referred to in Subsections 1 to 3, such entity shall appoint an audit firm or a statutory auditor performing audit activities as sole practitioners in such a manner that is independent of the members of that audited entity's management body. This shall not apply if the entity is a natural person.

- (5) Persons legally authorised to act on behalf of the entity shall have the right to enter into a statutory audit contract solely with auditors appointed pursuant to Subsections 1, 2, 3 or 4.

Section 17a

Termination of the obligation arising from the statutory audit contract

- (1) An entity may terminate an obligation arising from the statutory audit contract or rescind the statutory audit contract only if
- (a) the auditor does not carry out the statutory audit in accordance with applicable laws or regulations, the auditing standards referred to in Section 18, or the Code of Ethics;
 - (b) the auditor's independence and objectivity are compromised during the performance of audit activities and it is not possible to apply pertinent safeguards to mitigate such threats to a demonstrably immaterial level which would not jeopardise compliance with the requirements set out in this Act; or
 - (c) an unforeseeable and unsurmountable impediment beyond his or her control prevents the statutory auditor, temporarily or permanently, from carrying out the statutory audit, or the auditor does not fulfil the obligations under the statutory audit contract relating to the current audit engagement even if the entity fails to comply with its legal obligation while that impediment persists or the auditor does not comply with the obligations under the statutory audit contract.
- (2) An entity shall terminate an obligation arising from the statutory audit contract or shall rescind the statutory audit contract if
- (a) the Czech National Bank rejects another auditor appointed to carry out the statutory audit pursuant to other legislation; or
 - (b) the Czech National Bank orders replacement of the auditor carrying out the statutory audit pursuant to other legislation.
- (3) If an entity does not comply with the procedures referred to in Subsections 1 or 2, the court shall terminate the obligation arising from the statutory audit contract, acting upon a proposal of the Board or of the person that holds, separately or jointly, a share in the voting rights representing at least 5 percent of all votes of the entity which is a public-interest entity pursuant to the act governing accounting (hereinafter the "public-interest entity"), for reasons specified in Subsection 1, or if the rules for appointment of audit firms or statutory auditors performing audit activities as sole practitioners to carry out statutory audits pursuant to this Act or directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities have been infringed.

- (4) Divergence of opinions on accounting treatments or audit procedures shall not be proper grounds for the termination of an obligation arising from the statutory audit contract or rescission of the statutory audit contract.
- (5) An entity, audit firm or a statutory auditor performing audit activities as sole practitioners shall notify the Chamber without undue delay about the termination of an obligation arising from the statutory audit contract or rescission of the statutory audit contract by an entity, audit firm or a statutory auditor performing audit activities as sole practitioners; in the notification, the party which has terminated an obligation arising from the statutory audit contract or rescinded the statutory audit contract shall provide the reasons for the termination or rescission.

Section 17b

Prohibited provisions

Any contractual clause between an entity and a third party restricting the appointment of an audit firm or a statutory auditor performing audit activities as sole practitioners to carry out a statutory audit of that entity to selected categories or lists of statutory auditors or audit firms shall be disregarded.

Section 18

Auditing standards

Auditors performing audit activities shall comply with the auditing standards governed by European Union law¹⁷⁾ and with the auditing standards issued by the Chamber which set out audit procedures for auditors performing audit activities not specified in the auditing standards governed by European Union law. If the specific nature of auditing other economic information does not allow for the application of the foregoing procedure, auditors auditing other economic information shall take into account the auditing standards and shall apply them accordingly. The list of the auditing standards governed by European Union law and the auditing standards issued by the Chamber and their applicable texts shall be posted by the Chamber on its website.

Section 19

Statutory audit of consolidated financial statements

- (1) When carrying out a statutory audit of consolidated financial statements, consolidating entities shall appoint a group auditor who shall bear full responsibility for the auditor's report pursuant to Section 20 or pursuant to Articles 10 and 11 of Regulation (EU) No 537/2014 of the European Parliament and of the Council.
- (2) For the purposes of the statutory audit of consolidated financial statements, the group auditor shall also evaluate and document in writing the nature, timing and scope of the work performed by the component auditor and shall review and document in writing the method of conducting the audit work. Component auditor shall mean an auditor, auditor from another Member State or audit entity from another Member State, third-country auditor or third-country audit entity which perform activities related to statutory audits

of consolidated financial statements.

- (3) The group auditor shall retain any documentation pursuant to Subsection 2 for at least the period set out in Section 20a(2) to such extent as to enable the competent authority to duly review the work performed by the group auditor.
- (4) For the purposes referred to in Subsection 2, the group auditor shall request the agreement of the component auditor to the transfer of relevant documentation maintained by the component auditor about the performed work.
- (5) Where the group auditor is unable to review and document in writing the method of conducting the work by the component auditor pursuant to Subsection 2, he, she or it shall adopt appropriate measures to identify the method of conducting the work by the component auditor or, if applicable, shall ensure additional audit work, or shall perform it himself, herself or itself, and shall notify the Board about the matter.
- (6) Where any significant part of the group is subject to a statutory audit concerning a third-country entity and no work arrangement pursuant to Section 49(1) (d) has been made with that third country's competent authorities, the group auditor shall ensure delivery, upon request of the Board, of documentation of the audit work performed for that entity by the component auditor to the extent necessary for statutory audits of consolidated financial statements.
- (7) In order to comply with the obligation to provide documentation pursuant to Subsection 6, the group auditor further shall
 - (a) ensure a copy of such documentation;
 - (b) ensure, upon request and on a contractual basis, unrestricted access to such documentation; or
 - (c) take any other appropriate action.
- (8) If legal or other impediments prevent delivery of such audit working papers from a third country to the group auditor, the documentation maintained by the group auditor shall include evidence that he or she has undertaken the appropriate procedures in order to gain access to the audit documentation, and in the case of impediments other than legal ones arising from the relevant country's laws or regulations, evidence supporting such an impediment.
- (9) The group auditor shall, upon request of the Chamber or of the Board, make the documentation referred to in Subsection 2 available for the purposes of the quality assurance system pursuant to Section 24, or an investigation pursuant to Section 40b.

Section 20

Auditor's report

- (1) Auditors shall prepare a written auditor's report on the statutory audit. Such auditor's report shall contain the following information

- (a) an introduction in which the statutory auditor shall provide
 - 1. business company or name, registered office or residence address if different from the registered office where the entity is a self-employed individual, or business company or name and registered office where the entity is a legal entity, subsidiary or another branch of a legal entity, or identification of an entity without legal personality; and
 - 2. identification of the financial statements or consolidated financial statements of the entity referred to in point (1), including the balance sheet date or any other date of preparation of the financial statements or consolidated financial statements, and identification of the reporting period covered by the financial statements, and identification of the financial reporting framework that has been applied in their preparation;
 - (b) scope of the performed statutory audit, including references to the auditing standards referred to Section 18 in accordance with which the statutory audit was carried out;
 - (c) opinion which shall clearly state the opinion of the auditor as to whether the financial statements or consolidated financial statements achieve fair presentation in accordance with applicable laws or regulations and with an applicable financial reporting framework on which the financial statements or consolidated financial statements are based; the opinion shall be either unqualified or qualified, or an adverse opinion or, if the auditor is unable to express an audit opinion, he or she shall disclaim an opinion;
 - (d) description of all matters which have not been contained in the opinion pursuant to (c) and which the auditor deems necessary to include or draw attention to and considers such emphasis significant, in particular concerning any material uncertainty that may significantly affect the entity's ability to continue as a going concern;
 - (e) statement in which the auditor shall clearly state whether the information contained in the annual report or consolidated annual report which describes matters that are also disclosed in the financial statements or consolidated financial statements is, in all material respects, consistent with the relevant financial statements or consolidated financial statements;
 - (f) statement of the auditor pursuant to Section 20b.
- (2) Where auditors carry out the statutory audit of a public-interest entity, the auditor's report shall contain information referred to in Subsection 1 and Article 10 of Regulation (EU) No 537/2014 of the European Parliament and of the Council.
 - (3) Where auditors carry out the statutory audit of an entity which prepares an annual report or a consolidated annual report, they shall evaluate the annual report or consolidated annual report.
 - (4) Statutory auditors shall state in the auditor's report their name, registered office, registration number, signature and date of preparation.
 - (5) Audit firms shall state in the auditor's report their business name, registered office, registration number and names of the statutory auditors who prepared the auditor's

report for the audit firm, complete with their registration numbers, signatures and date of preparation.

- (6) Auditors shall discuss the auditor's report with the management body of the audited entity. Auditors shall address in writing any observations of this body relating to the auditor's report.
- (7) Where auditors issue a report on auditing the consolidated financial statements to which the consolidating entity's financial statements are attached, the auditor's reports may be combined.

Section 20a

Audit file

- (1) Auditors shall keep a file documenting the audit activities which shall contain information in accordance with the auditing standards and also records and documents pursuant to Sections 14a(5), 14b(2), 19(2), 20, 45(2) and Articles 6, 8, 10, 11 and 12 of Regulation (EU) No 537/2014 of the European Parliament and of the Council.
- (2) Audit firms or statutory auditors performing audit activities as sole practitioners shall retain the audit file for at least 10 years subsequent to the date of the auditor's report preparation.
- (3) The audit file shall be closed no later than 60 days after the date subsequent to the date of the auditor's report preparation.
- (4) The following entities shall have the right to access the audit file
 - (a) group auditors pursuant to Section 19;
 - (b) the Chamber's Executive Committee and President for the purposes of performance of activities governed by this Act;
 - (c) the Chamber's Disciplinary Committee for the purposes of proceedings pursuant to Section 26;
 - (d) the Supervisory Committee and inspectors for the purpose of quality assurance;
 - (e) members of the Presidium and the persons authorised by them for the purposes of exercising the powers of the Board pursuant to this Act and directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities, or for the purposes of crisis resolution pursuant to the law governing the recovery procedures and resolution of the financial market crisis;
 - (f) members of the Disciplinary Committee for the purposes referred to in Section 39b(3) and (4);

- (g) members of the Inspection Committee for the purposes of quality assurance;
- (h) employees of the Czech National Bank where required for oversight of the financial market;
- (i) court where civil proceedings relate to audit activities;
- (j) law enforcement authorities where criminal proceedings relate to audit activities.

Section 20b

Other requirements for evaluation of annual report and consolidated annual report

- (1) Auditors evaluating an annual report or a consolidated annual report of an undertaking shall also
 - (a) express an opinion as to whether the annual report or consolidated annual report has been prepared in accordance with applicable laws or regulations;
 - (b) state whether, in the light of the knowledge and understanding of the undertaking obtained in the course of the statutory audit, the annual report or consolidated annual report contains any material misstatements and, if they have concluded so, give an indication of the nature of any such misstatement.

Section 20c

Joint carrying out of statutory audit

- (1) Where an entity appoints more than one statutory auditor performing audit activities as sole practitioners, or more than one audit firm, to carry out the statutory audit jointly, the appointed auditors prepare a joint auditor's report containing a joint opinion; Article 20 shall apply *mutatis mutandis*. If statutory auditors engaged in audit activities as sole practitioners or audit firms engaged in audit activities jointly disagree on an opinion, each statutory auditor or audit firm shall submit his, her or its opinion in a joint auditor's report and shall state the reason for the disagreement.

Section 21

Rights and obligations of auditors

- (1) In addition to other obligations set out in this Act, auditors shall:
 - (a) comply with the internal regulations of the Chamber;
 - (b) refrain from ordering any modifications and corrections of information reported by entities;
 - (c) pay the statutory membership dues to the Chamber in the amount stipulated in the Chamber's internal regulation; and

- (d) cooperate with the Board and provide it with necessary cooperation in the exercise of its powers under this Act and directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities.
- (2) Entities shall provide auditors with requisite cooperation. Auditors may require that the entity submits all required documents and any other working papers essential for the due performance of audit activities, as well as information and explanations necessary for the due performance of audit activities. Auditors and their authorised persons shall be entitled to attend any stock-taking of assets and liabilities of the entity and/or, in justified cases, request an extraordinary stock-taking. Auditors may request a written authorisation to access information about the entity from banks, debtors and creditors. The entity shall meet the auditor's requests. Auditors shall be entitled to charge fees for their audit work.
- (3) Where auditors performing audit activities in an entity subject to state oversight or the Czech National Bank's oversight in accordance with other laws or regulations identify any facts which
- (a) indicate a breach of other laws and regulations governing the terms of its operation;
 - (b) have material adverse effects on its financial performance;
 - (c) may jeopardise its ability to continue as a going concern; or
 - (d) may result in a qualified opinion, adverse opinion or a disclaimer of opinion pursuant to Section 20(1) (c);
- they shall notify without undue delay and in writing the competent state supervisory authority or the Czech National Bank as regards the entity subject to such oversight.
- (4) The obligation referred to in Subsection 3 shall also apply for auditors who identify any facts referred to in Subsection 3 in an entity with which the entity described in Subsection 3 has close links. Close links shall have the meaning assigned to it in point (38) of Article 4(1) 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 investment firms and amending Regulation (EU) No 648/2012.
- (5) If auditors performing audit activities in an entity identify any facts referred to in Subsection 3, or any facts which may be reasonably deemed to constitute the merit of an economic criminal offence, criminal offences of bribery or criminal offences against property, they shall notify without undue delay and in writing the management and supervisory bodies of the entity or the assembly of the relevant local authority or of the relevant municipal district of the City of Prague where the entity represents a local authority or a municipal district of the City of Prague.
- (6) For the purposes of oversight, auditors shall, upon request, provide the Czech National Bank with information and explanations regarding the course of the statutory audit and findings obtained from such statutory audit carried out in an entity subject to the Czech National Bank's oversight.
- (7) Statutory auditors performing audit activities as sole practitioners shall take such measures, as may be fairly required from them, to
- (a) prevent any breach of the obligations referred to in Section 25(1) by the statutory

auditor(s) who perform(s) the audit activity for them; or

- (b) avert the consequences of such breach of those obligations by the statutory auditor(s) who perform(s) the audit activity for them.

Section 22

Liability insurance

Audit firms and auditors performing audit activities as sole practitioners shall be insured against liability for any damage arising from the performance of audit activities so that the amount of coverage corresponds to any potential losses which may be reasonably presumed.

Section 23

Restrictions on business activities of auditors

- (1) Except for audit work, auditors may not engage in any gainful activity of business nature unless otherwise provided for in this Act.
- (2) Unless otherwise provided for in this Act or in directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities, the following shall not constitute an impediment to the performance of audit activities by an auditor
 - (a) management of the auditor's own assets;
 - (b) scientific, pedagogical, journalistic, literary or artistic activities;
 - (c) book keeping or provision of advisory and organisational services in accordance with another law or regulation;
 - (d) tax advisory in accordance with another law or regulation;
 - (e) performance of the tasks of bankruptcy administrator, guest bankruptcy administrator, assistant bankruptcy administrator, separated bankruptcy administrator, special bankruptcy administrator or liquidator in accordance with other laws or regulations;
 - (f) expert work;
 - (g) mediation work.

Section 24

Quality assurance system

- (1) The quality assurance system shall identify whether auditors performing audit activities comply with
 - (a) this Act, the auditing standards referred to in Section 18, the Code of Ethics and

internal regulations of the Chamber; and

- (b) directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities.
- (2) The quality assurance system shall be organised and administered by
 - (a) the Inspection Committee as referred to in Section 39c(4) (a); and
 - (b) the Supervisory Committee as referred to in Section 35(1).
 - (3) All auditors are subject to a system of quality assurance unless otherwise provided for in this Act.
 - (4) The quality assurance system shall meet the following criteria
 - (a) is independent of the inspected auditors;
 - (b) is subject to public oversight as provided for in Title VI;
 - (c) quality assurance inspections shall be carried out by quality assurance inspectors without prejudice to the second subparagraph of Article 26(5) of Regulation (EU) No 537/2014 of the European Parliament and of the Council;
 - (d) quality assurance inspections shall take place on the basis of an analysis of risks in respect of
 1. auditors who carry out the statutory audit of at least one public-interest entity, in timeframes set out in the second subparagraph of Article 26(2) of Regulation (EU) No 537/2014 of the European Parliament and of the Council;
 2. auditors who do not carry out a statutory audit of any public-interest entity, at least every six years.
 - (5) For the purposes of the quality assurance system, auditors carrying out the statutory audit of at least one public-interest entity shall be deemed auditors who carry out the statutory audit of a public-interest entity as referred to in
 - (a) Article 26(2) (a) of Regulation (EU) No 537/2014 of the European Parliament and of the Council, for the period of three years from the beginning of the reporting period covered by the statutory audit of that public-interest entity;
 - (b) Article 26(2) (b) of Regulation (EU) No 537/2014 of the European Parliament and of the Council, for the period of six years from the beginning of the reporting period covered by the statutory audit of that public-interest entity.
 - (6) The Chamber shall annually prepare a partial report on the results of the quality assurance inspections carried out by the Chamber and shall submit the report to the Board within three months of the end of the calendar year.
 - (7) The Board shall annually publish a summary report on the quality assurance system which shall specify key findings, in particular repeated deficiencies of auditors' internal control systems ensuing from the performed quality assurance inspections. The summary report on the quality assurance system shall also contain information based on

the partial report prepared in accordance with Subsection 6. The summary report on the quality assurance system shall be posted by the Board on its website within six months of the end of the calendar year.

Section 24a

Organisation of the quality assurance system

- (1) The Inspection Committee shall organise and administer quality assurance inspections in accordance with the Quality Assurance Inspection Rules, quality assurance inspection schedule and quality assurance requirements pursuant to Article 26 of Regulation (EU) No 537/2014 of the European Parliament and of the Council.
- (2) The Supervisory Committee shall organise and administer quality assurance inspections in accordance with the Rules of Supervision, quality assurance inspection schedule and recommendations issued by the Board pursuant to Section 38(2) (i).
- (3) The Board shall issue the Quality Assurance Inspection Rules referred to in Subsection 1 as its internal regulation specifying the procedures to ensure the organisation and staffing of the quality assurance system.
- (4) The Chamber shall issue the Rules of Supervision referred to in Subsection 2 as its internal regulation specifying the procedures to ensure the organisation and staffing of the quality assurance system.

Section 24b

Quality assurance inspection schedule

- (1) The Chamber shall submit to the Board in each calendar half-year a draft schedule of quality assurance inspections organised and administered by the Supervisory Committee. Upon submission of the draft schedule to the Board, the Chamber shall always describe the manner of taking account of the criteria referred to in Section 24(4) (d).
- (2) In the draft schedule referred to in Subsection 1, the Chamber shall indicate the name of the auditor scheduled for a quality assurance inspection, name(s) of the inspector(s) entrusted to carry out the quality assurance inspection, name of the proposed head of the group of inspectors and date of commencing the quality assurance inspection.
- (3) The Board shall draw up a schedule of quality assurance inspections to be conducted by the Inspection Committee and the Supervisory Committee for the purposes of meeting the criteria referred to in Section 24(4) (d); in drawing up the schedule, the Board shall take into account the draft schedule submitted by the Chamber. The quality assurance inspection schedule shall contain the information referred to in Subsection 2.
- (4) The Chamber shall notify the Board of the intention to carry out a quality assurance inspection organised and administered by the Supervisory Committee that is not included in the quality assurance inspection schedule, stating the reasons or risks leading to carrying out such inspection.

Section 24c

Inspectors

- (1) Inspectors shall only be natural persons who
 - (a) have completed university or college education within an accredited baccalaureate or magisterial study programme⁹⁾, foreign university or college education provided it is recognised in the Czech Republic as equivalent to university or college education within an accredited baccalaureate or magisterial study programme under an international agreement which is binding for the Czech Republic, or if such education has been recognised pursuant to another law or regulation⁹⁾, or have completed studies recognised by the relevant Member State as part of its university or college education system and providing upon completion its students with university or college qualifications;
 - (b) have completed a minimum of three years' practical training in accounting or statutory audits;
 - (c) have completed training in quality assurance; and
 - (d) comply with other requirements pursuant to Article 26 of Regulation (EU) No 537/2014 of the European Parliament and of the Council if concerning quality assurance organised and administered by the Inspection Committee.
- (2) The training referred to in Subsection 1(c) is organised by the Board.
- (3) Prior to carrying out a quality assurance inspection, the inspector shall submit an affidavit stating that none of the conditions referred to in Section 24d(1) constitutes an impediment to carrying out a quality assurance inspection to
 - (a) the Inspection Committee if concerning a quality assurance inspection organised and administered by the Inspection Committee; or
 - (b) the Supervisory Committee if concerning a quality assurance inspection organised and administered by the Supervisory Committee.

Section 24d

Quality assurance inspections

- (1) Inspectors shall not carry out a quality assurance inspection if
 - (a) there is any conflict of interests between them and the auditor to be inspected;
 - (b) they are close persons as defined in the Civil Code in relation to the statutory auditor to be inspected;
 - (c) they have a contractual relationship with the auditor to be inspected;
 - (d) they act as controlling entities of the audit firm to be inspected;

- (e) they hold a share in voting rights of the audit firm to be inspected;
 - (f) they are members of the management, supervisory or supreme body of the audit firm to be inspected,
 - (g) less than three years have elapsed since they ceased to be in a relationship with the auditor to be inspected in accordance with (c) to (f); or
 - (h) they would self-review their services.
- (2) The quality assurance inspection shall commence as of the date of delivery of a notification about the quality assurance inspection date to the auditor who shall be notified at least 30 days prior to the date of commencement of the inspection work by
- (a) the Board if concerning a quality assurance inspection organised and administered by the Inspection Committee; or
 - (b) the Chamber if concerning a quality assurance inspection organised and administered by the Supervisory Committee.
- (3) A quality assurance inspection of the statutory auditor who performs audit activities on behalf of an audit firm or on behalf of a statutory auditor performing audit activities as sole practitioners shall be conducted in conjunction with a quality assurance inspection of that audit firm or that statutory auditor performing audit activities as sole practitioners pursuant to Section 24(2).

Section 24e

Scope of quality assurance inspections

- (1) Inspectors shall carry out quality assurance inspections to the extent necessary for achieving the purpose of the quality assurance inspection pursuant to Section 24(1) and shall support the conclusions of the review with relevant documents. The scope of the quality assurance inspection shall be proportionate and appropriate in view of the scope and complexity of the activities of the inspected auditor.
- (2) When carrying out quality assurance inspections, inspectors shall, in particular
- (a) assess compliance of the auditor's internal arrangements and procedures with this Act, the auditing standards referred to in Section 18, the Code of Ethics and independence requirements, and with directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities, with the objective of testing the effectiveness of the auditor's internal control system.
 - (b) evaluate the auditor's internal control system pursuant to Section 14d and its effectiveness;
 - (c) assess the quantity and quality of resources used pursuant to Sections 14d and 14g;
 - (d) monitor compliance with continuing education requirements;
 - (e) assess fees charged for the performance of audit activities pursuant to Sections 14, 14c

and 16;

- (f) assess the auditor's internal rules or methodologies; and
 - (g) assess compliance of the procedures with the required procedures set out in the Chamber's internal regulations.
- (3) When carrying out quality assurance inspections, inspectors shall, in particular, review audit files selected on the basis of the performed analysis of risks consisting in an analysis of a possible failure to carry out audit activities adequately.
- (4) When carrying out quality assurance inspections organised and administered by the Inspection Committee, inspectors shall also review the content of the transparency report with regard to the findings referred to in Subsection 2 and compliance with the requirements of Articles 4 and 5 of Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Section 24f

Quality assurance protocol

- (1) If inspectors carrying out quality assurance inspections find out that auditors performing audit activities do not comply with this Act, the auditing standards referred to in Section 18, the Code of Ethics and internal regulations of the Chamber, or with directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities, they shall include this fact in their findings.
- (2) Prior to the finalisation of a quality assurance protocol, inspectors shall discuss with the inspected auditors their findings and any proposed measures to remedy the deficiencies pursuant to Subsection 1 identified during the quality assurance inspection (hereinafter the "remedial measures").
- (3) Inspectors shall describe their findings and remedial measures in the quality assurance protocol and shall determine a reasonable period for the implementation of the remedial measures which shall not exceed 12 months after the date of delivery of a counterpart of the quality assurance protocol to the inspected auditor.
- (4) After completion of the quality assurance inspection, inspectors shall transfer a copy of the quality assurance protocol to
- (a) the Board if concerning a quality assurance inspection organised and administered by the Supervisory Committee; or
 - (b) the Chamber if concerning a quality assurance inspection organised and administered by the Inspection Committee.
- (5) Inspected auditors shall implement the remedial measures within the determined period.

Section 24g

Retaining quality assurance inspection files

Quality assurance inspection files shall be retained for the period of 10 years after their closing; this period shall be extended for the time necessary to conduct disciplinary proceedings, administrative offence proceedings or criminal proceedings.

Section 24h

Quality assurance inspections carried out by a third party

Where the quality assurance inspection is carried out in accordance with the second subparagraph of Article 26(5) of Regulation (EU) No 537/2014 of the European Parliament and of the Council, Sections 24d to 24g shall apply *mutatis mutandis*.

Section 24i

Joint quality assurance inspections

- (1) The Board shall be entitled to carry out joint quality assurance inspections of auditors who carried out statutory audits of undertakings that have issued securities in a third country or that form part of a group issuing consolidated financial statements in a third country with competent authorities of that third country that meet the requirements which the European Commission has declared adequate, in order to ensure effective oversight under the conditions set out in this Act and the working arrangements pursuant to Section 49.
- (2) Joint quality assurance inspections shall be carried out by person(s) who meet the requirements set out in this Act for conducting quality assurance inspections and are approved by the Board jointly with persons assigned by the competent authority of a third country.
- (3) The working arrangements made between the Board and the competent authority of a third country shall, in addition to the requirements referred to in Section 49(2), ensure that
 - (a) requirements are specified for the scope of the joint quality assurance inspection which the competent authority of a third country is obliged to comply with in carrying out the joint quality assurance inspection pursuant to Subsection 2;
 - (b) the Board may decline to carry out a joint quality assurance inspection if such joint inspection might adversely affect the sovereignty, security or public order of the Czech Republic;
 - (c) the competent authorities of a third country guarantee compliance with the obligation of professional secrecy at least to the extent defined in Section 15b;
 - (d) information subject to the obligation of professional secrecy is not communicated to any person or authority other than those referred to in the working arrangements and may be used only for the exercise of supervisory powers of the competent authority of a third country for the purposes of quality assurance inspections and

investigations which meet requirements equivalent to those set out in Sections 24, 25 and Titles VI and XI; and

- (e) the competent authority of a third country is not, without the Board's prior consent, authorised to further disclose the personal data contained in the audit working papers and other documents available to the auditors; transfer of such data to a third country shall be governed by the Personal Data Protection Act²²).

(4) Joint quality assurance inspections shall meet the following requirements

- (a) persons approved by the competent authority of a third country to carry out quality assurance inspections shall be entitled to consult audit files and other documents related to conducting statutory audits in accordance with this Act;
- (b) persons approved by the competent authority of a third country to carry out quality assurance inspections shall provide an affidavit supporting compliance with the requirements set out in Section 24(1); and
- (c) inspectors shall not provide persons approved by the competent authority of a third country to carry out quality assurance inspections with access to the audit documents where such access would be in breach of this Act or the working arrangements.

(5) For joint quality assurance inspections, Sections 24c to 24g shall apply *mutatis mutandis*.

TITLE III

DISCIPLINARY AND OTHER MEASURES, AND DISCIPLINARY AND OTHER PROCEEDINGS

Section 25

Disciplinary and other measures

- (1) The Chamber may impose the following measures upon statutory auditors for any culpable breach of the obligations set out in this Act, another law or regulation governing the performance of audit activities, the Code of Ethics, internal regulations of the Chamber, or in the auditing standards referred to in Section 18 which is not an administrative offence pursuant to TITLE XI (hereinafter "disciplinary misconduct")
 - (a) reprimand;
 - (b) public reprimand;
 - (c) penalties of up to CZK 1,000,000;
 - (d) prohibition of performance of audit activities for the maximum period of five years;
 - (e) banning members of the management body of an audit firm from performing their function for the maximum period of three years.

- (2) The measure referred to in Subsection 1(c) may be imposed in conjunction with the measures referred to in Subsections 1(d) or (e).
- (3) In the event of any breach of the obligations set out in Section 21(7), the Chamber may impose upon audit firms or statutory auditors performing audit activities as sole practitioners the measures referred to in Subsection 1; the penalties pursuant to Subsection 1(c) shall be imposed in the amounts of up to CZK 10,000,000.
- (4) In the event of any breach of the obligations set out in this Act, another law or regulation governing performance of audit activities, the Code of Ethics, internal regulations of the Chamber, or in the auditing standards referred to in Section 18, which is committed in the course of the performance of audit firms and which does not constitute disciplinary misconduct of statutory auditors or an administrative offence pursuant to TITLE XI, the Chamber shall impose upon such audit firms the measures referred to in Subsection 1; the penalties pursuant to Subsection 1(c) shall be imposed in the amounts of up to CZK 10,000,000.
- (5) When imposing disciplinary measures, the gravity of the unlawful conduct, in particular the manner of its commitment, its consequences and circumstances under which it was committed, shall be taken into consideration.
- (6) In the event of a less serious infringement of the obligations, it is possible to refrain from imposing any disciplinary measure where a discussion of such infringement of the obligations may be deemed sufficient.
- (7) The Chamber shall execute the decision to impose a public reprimand by its posting on its website. Such decision shall be executed as at the date of its publishing. The content of the public reprimand shall be determined by the Disciplinary Committee of the Chamber in the relevant decision.
- (8) Income from any penalties imposed in the proceedings pursuant to Section 26 shall be the Chamber's revenue.

Section 25a

Culpability

- (1) Culpable disciplinary misconduct shall be deemed any disciplinary misconduct committed intentionally or out of negligence.
- (2) Disciplinary misconduct is committed intentionally if the statutory auditor
 - (a) sought to compromise or jeopardise any interest protected by this Act, another law or regulation governing performance of audit activities, the Code of Ethics, internal regulations of the Chamber, or by the auditing standards referred to in Section 18; or
 - (b) was aware that his or her actions could compromise or jeopardise any interest protected by this Act, another law or regulation governing performance of audit activities, the Code of Ethics, internal regulations of the Chamber, or by the auditing standards referred to in Section 18, and when performing those actions, he or she understood that such compromising or jeopardising in fact occurred.

- (3) Disciplinary misconduct is committed out of negligence if the statutory auditor
- (a) was aware that his or her actions could compromise or jeopardise any interest protected by this Act, another law or regulation governing performance of audit activities, the Code of Ethics, internal regulations of the Chamber, or by the auditing standards referred to in Section 18, but without reasonable grounds believed that he or she would not compromise or jeopardise the interest concerned; or
 - (b) was unaware that his or her actions could compromise or jeopardise any interest protected by this Act, another law or regulation governing performance of audit activities, the Code of Ethics, internal regulations of the Chamber, or by the auditing standards referred to in Section 18, even though he or she should or could have been aware of such outcome with regard to the relevant and personal circumstances.
- (4) Actions shall also mean an omission of such conduct by which the statutory auditor was bound with regard to the relevant and personal circumstances.

Section 25b

Banning members of the management body of an audit firm from performing their function

- (1) By way of entry into force of the decision to ban a member of the management body of an audit firm from performing his or her function, the person subject to such decision shall cease to be a member of the management body in all audit firms; the termination of the function shall be reported by the Chamber or the Board to the court maintaining the Commercial Register in accordance with another law or regulation.
- (2) The person who breaches the ban imposed by the decision banning members of the management body of an audit firm from performing their function shall comply with all obligations of the relevant audit firm that arose during the period of his or her performance, despite the imposition of the ban, of the function of a member of its management body, even though he or she was not appointed or ceased to be a member of that management body.
- (3) If a member of the management body of an audit firm is another audit firm, the provisions on banning members of the management body of an audit firm from performing their function shall apply for natural persons who were appointed by the relevant audit firm to perform such function on its behalf.

Section 26

Disciplinary and other proceedings

- (1) An imposition of disciplinary measures referred to in Section 25 shall be decided by the Disciplinary Committee of the Chamber in proceedings launched *ex officio* or upon a motion of the Minister of Finance, the Supervisory Committee, a member of the

Inspection Committee, a state supervisory authority or the Czech National Bank.

- (2) Liability for any disciplinary misconduct or breach of the obligations pursuant to Section 25(3) and (4) shall expire after the period of six years has elapsed from the date of committing the disciplinary misconduct or breach of the obligations.
- (3) The period referred to in Subsection 2 shall not apply
 - (a) in the event of the termination of the licence to perform audit activities;
 - (b) for the duration of criminal proceedings or administrative offence proceedings conducted in respect of the same offence; or
 - (c) for the duration of administrative court proceedings regarding the matter.
- (4) The motion shall include the name of the auditor against whom the motion is intended, a description of the offence for which the launch of proceedings is being proposed, and specification of evidence supporting the motion. Evidence available to the petitioner shall be attached to the motion.
- (5) The petitioner and the auditor against whom the motion is intended shall be the parties to the proceedings initiated upon the motion.
- (6) Decisions concerning the imposition of the measures referred to in Section 25 shall be signed by the chair of the Chamber's Disciplinary Committee. Details of the procedures regarding the imposition of the measures referred to in Section 25 shall be governed by the Disciplinary Rules which constitute an internal regulation of the Chamber.
- (7) Decisions concerning the imposition of the measures shall also be delivered to the person who filed the motion for the imposition thereof.
- (8) If the Disciplinary Committee of the Chamber declares in a decision closing the proceedings that the auditor has breached any obligation stipulated in this Act, another law or regulation governing performance of audit activities, the Code of Ethics, internal regulations of the Chamber, or in the auditing standards referred to in Section 18, it shall in that same decision order the auditor to reimburse the Chamber for the cost of the proceedings. The cost of the proceedings shall be determined by the Disciplinary Rules in an amount that shall not exceed CZK 6,000.
- (9) The Disciplinary Committee of the Chamber shall notify the Supervisory Committee and the Board about the launch of the proceedings and their outcome.

Section 27

Expungement of disciplinary penalty

- (1) The decision to impose the measures referred to in Section 25(1) (a) to (c) shall be deemed expunged after the period of seven years has elapsed from the date of entry into force of that decision. The measures referred to in Section 25(1) (d) and (e) shall be deemed expunged after the period of seven years has elapsed from the date of the execution of the ban.

- (2) Where the imposed measure has been expunged, the auditor may not be regarded as having committed the misconduct.
- (3) Expunged misconduct shall not be disclosed in the register.

Section 27a

Publication of the decision regarding disciplinary misconduct

- (1) The Chamber shall publish any decision regarding disciplinary misconduct in the register without undue delay after it has become final. The verdict section of the decision regarding disciplinary misconduct shall be published.
- (2) The Chamber, on the basis of the decision of the Chamber's Disciplinary Committee, shall refrain from the publication of the decision regarding disciplinary misconduct in the register where such publication would jeopardise the stability of financial markets, an ongoing criminal investigation of the auditor, or where such publication would cause disproportionate damage to the parties involved in the proceedings. If the Chamber has any doubts as to whether the stability of financial markets may be jeopardised, it may request the opinion of the Czech National Bank; a copy of the decision regarding disciplinary misconduct shall be attached to the request.
- (3) The Chamber, on the basis of the decision of the Chamber's Disciplinary Committee, shall refrain from the publication of the decision regarding disciplinary misconduct in the register where the disclosure of personal data would be disproportionate with regard to the nature and severity of the disciplinary misconduct.
- (4) Where the procedures referred to in Subsections 2 or 3 apply, the Chamber shall publish the decision regarding disciplinary misconduct on its website without disclosing any information that would facilitate identification of the auditor whose disciplinary misconduct was subject to the decision, without undue delay after the decision has become final.
- (5) The Chamber shall notify the Czech National Bank about the decision regarding disciplinary misconduct of the auditor performing audit activities in an entity subject to the Czech National Bank's oversight and which the Chamber shall not publish pursuant to Subsections 2 or 3; the notification shall include the auditor's name, declaration of culpability, imposition of the measure, or declaration of innocence, if applicable, and the date of entry into force of the decision.
- (6) If a legal action is brought against the decision regarding disciplinary misconduct, the Chamber shall publish this fact in the register. The Chamber shall publish in the same manner the information on the outcome of a judicial review.
- (7) The content of the published decision regarding disciplinary misconduct shall not be data facilitating identification of a person other than the auditor whose disciplinary misconduct was subject to the decision.

TITLE IV

ASSISTANT AUDITOR

Section 28

Assistant auditor

- (1) Assistant auditors shall be natural persons who
 - (a) have full legal capacity;
 - (b) are of integrity; and
 - (c) have completed at least secondary or secondary vocational education or studies that provide equivalent education.
- (2) The Chamber shall enter natural persons who meet the requirements referred to in Subsection 1 in the register as assistant auditors provided they are engaged in practical training pursuant to Section 29.
- (3) Auditors employing assistant auditors shall notify the Chamber without undue delay. The notification shall include the assistant's name, birth registration number or date of birth if the birth registration number has not been assigned, and the commencement date of the practical training. Auditors shall attach to the notification the documents referred to in Subsection 4 and a statement of employment of an assistant auditor.
- (4) Compliance with the requirement referred to in Subsection 1(c) shall be evidenced by certificate(s) of the highest level of education attained.
- (5) To evidence integrity, Section 4(4) and (5) shall apply *mutatis mutandis*.
- (6) The Chamber shall remove from the register assistant auditors who
 - (a) request the removal in writing, within 30 days of the date of delivery of the request to the Chamber unless a later date is specified in the request;
 - (b) have died or have been declared dead, as at the date on which the Chamber becomes aware of this fact;
 - (c) have become statutory auditors, as at the date of their entry in the register; or
 - (d) fail to meet any of the conditions referred to in Subsection 1 or cease to be engaged in practical training pursuant to Section 29, as at the date on which the Chamber becomes aware of this fact.

Section 29

Practical training of assistant auditors

- (1) Practical training shall be deemed any participation in the performance of audit activities, in particular statutory audits, for the purposes of gaining sufficient theoretical knowledge and practical skills and experience required in order to perform audit activities.
- (2) Practical training shall be completed with auditors complying with the following conditions

- (a) they actively perform audit activities, including statutory audits, in a Member State;
 - (b) their professional activity of performing audit activities exceeds three years; and
 - (c) they have not been subject to an imposition of the measure referred to in Section 25(1) (d) or a similar measure in another Member State unless it has been expunged as of the date of commencing such professional activity, and have not been subject to suspension of the performance of audit activities during this period.
- (3) The method of managing assistant auditors' practical training and its reporting shall be determined in an internal regulation of the Chamber.

Section 30

repealed

TITLE V

THE CHAMBER AND ITS BODIES

Section 31

The Chamber

- (1) The Chamber is an autonomous organisation of all auditors. Its registered office is in Prague. The Chamber is a legal entity.
- (2) The Chamber shall:
- (a) ensure conditions for the organisation, administration and conducting of quality assurance inspections organised and administered by the Supervisory Committee and conditions for cooperation in conducting quality assurance inspections pursuant to Section 24d(3);
 - (b) supervise whether auditors and assistant auditors comply with the provisions of this Act;
 - (c) upon discussion with the Board, issue internal regulations of the Chamber, the Code of Ethics and auditing standards, except for the auditing standards governed by European Union law pursuant to Section 18;
 - (d) maintain the register pursuant to this Act;
 - (e) create prerequisites for continuous maintenance and improvement of professional qualifications of statutory auditors;
 - (f) create prerequisites for the preparation of assistant auditors to pass auditor's examinations;
 - (g) decide on applications submitted for auditor's examinations, partial auditor's examinations, aptitude tests and partial aptitude tests, and ensure conducting auditor's examinations, partial auditor's examinations, aptitude tests and partial aptitude tests;

- (h) notify the Board without undue delay in cases where it contacts or is contacted by the competent authority of another Member in respect of cooperation referred to in Sections 41 and 49;
 - (i) notify, upon request, the Czech National Bank about the outcome of quality assurance inspections of auditors carrying out statutory audits of entities subject to the Czech National Bank's oversight if concerning quality assurance inspections organised and administered by the Supervisory Committee;
 - (j) exempt auditors from the obligation of professional secrecy pursuant to Section 15a(1) (b); the Chamber shall notify the relevant entity about any such exemption from the obligation of professional secrecy;
 - (k) perform other activities as specified in this Act.
- (3) The Chamber shall, upon request, provide the Board with
- (a) copies of documents and all information required for the assessment of specific cases related to public oversight pursuant to TITLE VI of this Act or where the Board acts in the capacity of an appellate body;
 - (b) quality assurance inspection files, if concerning quality assurance inspections organised and administered by the Supervisory Committee.
- (4) The Chamber shall take into account the Board's recommendations referred to in Section 38(2) (i) and cooperate with the Board as necessary in the exercise of the Board's powers in accordance with this Act and with directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities.
- (5) The Chamber shall issue internal regulations within the scope required to implement measures issued by the European Union authorities in order to execute the provisions of Sections 47 to 49.
- (6) The Chamber shall implement an effective mechanism for reporting any actual or suspected breach of this Act, another law or regulation governing performance of audit activities, directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities, the Code of Ethics, internal regulations of the Chamber, or of the auditing standards referred to in Section 18, and shall communicate it in a manner allowing remote access; this mechanism shall comprise at least
- (a) procedures for reporting an actual or suspected breach and its assessment;
 - (b) protection of personal data of the persons who report an actual or suspected breach or who are alleged to be liable for an actual or suspected breach; and
 - (a) procedures to ensure the right of the persons alleged to be liable for an actual or suspected breach to make a statement or provide explanations, including the right to appeal the Chamber's decision.

Bodies of the Chamber

- (1) The Chamber shall be comprised of the following bodies:
 - (a) the Assembly,
 - (b) the Executive Committee and the President of the Chamber;
 - (c) the Supervisory Committee,
 - (d) the Disciplinary Committee.
- (2) Statutory auditors who are not subject to suspension of the performance of audit activities at the time of the election may be elected to any of the Chamber's bodies, except the Assembly. The term of office of members of the bodies of the Chamber shall not exceed the period of four years. Re-election is permitted, whereas a member of a body of the Chamber may hold an identical function in one and the same body of the Chamber for two subsequent terms only. Details governing the method of election and removal of members of the Chamber's bodies shall be determined in an internal regulation of the Chamber. The functions held in the Chamber's bodies shall be honorary; for the performance of their functions, members of the bodies of the Chamber shall be entitled to reimbursement of income lost in connection with the performance of their functions and to reimbursement of expenses incurred in connection with the performance of their functions.
- (3) Details of the organisation of the Chamber and its bodies and the method of approval and publication of internal regulations of the Chamber shall be set out in the Statutes of the Chamber.
- (4) The performance of the functions of members of the bodies referred to in Subsection 1 (b) to (d) shall cease upon
 - (a) expiry of their term of office;
 - (b) removal from the function;
 - (c) relinquishing the function;
 - (d) death or declaration of death;
 - (e) termination of the licence to perform audit activities.

Section 33

The Assembly

- (1) The Assembly constitutes the supreme body of the Chamber. All statutory auditors entered in the register shall be entitled to attend the Assembly. The Assembly shall be convened at least once in every two years by the Executive Committee of the Chamber, in intervals and in a manner specified in an internal regulation of the Chamber. The Executive Committee of the Chamber shall convene the Assembly at any time if requested to do so in writing within 60 subsequent days by at least one-third of all

statutory auditors, or if so requested by the Supervisory Committee; in such cases, the Executive Committee shall convene the Assembly to take place within three months of the date of convocation at the latest.

- (2) Sessions of the Assembly shall be governed by the Rules of Procedure which constitute an internal regulation of the Chamber. The Assembly shall
 - (a) elect and remove, by way of direct and secret ballot, members of the bodies of the Chamber and their substitute members from the ranks of statutory auditors;
 - (b) approve the Statutes of the Chamber, the internal regulations of the Chamber or their amendments;
 - (c) approve the Code of Ethics and auditing standards, except for the auditing standards governed by European Union law in accordance with Section 18;
 - (d) decide on the amount of the statutory membership dues to be paid by statutory auditors and audit firms to the Chamber;
 - (e) decide on the amount of fees to be paid for applications for partial auditor's examinations and partial aptitude tests;
 - (f) discuss and approve activity reports prepared by the Executive Committee, the Supervisory Committee and the Disciplinary Committee, always for the previous two years;
 - (g) approve the financial statements of the Chamber; in between two Assemblies convened pursuant to Subsection 1, the financial statements shall be approved by the Executive Committee and submitted to the Assembly to take note; the Chamber shall post the financial statements on its website;
 - (h) appoint the auditor to audit the financial statements of the Chamber;
 - (i) perform any other activities specified in the Statutes of the Chamber.
- (3) The Chamber shall submit to the Board any internal regulations of the Chamber, the Code of Ethics and auditing standards within 30 days of the date of their approval by the Assembly.

Section 34

Executive Committee

- (1) The Executive Committee is the executive body of the Chamber. The Executive Committee shall be headed by the President of the Chamber who represents the statutory body of the Chamber.
- (2) The Executive Committee shall have 14 members. If the number of the members of the Executive Committee drops below the stipulated number, they shall be replenished from the ranks of the substitute members. The number of the substitute members, method of their election and the procedure applicable to the replenishment of the members of the Executive Committee shall be set out in the Statutes of the Chamber.

- (3) The Executive Committee shall perform activities which are
 - (a) set out in this Act for the Chamber and, at the same time, are not assigned to any other body of the Chamber;
 - (b) stipulated in the Statutes of the Chamber; and
 - (c) delegated to it by a resolution of the Assembly.
- (4) If European Union legislation or any change to the auditing standards governed by European Union law require any amendments to the relevant legislation pursuant to Section 33(2) (c), the Executive Committee shall draft and approve such legislative amendment which shall come into force as of the date of its publication in a manner pursuant to Section 18. Such amendments to relevant legislation shall be approved by the Assembly at its subsequent session.
- (5) The Executive Committee shall meet usually every other month; it shall be convened by the President of the Chamber.
- (6) The Executive Committee shall elect and remove from the ranks of its members the President and Vice-Presidents of the Chamber. If the President of the Chamber is temporary unable to perform his or her function, he or she may authorise any of the Vice- Presidents of the Chamber to perform the function.

Section 35

Supervisory Committee

- (1) The Supervisory Committee is the supervisory body of the Chamber. The number of the members and substitute members of the Supervisory Committee shall be specified in the Statutes of the Chamber. The Supervisory Committee shall organise and administer quality assurance inspections of auditors who do not carry out statutory audits of any public-interest entity and shall monitor compliance with this Act, implementation of resolutions of the Assembly, compliance with another law or regulation concerning selected measures against legitimisation of proceeds of crime and financing of terrorism, and compliance with the internal regulations of the Chamber by all statutory auditors, audit firms, assistant auditors, and the Chamber's bodies.
- (2) The Supervisory Committee shall be governed in the discharge of its tasks by the Supervision Rules.
- (3) The Supervisory Committee shall notify the Chamber and the Board about the outcome of its activity at least once in six months.

Section 36

Disciplinary Committee

- (1) The Disciplinary Committee shall exercise its powers set out in this Act. The number of members and substitute members of the Disciplinary Committee shall be specified in the Statutes of the Chamber.

- (2) The Disciplinary Committee shall be governed in the discharge of its tasks by the Disciplinary Rules.
- (3) The Disciplinary Committee shall notify the Chamber and the Board about the outcome of its activity at least once in six months.
- (4) The Disciplinary Committee shall provide the Board regularly once per calendar quarter with information on the measures imposed pursuant to Section 25 for the purposes of Section 38(2) (q).

TITLE VI

PUBLIC OVERSIGHT

Section 37

The Board and its powers

- (1) The Public Audit Oversight Board shall be established. The Board is a legal entity. Its registered office is in Prague.
- (2) The Board shall
 - (a) exercise public oversight of the performance of audit activities and the activities of the Chamber within the scope set out in his Act;
 - (b) be the designated competent authority pursuant to Article 20 of Regulation (EU) No 537/2014 of the European parliament and of the Council;
 - (c) exercise the powers of the competent authority in accordance with directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities unless this Act assigns the exercise of the powers to another authority in accordance with directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities;
 - (d) exercise the powers in public administration concerning matters referred to in TITLE XI;
 - (e) decide on the rights, legally protected interests and obligations of both legal entities and natural persons, if so stipulated in this Act.
- (3) The Board, in the exercise of the powers pursuant to this Act and directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities, shall ensure the protection of public interest.

Section 38

Budget of the Board

- (1) The Board shall draw up its draft budget for each budgetary year at least within the scope of total revenues and total expenditures and shall submit it, together with the Board's financial statements for the previous reporting period, to the Ministry of Finance within

the timeframes set out for drawing up the state budget of the Czech Republic and the state final account of the Czech Republic. The Board's budget shall be subject to approval of the Ministry of Finance.

- (2) The funding sources of the Board shall comprise
 - (a) subsidies from the state budget;
 - (b) interest income from deposits, penalties, insurance benefits and other payments received in connection with the use of the Board's funds;
 - (c) revenue from the sale of the Board's assets;
 - (d) other income generated in connection with the Board's activities.
- (3) Subsidies from the state budget shall be allocated to the Board on an annual basis in the amount equivalent at least to the actual expenditures determined in the Board's approved budget, in the amount calculated to cover the costs of the Board's administration and activities which are not covered by the funding sources referred to in Subsection 2(b) to (d).
- (4) The Board's funding sources may be used solely to cover the costs associated with the Board's administration and activities approved within the scope of the Board's budget.

Section 38

Activities of the Board

- (1) The exercise of public oversight pursuant to Section 37(2) shall mean oversight of:
 - (a) compliance with the provisions of this Act, auditing standards referred to in Section 18, the Code of Ethics and internal regulations of the Chamber by auditors and the bodies of the Chamber;
 - (b) organisation, administration and conducting of quality assurance inspections organised and administered by the Supervisory Committee;
 - (c) organisation and operation of the system of continuing education of statutory auditors provided by the Chamber;
 - (d) imposition of disciplinary and other measures pursuant to this Act by the Chamber in proceedings conducted against auditors, and/or persons registered pursuant to Section 47.
- (2) The Board shall:
 - (a) cooperate with the authorities referred to in Article 25 of Regulation (EU) No 537/2014 of the European Parliament and of the Council in matters relating to statutory audit and compliance with the obligations in accordance with this Act and with directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities;

- (b) cooperate with the authorities in charge of public oversight of auditors from other Member States and from third countries under the conditions set out in this Act and in directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities, and also participate in international cooperation of the supervisory authorities where it is necessary or desirable in order to comply with the obligations set out in this Act or in directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities;
- (c) cooperate with the Czech National Bank in the field of oversight of auditors performing audit activities in respect of entities subject to the Czech National Bank's oversight;
- (d) cooperate with the Chamber, the Committee of European Auditing Oversight Bodies and the competent authorities of other Member States with the aim to harmonise the requirements for theoretical instruction and practical training and requirements for aptitude test;
- (e) act in the capacity of the supervisory administrative authority in cases specified in this Act or in other legislation²¹⁾;
- (f) approve:
 - 1. Statutes of the Board;
 - 2. plan of activities of the Board;
 - 3. draft budget of the Board;
 - 4. the Rules of Procedure of the Board, the Organisational, Filing, and Signature Rules of the Board, the Quality Assurance Inspection Rules and other internal regulations;
 - 5. reports on public oversight of audits pursuant to Subsection 3;
 - 6. summary reports on the quality assurance system;
 - 7. schedule of quality assurance inspections;
- (g) discuss, together with the Chamber, any proposed amendments to the internal regulations or draft internal regulations of the Chamber prior to their approval by the Assembly or by the Executive Committee; members of the Board Presidium shall have the right to attend, without the right to vote, the Assembly of the Chamber or sessions of the Chamber's other bodies; members of the Disciplinary Committee, the Inspection Committee and the Board's employees shall have the right to attend, without the right to vote, the Assembly of the Chamber or sessions of the Supervisory Committee or the Disciplinary Committee, after prior consultation with the President of the Chamber;
- (h) submit to the Chamber motions for repeals of or amendments to the internal regulations of the Chamber or any parts thereof where they are in conflict with this Act or with another law or regulation; if the Chamber fails to uphold such motion within the timeframe set out by the Board, the Board may file an action for a repeal

- of such internal regulation of the Chamber or any parts thereof by a court of justice;
- (i) issue recommendations for the purposes of the exercise of public oversight as referred to in Section 37(2) and cooperation as referred to in (d);
 - (j) be authorised to order the Chamber to carry out quality assurance inspections of auditors;
 - (k) supervise conducting quality assurance inspections organised and administered by the Supervisory Committee via a member approved by the Board or any other duly authorised person who is not in any conflict of interests with the inspected auditor and who meets the requirements referred to in Section 24c(1);
 - (l) perform any other activities which are specified in this Act and which are essential for the proper exercise of public oversight of audits;
 - (m) supervise whether auditors, persons directly involved in activities related to statutory audits of entities, members of the network and public-interest entities comply with the provisions of directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities;
 - (n) decide on an extension referred to in Article 17(6) of Regulation (EU) No 537/2014 of the European Parliament and of the Council;
 - (o) monitor the developments in the market for the provision of statutory audit services to public-interest entities referred to in Article 27 of Regulation (EU) No 537/2014 of the European Parliament and of the Council;
 - (p) negotiate and enter into agreements with the competent authorities of third countries under the conditions set out in directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities;
 - (q) prepare an overview of all measures imposed on auditors pursuant to Section 25 and TITLE XI for each calendar year and provide that overview to the Committee of European Auditing Oversight Bodies;
 - (r) disclose names of the auditors whose share of statutory audit fees charged to or recorded for public-interest entities does not exceed 15% of the total fees charged or recorded for statutory audits per calendar year in accordance with Article 16 of Regulation (EU) No 537/2014 of the European Parliament and of the Council;
 - (s) for the purposes of the third subparagraph of Article 17(8) of Regulation (EU) No 537/2014 of the European Parliament and of the Council, determine the relevant date for the application of requirements for the duration of the audit engagement;
 - (t) notify the Committee of European Auditing Oversight Bodies about the imposed measures prohibiting auditors from performing audit activities and banning members of the management body of an audit firm or public-interest entity from performing their function pursuant to another law or regulation.
- (3) The Board shall issue by 30 June at the latest a report on public oversight of audits in the Czech Republic for the preceding calendar year.

- (4) The Board shall post the Board's financial statements for the preceding reporting period on its website by 30 June at the latest, and also information referred to in Article 28 of Regulation (EU) No 537/2014 of the European Parliament and of the Council. This information shall remain posted on the website for a minimum period of five years after its publication, including any corrections, if applicable.
- (5) The Board shall notify the Czech National Bank about the termination of an obligation arising from the statutory audit contract or the rescission of the statutory audit contract pursuant to Section 17a where the contracting party is an entity subject to the Czech National Bank's oversight.
- (6) In the exercise of its powers pursuant to this Act and directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities, the Board shall participate in the activities of the Committee of European Auditing Oversight Bodies in accordance with Article 30 of Regulation (EU) No 537/2014 of the European Parliament and of the Council.
- (7) In the exercise of its powers pursuant to this Act and directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities, the Board shall participate in the activities of the colleges of oversight authorities within the framework of cooperation among competent authorities in accordance with Article 32 of Regulation (EU) No 537/2014 of the European Parliament and of the Council.
- (8) The Board shall, upon request, provide the Czech National Bank with the outcome of the quality assurance inspections of auditors carrying out statutory audits of entities subject to the Czech National Bank's oversight.

Section 38a

Bodies of the Board

- (1) The Board shall be comprised of the following bodies
 - (a) the Presidium;
 - (b) the President of the Board;
 - (c) the Disciplinary Committee
 - (d) the Inspection Committee.
- (2) The Board may establish advisory committees.
- (3) Details of the activities, internal structure of the Board, its bodies and internal sections shall be set out in the Statutes of the Board.

Section 38a

The Presidium

- (1) The Presidium is the executive body of the Board which shall exercise the powers of the Board pursuant to this Act or directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities unless such powers are also assigned to other bodies of the Board.
- (2) The Presidium shall have six members.
- (3) Members of the Presidium shall be appointed by the Minister of Finance upon agreement with the Czech National Bank.
- (4) The Presidium shall elect and remove from the ranks of its members the President of the Board at the founding session of the Board, and always upon the appointment of more than one new member of the Presidium or upon the termination of the term of office of the President of the Board as a member of the Presidium.
- (5) The President of the Board shall represent the statutory body of the Board. The President of the Board shall be substituted in his or her absence by a member of the Presidium authorised by him or her.
- (6) The term of office of the members of the Presidium shall extend to six years.
- (7) The function of a Presidium member shall constitute the exercise of public office.

Section 39a

Conditions of Presidium membership

- (1) Members of the Presidium shall be natural persons who
 - (a) are citizens of the Czech Republic;
 - (b) are of integrity;
 - (c) have full legal capacity;
 - (d) have gained theoretical knowledge or professional experience in the field of accounting or assurance or in the field of law or economics, ensuring the presumption of proper performance of the function of a Presidium member;
 - (e) do not or did not for at least three years prior to appointment
 1. hold a share in voting rights in an audit firm;
 2. arrange an employment relationship with an audit firm or a statutory auditor performing audit activities as sole practitioners;
 - (f) are not and were not members of the management or supervisory body or senior executives or representatives of an audit firm for at least three years prior to appointment;
 - (g) are not statutory auditors and did not carry out statutory audits for at least three years

prior to appointment; or

- (h) are not and were not bound by another contractual relationship with an auditor for at least three years prior to appointment.
- (2) Persons who have been subject to an imposition of any disciplinary measure pursuant to Section 25(1) or TITLE XI shall not be appointed members of the Presidium unless the measure has been expunged as at the date of appointment as a Presidium member.
 - (3) The performance of the function of members of the Presidium shall cease upon
 - (a) expiry of their term of office;
 - (b) removal from the function;
 - (c) relinquishing the function;
 - (d) death or declaration of death;
 - (e) issuance of the licence; or
 - (f) entry into force of a court ruling convicting a member of the Presidium of an intentional criminal offence or restricting his or her legal capacity.
 - (4) The Minister of Finance, upon agreement with the Czech National bank, shall remove members of the Presidium from office if they
 - (a) fail to perform their function for more than nine months or fail to comply with their obligations pursuant to this Act;
 - (b) impair in a material way the dignity of their function;
 - (c) are appointed members of the supervisory or management body of an audit firm;
 - (d) acquire a share in voting rights in an audit firm;
 - (e) enter into an employment relationship with an audit firm or a statutory auditor performing audit activities as sole practitioners; or
 - (f) enter into any other contractual relationship with an auditor.
 - (5) If a member of the Presidium no longer satisfies any of the conditions set out in this Act for membership in the Presidium, he or she shall notify without undue delay the Minister of Finance.

Section 39b

Disciplinary Committee

- (1) The Disciplinary Committee shall have five members.
- (2) Members of the Disciplinary Committee shall be appointed by the President of the Board

upon a proposal of the Presidium. The term of office of members of the Disciplinary Committee, the method of their removal, remuneration and the governing rules shall be specified in the Statutes of the Board. The activities of the Disciplinary Committee shall be governed by the Disciplinary Rules of the Board which constitute an internal regulation of the Board.

- (3) The Disciplinary Committee shall exercise, at first instance, the powers of the Board in administrative offence proceedings pursuant to TITLE XI. The appellate body is the Presidium.
- (4) The Disciplinary Committee shall exercise the powers of the Board in an investigation pursuant to Section 40b.
- (5) The function of a Disciplinary Committee member shall constitute the exercise of public office.

Section 39c

Inspection Committee

- (1) The Inspection Committee shall have five members.
- (2) Any natural person referred to in the third subparagraph of Article 21(a) to (d) of Regulation (EU) No 537/2014 of the European Parliament and of the Council may be appointed as a member of the Inspection Committee.
- (3) Members of the Inspection Committee shall be appointed by the President of the Board upon a proposal of the Presidium. The term of office of members of the Inspection Committee, the method of their removal, remuneration and the governing rules shall be specified in the Statutes of the Board. The activities of the Inspection Committee shall be governed by the Quality Assurance Inspection Rules which constitute an internal regulation of the Board.
- (4) The Inspection Committee shall
 - (a) organise and administer quality assurance inspections of auditors who carry out a statutory audit of at least one public-interest entity in accordance with Sections 24h and 24i and Articles 26, 31 and 32 of Regulation (EU) No 537/2014 of the European Parliament and of the Council;
 - (b) submit summary reports on the quality assurance system pursuant to Section 24(7) to the Presidium for approval;
 - (c) submit a draft quality assurance inspection schedule pursuant to Section 24b(3) to the Presidium for approval.
- (5) The function of an Inspection Committee member shall constitute the exercise of public office.

Section 40

Sessions of the Presidium

- (1) The Presidium shall be in session as required but at least once in three months. The sessions of the Presidium shall be convened by the President of the Board. If any of the members of the Presidium request in writing the convocation of an extraordinary session, the President of the Board shall convene such session within 30 days of delivery of such request.
- (2) Sessions of the Presidium shall not be open to the public unless stipulated otherwise in the Statutes of the Board.
- (3) The Presidium shall have a quorum if a simple majority of its members is present.
- (4) The Presidium shall make decisions by voting. Each member of the Presidium shall have one vote. Decisions shall be adopted if voted for by at least four members of the Presidium, except for decision-making referred to in Section 37(2) (e); in such cases, the decision shall be adopted if voted for by a simple majority of all members of the Presidium present, and in the event of equal votes, the vote of the President of the Board shall decide.
- (5) Where decisions pursuant to Subsection 4 cannot be adopted due to the exclusion of those members of the Presidium whose objectivity is reasonably in doubt in view of their attitude regarding the case or regarding the parties to the proceedings or their representatives, such decision shall be adopted if voted for by a simple majority of the members who have not been excluded from the voting for those reasons, and in the event of equal votes, the vote of the President of the Board shall decide. The President of the Board may not be excluded from the decision-making of the Presidium.

Section 40a

Rules of remuneration and reimbursement of travel expenses

- (1) Members of the Presidium shall be entitled, for the performance of their functions, to remuneration in the amount set out in implementing laws or regulations with regard to the complexity, level of responsibility, demands and scope of the performance of the relevant function.
- (2) Members of the Disciplinary Committee and of the Inspection Committee shall be entitled, for the performance of their functions, to remuneration in the amount determined by the Board with regard to the complexity, level of responsibility, demands and scope of the performance of the relevant function.
- (3) Members of the Board's bodies travelling in connection with the performance of their functions shall be entitled to reimbursement of their travel expenses under the conditions set out in Part 7 of the Labour Code for contracted employees; for those purposes, the regular workplace shall be deemed the residence address of the relevant member of the Board's body.
- (4) Remuneration and reimbursement of travel expenses shall be provided to members of the Board's bodies by the Board. Remuneration shall be payable as at the same dates as determined for the employees of the Board.

- (5) The Board shall specify the rules of payroll for its employees in an internal regulation, taking into account the Board's budgetary capabilities.

Section 40b

Investigations conducted by the Board

- (1) For the purposes of public oversight, the Board shall be authorised to conduct an investigation of
- (a) auditors carrying out statutory audits of public-interest entities;
 - (b) members of the network to which statutory auditors carrying out statutory audits of public-interest entities belong, with the registered office in the territory of the Czech Republic;
 - (c) persons involved in audit activities of auditors carrying out statutory audits of public-interest entities;
 - (d) public-interest entities; and
 - (e) the Chamber.

Section 40c

Retaining of files

The Board shall safeguard the information provided to the Board against misuse. The Board shall retain the relevant files for 10 years from the date of the closing of the investigation; this period shall be extended for the duration necessary to conduct administrative offence proceedings or criminal proceedings.

Section 40d

Delegation of tasks by the Board to competent authorities of Member States

- (1) Where the Board delegates any activity which otherwise it would or could perform by itself in accordance with directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities to an authority of another Member State designated in that Member State as the competent authority responsible for the execution of the tasks specified in directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities, the Board's liability shall be without prejudice.
- (2) The Board shall ensure that the delegation of activities referred to in Subsection 1
- (a) shall not impair compliance of the delegated activities with the relevant laws and regulations and the Board's ability to supervise them;

- (b) shall be without prejudice to the legal relations between the Board and the auditor; and
 - (c) shall set out rules for the supervision by the Board of such delegated activities.
- (3) The Board shall enter into an agreement on the delegation of activities referred to in Subsection 1 in a manner that allows for its content to be recorded and for the agreement to be verifiable, enforceable and retainable.

Section 40e

Reporting breaches

- (1) The Chamber shall implement an effective mechanism for reporting any actual or suspected breach of this Act, another law or regulation governing performance of audit activities or directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities, the Code of Ethics, internal regulations of the Chamber, or of the auditing standards referred to in Section 18, and shall communicate it in a manner allowing remote access; this mechanism shall comprise at least
- (a) procedures for reporting an actual or suspected breach and its assessment;
 - (b) protection of personal data of the persons who report an actual or suspected breach or who are alleged to be liable for an actual or suspected breach; and
 - (c) procedures to ensure the right of the persons alleged to be liable for an actual or suspected breach to make a statement or provide explanations, including the right to seek an effective remedy against any decision or measure of the Board.

TITLE VII

COOPERATION WITH COMPETENT AUTHORITIES IN OTHER MEMBER STATES

Section 41

Cooperation with competent authorities of Member States

- (1) The Board shall cooperate with the competent authorities of Member States whenever it is necessary or desirable for the purposes of ensuring public oversight pursuant to this Act and directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities. Such cooperation mainly involves exchange of information and cooperation in quality assurance inspections and investigations related to conducting statutory audits.
- (2) The obligation of professional secrecy shall apply to all persons who are or were employed by the Board. Information subject to the obligation of professional secrecy shall not be disclosed to any other person or authority unless otherwise provided for in this Act or in another law or regulation. This provision shall be without prejudice to exchanging confidential information between the competent authorities. The Board shall ensure that information thus exchanged shall also be covered by the obligation of

professional secrecy. The Board may also request that an investigation be conducted by the competent authority of another Member State on the latter's territory. It may further request that some of its own employees or any other selected persons be allowed to accompany the personnel of the competent authority of that other Member State in the course of the investigation. The Board may allow the personnel authorised by the competent authority of another Member State to be present during an investigation conducted by the Board.

- (3) The Board may refuse to conduct an investigation or may refuse to allow the employees or persons selected by the competent authority of another Member State to accompany its personnel, as referred to in Subsection 2, where:
- (a) such investigation might adversely affect the sovereignty, security or public order of the Czech Republic, or it might result in breaches of the laws governing the protection of classified information and operations of intelligence services;
 - (b) judicial proceedings have already been launched against the auditors in respect of the same actions; or
 - (c) the Chamber or the Board have already adopted a decision within disciplinary or any other proceedings against those persons in respect of the same actions.

Section 42

Exchange of information between competent authorities

- (1) The Board shall, upon request and without undue delay, supply to the competent authorities of other Member States information required for the purposes referred to in Section 41(1). Where necessary, the Board receiving any such request shall, without undue delay, adopt necessary measures to gather the required information. Information thus supplied shall be covered by the obligation of professional secrecy.
- (2) If the Board is unable to supply the required information upon request and without undue delay, it shall communicate the reasons to the requesting authority.
- (3) The Board may refuse to supply information where
 - (a) supplying such information might adversely affect the sovereignty, security or public order of the Czech Republic, or it might result in breaches of the laws governing the protection of classified information and operations of intelligence services;
 - (b) judicial proceedings have already been launched against the auditors in respect of the same actions; or
 - (c) a final judgment has already been passed by a court in respect of the same actions.
- (4) Without prejudice to the obligations of the Chamber or of the Board to which they are subject in administrative or judicial proceedings, they may use information received by way of the procedure referred to Section 41(1) from the competent authorities of other Member States only for the exercise of their powers within the scope of this Act and of directly applicable European Union legislation governing specific requirements

regarding statutory audit of public-interest entities, and in the context of administrative or judicial proceedings specifically related to the exercise of those powers.

- (5) Where the Board or the Chamber conclude that activities contradicting the provisions of the Directive¹⁾ are being or have been carried out on the territory of another Member State, they shall notify the competent authority or authorities of the other Member State of that conclusion in as specific a manner as possible. Additionally, the Chamber shall notify the Board.
- (6) If the Board or the Chamber receive any information referred to in Subsection 5, they shall inform each other of such facts accordingly. The Board shall decide on taking appropriate action. The Board shall inform the notifying competent authority of another member State of the outcome, to the extent possible, of significant interim developments.

TITLE VIII

SPECIAL PROVISIONS FOR STATUTORY AUDITS OF PUBLIC-INTEREST ENTITIES

Section 43

Appointment of auditors by public-interest entities

- (1) Public-interest entities shall appoint audit firms or statutory auditors performing audit activities as sole practitioners for statutory audits pursuant to Article 16(2) to (5) of Regulation (EU) No 537/2014 of the European Parliament and of the Council.
- (2) For the purposes of the appointment of audit firms or statutory auditors performing audit activities as sole practitioners pursuant to Section 17(3) or (4), an audit firm or a statutory auditor performing audit activities as sole practitioners shall be proposed to the appointing entity by its supervisory body, taking into account the recommendations made by the audit committee. Where the supervisory body proposes to the appointing entity an audit firm or a statutory auditor performing audit activities as sole practitioners other than that recommended by the audit committee, it shall duly justify any such proposal, in particular, it shall provide an adequate explanation of the reasons for departing from the audit committee's recommendation.
- (3) Where a public interest-entity has no supervisory body, an audit firm or a statutory auditor performing audit activities as sole practitioners shall be appointed by the audit committee.
- (4) Without prejudice to directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities, public-interest entities may appoint audit firms or statutory auditors performing audit activities as sole practitioners to carry out a statutory audit for a maximum period of 20 years provided that at the latest after a period of 10 years after the appointment of an audit firm or a statutory auditor performing audit activities as sole practitioners, but no sooner than 18 months prior to the expiry of the relevant audit engagement, they shall organise a selection procedure for carrying out a statutory audit for the period immediately following after the 10 years have elapsed in accordance with Article 16(2) to (5) of Regulation (EU) No 537/2014 of the European Parliament and of the Council.
- (5) Where public-interest entities have no supreme body, for the purposes of appointing audit

firms or statutory auditors performing audit activities as sole practitioners in accordance with directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities, the powers of the supreme body shall be exercised by whomever appoints an audit firm or a statutory auditor performing audit activities as sole practitioners to carry out a statutory audit.

- (6) Where public-interest entities appoint audit firms or statutory auditors performing audit activities as sole practitioners in accordance with the procedure referred to in Section 17(2), (3) or (4), they shall notify the Board without undue delay.

Section 43a

Relations between statutory auditors and public-interest entities

- (1) Statutory auditors shall not take up a key management position or become a member of the audit committee or a non-executive member of the management or supervisory body in public-interest entities in which they carry out statutory audits or are involved in statutory audit engagements before a period of at least two years has elapsed since they carried out statutory audits of those entities or were involved in statutory audit engagements.
- (2) Subsection 1 shall apply *mutatis mutandis* for natural persons who carried out statutory audits or were involved in statutory audit engagements whose licence has expired.

Section 43b

Provision of selected non-audit services

- (1) Auditors carrying out statutory audits of public-interest entities may, for the period commencing on the first day of the reporting period for which the financial statements or consolidated financial statements are audited and prior to the issuance of the auditor's report, provide to that public-interest entity, its parent business corporation²⁵⁾ with its registered office in the Czech Republic and its subsidiary business corporation²⁵⁾ with its registered office in the Czech Republic the non-audit services referred to in Article 5(1) (a) point (i), points (iv) to (vii) and (f) of Regulation (EU) No 537/2014 of the European Parliament and of the Council, under the conditions set out in this Act and where
- (a) such non-audit services have no direct or have immaterial effect, separately or in the aggregate, on the audited financial statements or consolidated financial statements; and
- (b) the estimation of the effect on the audited financial statements or consolidated financial statements is comprehensively documented and explained in the additional report to the audit committee referred to in Article 11 of Regulation (EU) No 537/2014 of the European Parliament and of the Council.
- (2) Auditors who are members of a network to which an auditor, auditor from another Member State or audit entity from another Member State carrying out statutory audits of public-interest entities established in accordance with that Member State law belong may provide to that public-interest entity, its parent business corporation²⁵⁾ with its registered office in the Czech Republic and its subsidiary business corporation²⁵⁾ with its registered office in the Czech Republic, for the period commencing on the first day of the reporting period for

which the financial statements or consolidated financial statements are audited and prior to the issuance of the auditor's report, the non-audit services referred to in Article 5(1) (a) point (i), points (iv) to (vii) and (f) of Regulation (EU) No 537/2014 of the European Parliament and of the Council under the conditions set out in Subsection 1.

- (3) Subsections 1 and 2 shall apply *mutatis mutandis* for the provision of services referred to in Article 5(1) (a) point (i), points (iv) to (vii) and (f) of Regulation (EU) No 537/2014 of the European Parliament and of the Council to the public-interest entity, its parent business corporation²⁵⁾ with its registered office in the Czech Republic and its subsidiary business corporation²⁵⁾ with its registered office in the Czech Republic by a member of a network to which the auditor carrying out a statutory audit of that public-interest entity belongs.
- (4) Auditors shall not provide to the public-interest entity, its parent business corporation or its subsidiary business corporation non-audit services not listed in Article 5(1) of Regulation (EU) No 537/2014 of the European Parliament and of the Council without approval of the supervisory body pursuant to Section 44a(1) (m) or the audit committee pursuant to Article 5(4) of Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Section 43c

Limitations to conducting statutory audit of public-interest entities

Auditors shall not carry out the statutory audit if the audit committee so decides pursuant to the second subparagraph of Article 4(3) of Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Section 43d

Reporting obligation of auditors

Audit firms and statutory auditors performing audit activities as sole practitioners shall within 30 days of entering into a statutory audit engagement contract with a public-interest entity notify the Board and the Chamber thereof; they shall also indicate in the notification the periods for which they have been appointed by the public-interest entity.

heading omitted

Section 44

Establishment of and requirements for an audit committee

- (1) Public-interest entities shall set up an audit committee unless otherwise provided for in this Act. The audit committee shall comprise at least three members.
- (2) The supreme body of a public-interest entity shall appoint members of the audit committee from the ranks of non-executive members of the supervisory body or from third parties. Where the supreme body of a public-interest entity does not appoint members of the audit committee, or the public-interest entity has no supreme body, the audit committee shall be composed of non-executive members of the supervisory body. If the number of non-

executive members of the supervisory body is insufficient to meet the minimum number of audit committee members, they shall be supplemented by third parties appointed by the supervisory body. If the number of non-executive members of the supervisory body exceeds the number of the audit committee members, the supervisory body shall determine which of its non-executive members become members of the audit committee.

- (3) Members of the audit committee shall elect and remove the chair of the audit committee. If the members of the audit committee fail to elect the chair of the audit committee, the supervisory body shall appoint and remove the audit committee chair. The chair of the audit committee shall be independent.
- (4) A majority of the members of the audit committee shall be independent and professionally competent.
- (5) At least one of the members of the audit committee shall be a person who is or was a statutory auditor, or a person whose knowledge or previous professional accounting practice ensures the presumption of proper performance of the function of an audit committee member in respect of the sector in which the relevant public-interest entity operates; this member shall always be independent.
- (6) In addition to the person referred to in Subsection 5, a professionally competent member of the audit committee shall be a person who has for at least two years
 - (a) served in a key management position in an entity operating in the same sector as the public-interest entity; or
 - (b) been responsible for performing a function related to risk management, evaluation of compliance of activities with laws or regulations, internal audit, or actuarial and other similar functions;
- (7) Public-interest entities shall post on their website a list of members of the audit committee; information provided on the listed persons shall include such data as required for members of the supervisory body entered in the Commercial Register.

Section 44a

Audit committee

- (1) Without prejudice to the responsibilities of the management or supervisory body or of their members, the audit committee shall, in particular
 - (a) monitor the effectiveness of the internal quality control and risk management systems;
 - (b) where applicable, monitor the effectiveness of the internal audit and its operational independence;
 - (c) monitor the process of the preparation of financial statements and consolidated financial statements and submit to the management or supervisory body recommendations to ensure the integrity of the accounting and financial reporting systems;

- (d) recommend to the management or supervisory body auditors to be appointed and provide appropriate justification of such recommendation unless otherwise provided for in directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities;
 - (e) assess the independence of the statutory auditors and audit firms and the provision of non-audit services to public-interest entities by those statutory auditors and audit firms;
 - (f) discuss with the auditors any threats to their independence and the safeguards applied by the auditors to mitigate those threats;
 - (g) monitor the statutory audit process on the basis of a summary report on quality assurance;
 - (h) provide an opinion on the termination of an obligation arising for the statutory audit contract or rescission of the statutory audit contract as referred to in Section 17a(1);
 - (i) assess whether an audit engagement should be subject to a quality assurance inspection of the audit engagement by another statutory auditor performing audit activities as a sole practitioner or by an audit firm referred to in the first subparagraph of Article 4(3) of Regulation (EU) No 537/2014 of the European Parliament and of the Council;
 - (j) inform the supervisory body of the outcome of the statutory audit and the knowledge obtained in the course of monitoring the statutory audit process;
 - (k) explain to the supervisory body how the statutory audit contributed to the integrity of the accounting and financial reporting systems;
 - (l) decide whether the auditor may continue to carry out the statutory audit in accordance with the second subparagraph of Article 4(3) of Regulation (EU) No 537/2014 of the European Parliament and of the Council;
 - (m) approve the provision of other non-audit services;
 - (n) approve the report on the conclusions of the selection procedure regarding the mandatory selection procedure referred to in Article 16 of Regulation (EU) No 537/2014 of the European Parliament and of the Council; and
 - (o) exercise other powers pursuant to this Act or directly applicable European Union legislation governing specific requirements regarding statutory audit of public-interest entities.
- (2) Auditors shall report on an ongoing basis to the audit committee on key matters arising from the statutory audit and, in particular, on material weaknesses in internal control in relation to the process of the preparation of financial statements or consolidated financial statements.

Section 44aa

Other tasks and obligations of the audit committee

- (1) The audit committee shall have the right to consult any documents and records related to the activities of the public-interest entity that has set up the audit committee, to the extent required for the performance of the tasks of the audit committee.
- (2) The audit committee or a body which pursuant to Section 44b(2) performs the tasks of the audit committee and which, in accordance with the second subparagraph of Article 11(1) of Regulation (EU) No 537/2014 of the European Parliament and of the Council, is the appointed recipient of the additional report to the audit committee shall, upon request, forward this report in an appropriate manner without undue delay to
 - (a) the supervisory body;
 - (b) the management body;
 - (c) the Czech National Bank if concerning an entity whose activities are subject to the Czech National Bank's oversight pursuant to other laws or regulations; and
 - (d) the Board if concerning a public-interest entity.
- (3) The audit committee shall annually prepare an activity report assessing its activities in relation to the activities referred to in Section 44a(1) and shall forward it to the Board.

Section 44b

Special exemptions for selected public-interest entities

- (1) Public-interest entities which are banks pursuant to the law governing the activities of banks, or savings and credit cooperatives pursuant to the law governing the activities of savings and credit cooperatives, or insurance or reinsurance companies or pension companies pursuant to the law governing retirement savings or supplementary pension savings, need not establish an audit committee if:
 - (a) they do not constitute issuers of investment securities that have been admitted to trading on the European regulated market;
 - (b) they have not opted for a monistic system of the undertaking's internal structure where the chairman of the management board is the statutory director;
 - (c) at least one member of the supervisory body satisfies the conditions referred to in Section 44(4); and
 - (d) they meet at least two of the following three criteria as at the balance sheet date for the immediately preceding reporting period
 1. the average number of employees during the reporting period is below 250;
 2. total assets do not exceed EUR 43,000,000;
 3. net annual turnover does not exceed EUR 50,000,000.
- (3) Where public-interest entities referred to in Subsection 1 do not set up an audit

committee, the tasks of the audit committee shall be performed by their supervisory body.

- (4) Where public-interest entities referred to in Subsection 1 do not set up an audit committee, they shall publish on their website which body performs the tasks of the audit committee and the names of its members and shall indicate the reasons for not establishing the audit committee.
- (5) Where public-interest entities referred to in Subsection 1 do not set up an audit committee, statutory auditors or audit firms shall comply with their obligations pursuant to Section 44a(2) in respect of the supervisory body.

TITLE IX

SPECIAL PROVISIONS FOR STATUTORY AUDIT OF ENTITIES WITH GOVERNMENT OWNERSHIP

Section 44c

Establishment of an audit committee by selected entities with government ownership

- (1) An audit committee shall also be established by entities which are not public-interest entities and which are
 - (a) business corporation pursuant to the Act on Business Corporations which is a large entity and in which an organisational component of the state, a local authority, voluntary union of municipalities or municipal district of the City of Prague holds, either separately or jointly with another organisational component of the state, local authority, voluntary union of municipalities or municipal district of the City of Prague, a share in voting rights representing more than 50% of all votes in the business corporation;
 - (a) business corporation which is a consolidating entity which, on a consolidated basis, exceeds as at the balance sheet date at least two thresholds referred to in Section 1b(3) of the Accounting Act and in which an organisational component of the state, a local authority, voluntary union of municipalities or municipal district of the City Prague holds, either separately or jointly with another organisational component of the state, local authority, voluntary union of municipalities or municipal district of the City of Prague, a share in voting rights representing more than 50% of all votes in the business corporation;
 - (b) state enterprise pursuant to the Act on State Enterprises which is a large entity;
 - (c) national enterprise which is a large entity;
 - (d) state organisation Správa železniční dopravní cesty (Railway Infrastructure Administration) pursuant to the act governing the establishment and activities of the state organisation Správa železniční dopravní cesty; or
 - (e) business corporation pursuant to the Act on Business Corporations which is a large entity, if its controlling entity is an entity referred to in (a) to (d), provided the

controlling entity shall so decide.

- (2) Sections 44 to 44aa shall apply *mutatis mutandis* for the establishment and powers of the audit committee.

Section 45

Other requirements for auditors of entities with government ownership

- (1) Auditors who carry out statutory audits of entities referred to in Section 44c shall
- (a) once a year, by way of a written statement, declare to the audit committee their independence of the audited entity;
 - (b) once a year, notify the audit committee in writing about any non-audit services rendered to the audited entity; and
 - (c) discuss with the audit committee any threats to their independence and the safeguards applied to mitigate such threats pursuant to Section 14.
- (2) Auditors who carry out statutory audits of entities referred to in Section 44c shall submit a written additional report to the audit committee no later than at the date of submission of the auditor's report to the audit committee; the additional report to the audit committee shall comprise
- (a) declaration of independence pursuant to Subsection 1(a);
 - (b) names of all key audit partners;
 - (c) information as to whether any of their activities have been conducted by another auditor that is not a member of the same network to which the auditor carrying out the statutory audit belongs or by another person, and the declaration of independence of the other auditor or the other person;
 - (d) description of the nature, frequency and extent of communication with the audit committee or the body performing the audit committee functions pursuant to Section 44b(2) with the management or supervisory body of the audited entity, including the dates of communications with those bodies;
 - (e) description of the scope and timeframe of the statutory audit;
 - (f) description of the distribution of tasks among auditors where more than one audit firm or statutory auditor performing audit activities as sole practitioners have been appointed;
 - (g) description of the methodology applied, including which categories of the balance sheet have been audited directly and which categories have been audited on the basis of system and compliance testing, with an explanation of any substantial variation in the weighting of system and compliance testing when compared to the previous reporting period;
 - (h) disclosure of the quantitative level of materiality applied to perform the statutory audit for the financial statements or the consolidated financial statements as a whole

and, where applicable, the materiality level or levels for particular classes of transactions, account balances or disclosures, and also of the qualitative factors which were considered when setting the level of materiality;

- (i) assessment and explanation of any events or circumstances identified in the course of the statutory audit that may cast significant doubt with significant influence on the entity's ability to continue as a going concern, and inquiries as to whether those events and circumstances constitute a material uncertainty, and also a summary of all guarantees, reference letters, undertakings of public intervention and other support measures that have been taken into account when making a going concern assessment;
- (j) report on any significant deficiencies in the audited entity's or, in the case of consolidated financial statements, the parent business corporation's internal financial control system, and/or in the accounting system; for each such significant deficiency, the auditor shall state whether or not the deficiency in question has been resolved by the entity's management;
- (k) report on any significant matters involving actual or suspected non-compliance with laws or regulations or articles of association which were identified in the course of the statutory audit, insofar as they are considered relevant in order to enable the audit committee to fulfil its tasks;
- (l) information on the valuation methods applied to the various items in the financial statements or consolidated financial statements, including any impact of changes to such methods, and assessment of those methods;
- (m) in the case of a statutory audit of consolidated financial statements, an explanation of the scope of consolidation and the exclusion criteria applied by the audited entity to the non-consolidated entities, if any, and an explanation as to whether those criteria applied are in accordance with the financial reporting framework;
- (n) in the case of a statutory audit of consolidated financial statements, the nature and scope of any audit work performed by third-country auditor(s) or third-country audit entity(ies) that are not members of the same network as to which the auditor carrying out a statutory audit of the consolidated financial statements belongs;
- (o) indication as to whether all requested explanations and documents have been provided to the auditor by the audited entity; and
- (p) where applicable, indication of
 1. any significant difficulties encountered in the course of the statutory audit;
 2. any significant matters arising from the statutory audit that were discussed with the entity's management; and
 3. any other matters arising from the statutory audit that in the auditor's professional judgement are necessary to report or have been pointed out, and whether such matters are material for ensuring the integrity of the accounting and financial reporting systems.

Section 46

repealed

Section 47

Registration for the purposes of statutory audit of third-country undertakings

- (1) The Chamber shall register third-country auditors and third-country audit entities which submit their auditor's report on the financial statements and consolidated financial statements of an undertaking with registered office in a third country whose securities have been admitted to trading on the regulated market as at the balance sheet date, except where the undertaking issues only bonds or any similar securities representing the right to collect an owed amount admitted to trading on the regulated market and where the nominal value of such security amounts to at least EUR 50,000, or except where the nominal value of bonds denominated in another currency is at least equivalent to EUR 50,000 as at the date of issue (hereinafter the "third-country undertaking"). For translation into another currency, the exchange rate of the foreign exchange market published by the Czech National Bank as at the balance sheet date shall apply.
- (2) The Chamber shall, upon request, register a third-country auditor if
 - (a) requirements equivalent to those set out in Section 4(1) (a) to (d) and (f) are met;
 - (b) a natural person carrying out for that auditor an audit of the financial statements or consolidated financial statements of a third-country undertaking meets requirements equivalent to those set out in Section 4(1) (a) to (d) and (f);
 - (c) an audit of the financial statements or consolidated financial statements of a third-country undertaking is carried out in accordance with the auditing standards referred to in Section 18 and with the requirements set out in Sections 14, 14b and 16, or with equivalent standards and requirements;
 - (d) he or she posts on his or her website an annual transparency report containing the information referred to in Article 13 of Regulation (EU) No 537/2014 of the European Parliament and of the Council, or meeting equivalent disclosure requirements;
- (3) The Chamber shall, upon request, register a third-country audit entity if
 - (a) requirements equivalent to those set out in Section 5(1) (h) are met;
 - (b) a majority of the members of its management body meets requirements equivalent to those set out in Section 4(1) (a) to (d) and (f) and Section 5(1) (h);
 - (c) a natural person carrying out for that entity an audit of the financial statements or consolidated financial statements of a third-country undertaking meets requirements equivalent to those set out in Section 4(1) (a) to (d) and (f);
 - (d) an audit of the financial statements or consolidated financial statements of a third-country undertaking is carried out in accordance with the auditing standards referred

to in Section 18 and with the requirements set out in Sections 14, 14b and 16, or with equivalent standards and requirements;

- (e) it posts on its website an annual transparency report containing the information referred to in Article 13 of Regulation (EU) No 537/2014 of the European Parliament and of the Council, or meeting equivalent disclosure requirements;
- (4) The provisions of this Act governing public oversight, quality assurance and disciplinary and other measures shall apply for persons registered pursuant to Subsection 2. Where such persons are subject to the quality assurance system of another Member State, or where they are subject to the quality assurance system of a third country which has been assessed as equivalent in accordance with Section 24, and a quality assurance inspection of that person has been carried out in the course of the previous three years, there is no need to carry out a quality assurance inspection.
- (5) If an auditor's report regarding financial statements or consolidated financial statements pursuant to Subsection 1 has been prepared by a person that has not been registered pursuant to Subsections 2 and 3, such report shall not be deemed an auditor's report in accordance with this Act;
- (6) The Board shall assess the equivalence referred to in Subsection 2(c) and in Subsection 3(d) unless the European Commission has made a previous decision. The Board may, if appropriate, cooperate with the Chamber in this matter.

Section 48

Derogation in cases of equivalence

- (1) The procedure specified in Sections 47(1) to (3) may disapply in such cases where the persons referred to in Section 47(1) are subject to systems of public oversight, quality assurance and penalties in a third country where the said systems meet requirements equivalent to the requirements pursuant to Sections 24, 25 and TITLES VI and XI.
- (2) The equivalence referred to in Subsection 1 shall be assessed by the Board unless the Commission has made a previous decision. Where applicable, the Board may rely on the assessments carried out by other Member States. If the European Commission subsequently decides that the requirement of equivalence referred to in Subsection 1 is not complied with, the procedure specified in Subsection 1 may apply for an appropriate transitional period if permitted in the European Commission's decision.
- (3) The Board shall notify the European Commission without undue delay of:
 - (a) its assessments of equivalence referred to in Subsection 2; and
 - (b) the main elements of its cooperation arrangements with the authorities from third countries in the areas of public oversight, quality assurance, and investigations and penalties pursuant to Subsection 1.

Section 49

Cooperation with competent authorities from third countries

- (1) The Board may transfer audit files or any other documents held by auditors to the competent authorities from third countries, provided:
 - (a) those audit files or other documents relate to statutory audits of undertakings which have issued securities in that third country or which form part of a group issuing statutory consolidated financial statements in that third country;
 - (b) transfer of the documents to the competent authorities of that third country takes place at their request and via the Board;
 - (c) the competent authorities of the relevant third country meet the requirements which have been declared adequate pursuant to Subsection 3;
 - (d) there are working arrangements on the basis of reciprocity agreed by and between the Board and the competent authorities of that third country;
 - (e) transfer of personal data to the third country is in accordance with the provisions of another law or regulation²²⁾.
- (2) The working arrangements referred to in Subsection 1(d) shall ensure that
 - (a) the competent authorities are required to justify the purpose of their request pursuant to Subsection 1(b);
 - (b) the persons employed or formerly employed by the competent authorities of the third country who receive the information are subject to the obligation of professional secrecy;
 - (c) there is no breach of the right to protection of trade secret, bank secret, or of the protection of the intellectual and industrial property of the entity which is being or was audited;
 - (d) the competent authorities of the third country may use audit files and other documents only for the performance of the functions of public oversight, for the purposes of quality assurance and investigations that meet requirements equivalent to those referred to in Sections 24, 25 and in TITLES VI and XI;
 - (e) the request of a competent authority from a third country for audit files or other documents held by an auditor may be refused
 1. where the provision of those audit files or documents would adversely affect the sovereignty, security or public order of the Czech Republic or the European Union, or it might result in breaches of the laws governing the protection of classified information and operations of intelligence services; or
 2. where judicial proceedings have already been initiated against the same persons and in respect of the same actions before local courts, or where a final judgment has already been passed in such proceedings.
- (3) The Board shall adopt measures necessary to comply with the European Commission's decision regarding the assessment of adequacy referred to in Subsection 1(c).

- (4) In exceptional cases and by way of derogation from Subsection 1, the Board may allow auditors in writing to transfer audit files or other documents directly to the competent authorities from a third country, subject to the following conditions
- (a) investigations have been initiated by the competent authorities in that third country;
 - (b) the transfer does not contradict the obligations set out in this Act with which statutory auditors and audit firms are required to comply in respect of the transfer of audit files and other documents to the Board or to the Chamber;
 - (c) there are working arrangements with the competent authorities of that third country that allow the Board reciprocal direct access to audit files and other documents held by auditors from that third country or audit entities from that third country;
 - (d) the requesting competent authority of the third country notifies in advance the Board of each direct request for information, indicating the reasons therefor;
 - (e) the conditions referred to in Subsection 2 have not been breached.
- (5) If the European Commission specifies any exceptional cases referred to in Subsection 4, the Board shall permit the procedures referred to in Subsection 4 in respect of such exceptional cases.
- (6) The Board shall communicate to the European Commission the working arrangements referred to in Subsections 1 and 4.
- (7) In the case of cooperation agreements with the competent authorities of third countries on the exchange of information in respect of supervising auditors carrying out statutory audits of public-interest entities, Articles 36 to 38 of Regulation (EU) No 537/2014 of the European Parliament and of the Council shall apply.

TITLE IX

ADMINISTRATIVE OFFENCES

Section 49a

Administrative offences of natural persons

- (1) Statutory auditors or natural persons whose licence has been terminated shall commit an administrative offence by taking up a key management position in the audited entity in breach of Sections 14i or 43a.
- (2) Statutory auditors, as key audit partners appointed in accordance with Section 14g(1), shall commit an administrative offence if they, in conflict with directly applicable EU legislation governing specific requirements regarding statutory audit of public-interest entities, do not cease their participation in statutory audits of public-interest entities no later than seven years after the date of their appointment as key audit partners, or if they carry out statutory audits of public-interest entities before three years have elapsed following the cessation of participation in statutory audits as key audit partners.
- (3) Quality inspectors shall commit an administrative offence if they provide false information

in the declaration of compliance with the requirements set out in Section 24d (1).

- (4) Statutory auditors as persons assigned to carry out engagement quality control reviews shall commit an administrative offence if they, in conflict with directly applicable EU legislation governing specific requirements regarding statutory audit of public-interest entities, do not keep records of the results of the engagement quality control reviews.
- (5) Penalties imposed for an administrative offence may amount to
 - (a) CZK 1,000,000 if concerning an administrative offence referred to in Subsections 1, 2 or 4;
 - (b) CZK 200,000 if concerning an administrative offence referred to in Subsection 3.
- (6) For committing administrative offences referred to in Subsections 1, 2 or 4, statutory auditors may be prohibited from performing audit activities for a maximum period of five years unless the prohibition involves performing the function of a member of the management body of an audit firm, in which case it may be imposed for a maximum period of three years.

Section 49b

Administrative offences of legal entities and self-employed individuals

- (1) Statutory auditors performing audit activities as sole practitioners or audit firms shall commit an administrative offence if they
 - (a) request or accept from a public-interest entity fees for carrying out statutory audits which are in conflict with Section 16;
 - (b) in conflict with Section 17a(5), fail to notify the Board about the termination of an obligation arising from the statutory audit contract or rescission of the statutory audit contract;
 - (c) do not comply with the reporting obligation pursuant to Section 21(3), (4) and (5) or Section 43(d) or Regulation (EU) No 537/2014 of the European Parliament and of the Council;
 - (d) do not provide to the Czech National Bank upon request information and explanations regarding the course of the statutory audit and findings obtained from such statutory audit of a public-interest entity subject to the Czech National Bank's oversight pursuant to Section 21(6);
 - (e) in conflict with Section 24f(5), do not adopt remedial measures;
 - (f) in conflict with Section 43b(1) and (2), provide to a public-interest entity, its parent business corporation²⁵⁾ with its registered office in the Czech Republic and its subsidiary business corporation²⁵⁾ with its registered office in the Czech Republic the non-audit services referred to in Article 5(1) (a) point (i), points (iv) to (vii) and (f) of Regulation (EU) No 537/2014 of the European Parliament and of the Council;
 - (g) in conflict with Section 43b(4), provide to a public-interest entity, its parent business

corporation or its subsidiary business corporation non-audit services not listed in Article 5(1); or

(h) in conflict with Section 43c, carry out statutory audits.

(2) Statutory auditors performing audit activities as sole practitioners or audit firms shall commit an administrative offence if, in conflict with directly applicable European Union legislation governing statutory audit of public-interest entities, they

(a) do not comply with the reporting obligation;

(b) accept from a public-interest entity, its parent business corporation or its subsidiary business corporation fees for the provision of non-audit services not listed in Article 5(1);

(c) do not discuss with the audit committee the threats to their independence and the safeguards applied to mitigate those threats;

(d) provide to a public-interest entity, its parent business corporation or its subsidiary business corporation the non-audit services referred to in the second subparagraph of Article 5(1) (a) points (ii) and (iii), (b) to (e) or (g) to (k);

(e) do not assess whether the provision of the non-audit services referred to in Article 5(1) and (2) to a subsidiary of a public-interest entity subject to a statutory audit carried out by a statutory auditor performing audit activities as a sole practitioner or an audit firm by a member of a network to which the statutory auditor performing audit activities as a sole practitioner or the audit firm belong may compromise their independence;

(f) do not assess any threats to their independence;

(g) do not document the threats to their independence;

(h) do not discuss with the audit committee the threats to their independence and the safeguards applied to mitigate those threats;

(i) do not carry out engagement quality control reviews or do not ensure carrying out engagement quality control reviews;

(j) do not keep records of the results of the engagement quality control reviews or do not keep the records for the stipulated period;

(k) do not prepare an auditor's report;

(l) do not prepare or submit to the audit committee an additional report to the audit committee;

(m) do not discuss with the audit committee, the management or supervisory body the additional report to the audit committee upon request of the audit committee;

(n) do not make available to an incoming auditor the additional report to the audit committee or the information transferred to the Board pursuant to Articles 12 and 13;

(o) do not prepare or publish a transparency report;

- (p) do not submit to the Board a list of audited entities;
 - (q) do not keep information or records referred to in Article 15; or
 - (r) do not implement the procedure for regular rotation of persons.
- (3) Statutory auditors performing audit activities as sole practitioners or audit firms shall commit an administrative offence if in the course of a statutory audit of a public-interest entity they
- (a) proceed in conflict with Section 3;
 - (b) do not comply with the Code of Ethics pursuant to Section 13;
 - (c) in conflict of Section 18, do not comply with the auditing standards governed by European Union law and with the auditing standards issued by the Chamber, or with the internal regulations of the Chamber pursuant to Section 21(1) (a); or
 - (d) do not keep audit files pursuant to Section 20a(1) to (3).
- (4) Audit firms shall commit an administrative offence if they, in conflict with directly applicable EU legislation governing specific requirements regarding statutory audit of public-interest entities, do not determine the manner in which any disagreements between the key audit partner and the engagement quality control reviewer are to be resolved.
- (5) Legal entities or self-employed individuals, as members of a network to which the auditor carrying out a statutory audit of a public-interest entity belongs, shall commit an administrative offence if, in conflict with directly applicable EU legislation governing specific requirements regarding statutory audit of public-interest entities, they
- (a) provide to a public-interest entity, its parent business corporation or its subsidiary business corporation the non-audit services referred to in the second subparagraph of Article 5(1) (a) points (ii) and (iii), (b) to (e) or (g) to (k); or
 - (b) provide to a public-interest entity, its parent business corporation or its subsidiary business corporation non-audit services not listed in Article 5(1) without approval of the audit committee pursuant to Article 5(4).
- (6) Entities shall commit an administrative offence if they, in conflict with Section 17a(5), do not notify the Board about the termination of an obligation arising from the statutory audit contract or rescission of the statutory audit contract.
- (7) Penalties imposed for an administrative offence may amount to
- (a) CZK 1,000,000 if concerning an administrative offence referred to in Subsection 1(b), (c), (d) or (e), Subsection 2(a), (c), (e), (f), (g), (h), (j), (k), (l), (m), (n), (o), (p), (q) or (r), Subsection 3(d) or Subsections 4 or 6;
 - (b) CZK 5,000,000 if concerning an administrative offence referred to in Subsection 2(i) or Subsection 3(a), (b) or (c);
 - (c) CZK 10,000,000 if concerning an administrative offence referred to in Subsection 1(a),

(f), (g) or (h), Subsection 2(b) or (d) or Subsection 5.

- (8) Administrative offences referred to in Subsections 1, 2, 3 or 4 may allow for an imposition of disclosure of the decision regarding the administrative offence or prohibition of performing activities for a maximum period of five years unless the prohibition involves performing the function of a member of the management body of an audit firm, in which case it may be imposed for a maximum period of three years.

Section 49c

Administrative offences of the Chamber

- (1) The Chamber shall commit an administrative offence if it
- (a) maintains the register in conflict with Section 11(1) to (6) or Sections 12 to 12d;
 - (b) organises and administers quality assurance inspections in conflict with Section 24a(2);
 - (c) does not submit to the Board a schedule of quality assurance inspections pursuant to Section 24b(1) or (2);
 - (d) carries out a quality assurance inspection in conflict with Section 24d(1);
 - (e) does not carry out a quality assurance inspection ordered by the Board pursuant to Section 38(2) (j);
 - (f) does not discuss with the Board the internal regulations of the Chamber, the Code of Ethics, or the auditing standards prior to their issuance pursuant to Section 31(2) (c);
 - (g) does not transfer to the Board documents and information pursuant to Section 31(3);
 - (h) in conflict with Section 31(4), impedes the exercise of the Board's powers by declining to cooperate as necessary.
- (2) Penalties imposed for administrative offences referred to in Subsection 1 may amount up to CZK 300,000.

Section 49d

Administrative offences of public-interest entities

- (1) Public-interest entities shall commit an administrative offence if they
- (a) appoint an auditor in conflict with Section 43(1);
 - (b) do not notify the Board about the appointment of an auditor pursuant to Section 43(6);
 - (c) do not establish an audit committee pursuant to Section 44;
 - (d) in conflict with Section 44(7), do not post on their website a list of members of the

audit committee, or do not publish information as required for members of the supervisory body entered in the Commercial Register; or

- (e) their audit committee or a body which, pursuant to Section 44b(2), performs the tasks of the audit committee and which, in accordance with the second subparagraph of Article 11(1) of Regulation (EU) No 537/2014 of the European Parliament and of the Council, is the appointed recipient of the additional report to the audit committee does not, upon request, forward this report in an appropriate manner without undue delay pursuant to Section 44aa(2).
- (2) Public interest-entities shall also commit an administrative offence if, in conflict with directly applicable EU legislation governing specific requirements regarding statutory audit of public-interest entities, they
- (a) do not comply with the reporting obligation; or
 - (b) do not discuss with the auditor the additional report to the audit committee upon request of the auditor.
- (3) Penalties imposed for such administrative offence may amount to
- (a) CZK 1,000,000 if concerning an administrative offence referred to in Subsection 1(b), (c), (d) or (e) or Subsection 2;
 - (b) CZK 10,000,000 if concerning an administrative offence referred to in Subsection 1(a).

Section 49e

Joint provisions on administrative offences

- (1) The period of limitation shall not comprise
- (a) the period of the termination of the licence to perform audit activities; or
 - (b) the period for which disciplinary proceedings have been conducted for the same offence.
- (2) Administrative offences shall be reviewed by the Board.
- (3) Income from penalties shall be the revenue of the Czech Republic's state budget.

Section 49f

Publication of decisions regarding administrative offences

- (1) The Board, in cooperation with the Chamber, shall ensure that any decision regarding an administrative offence is published in the register without undue delay after it has become final. The verdict section of the decision shall be published.
- (2) By way of derogation from Subsection 1, a different procedure may be applied where such publication would jeopardise the stability of financial markets, an ongoing criminal

investigation of the auditor, or where such publication would cause disproportionate damage to the parties involved in the proceedings. If the Chamber has any doubts as to whether the stability of financial markets may be jeopardised, it may request the opinion of the Czech National Bank; a copy of the decision regarding the administrative offence shall be attached to the request.

- (3) The Chamber shall refrain from the publication of the decision regarding an administrative offence of a statutory auditor in the register where the disclosure of personal data would be disproportionate with regard to the nature and severity of the administrative offence.
- (4) Where the procedures referred to in Subsections 2 or 3 apply, the Chamber shall publish the decision regarding an administrative offence without disclosing any information that would facilitate the identification of the auditor whose administrative offence was subject to the decision, without undue delay after the decision has become final.
- (5) If a legal action is brought against the decision regarding an administrative offence, the Chamber shall publish this fact on its website. The Chamber shall publish in the same manner the information on the outcome of a judicial review.
- (6) The content of the published decision on an administrative offence shall not be data facilitating the identification of a person other than the auditor whose administrative offence was subject to the decision.

Section 49g

Expungement of administrative penalties

- (1) The decision to impose an administrative penalty shall be deemed expunged after the period of seven years has elapsed from the date of entry into force of the decision; where the imposed sanction is a ban, after the period of seven years has elapsed from the date of the execution of the ban.
- (2) Where the decision regarding an administrative offence is published in accordance with the procedure referred to in Article 49f(1), the Board, in cooperation with the Chamber, shall ensure without undue delay its deletion from the register after the period referred to in Subsection 1 has elapsed.
- (3) Where an administrative penalty has been expunged, the auditor or any other person may not be regarded as having committed the administrative offence.
- (4) Expunged administrative penalties shall not be disclosed in the register.

TITLE XII

JOINT, TRANSITIONAL AND REPEALING PROVISIONS

Section 50

Joint provisions

Relation to other laws and regulations

- (1) Procedures and proceedings shall be governed by the provisions of the Code of Administrative Procedure unless otherwise provided for in this Act.
- (2) Matters related to the quality assurance system pursuant to Sections 24 to 24i and investigations pursuant to Section 40b shall be governed by the Rules of Supervision unless otherwise provided for in this Act.

Section 50a

Authorisation

The Ministry of Finance shall issue a decree to implement Section 40a(1).

Section 51

Transitional provisions

- (1) Auditors and audit firms registered in the List of Audit Firms and in the List of Auditors maintained pursuant to the previous laws or regulations shall be deemed audit firms and statutory auditors pursuant to this Act as of the date of its entry into force. The Chamber shall ensure their registration pursuant to this Act.
- (2) Guest auditors pursuant to the previous laws or regulations may perform their activities for a period stated in their licences issued pursuant to the previous laws or regulations.
- (3) Auditors established pursuant to the previous laws or regulations shall be deemed statutory auditors pursuant to this Act.
- (4) Auditor's examination passed prior to the date of entry into force of this Act pursuant to the previous laws or regulations shall be deemed an examination pursuant to this Act.
- (5) Passing a partial examination pursuant to the previous laws or regulations shall be recognised as passing a partial examination pursuant to this Act. Passing all partial examinations pursuant to the previous laws or regulations shall be deemed passing an auditor's examination pursuant to this Act.
- (6) Audits commenced and uncompleted prior to the date of entry into force of this Act shall be completed pursuant to the previous laws or regulations.
- (7) As regards contractual relations arisen prior to the date of entry into force of this Act, the scope of which covers the performance of audit activities in relation to the reporting periods commencing prior to the date of entry into force of this Act, the assessment of independence of an auditor shall be carried out pursuant to the previous laws or regulations.
- (8) As regards contractual relations arisen prior to the date of entry into force of this Act, the scope of which covers statutory audits of financial statements with the relevant date no later than 31 December 2010, appointment of an auditor pursuant to Section 17(1) shall not be required.

Section 52

- (1) Assistant auditors registered in the List of Assistant Auditors maintained pursuant to the previous laws or regulations shall be deemed assistant auditors pursuant to this Act as of the date of its entry into force. The Chamber shall ensure their registration pursuant to this Act. The term of employment of assistant auditors registered in the List of Assistant Auditors prior to the date of entry into force of this Act shall be included in their term of employment pursuant to this Act.
- (2) Practical training of auditors obtained pursuant to the previous laws or regulations shall be deemed practical training obtained pursuant to this Act.

Section 53

The deadlines or timeframes set out in this Act shall also include deadlines or timeframes commencing prior to the date of entry into force of this Act.

Section 54

- (1) The disciplinary measure of removal from the List of Auditors imposed pursuant to the previous laws or regulations shall be deemed the disciplinary measure of permanent prohibition of performance of audit activities pursuant to Section 7.
- (2) Disciplinary proceedings initiated prior to the date of entry into force of this Act and pursuant to the previous laws or regulations shall be completed pursuant to the previous laws or regulations. Any ongoing appeals filed with the Chamber shall be completed by the Chamber. Where the Disciplinary Committee issues a decision after the date of entry into force of this Act, the Board shall constitute the appellate body.

Section 55

- (1) The Executive Committee referred to in Section 33 shall convene the first Assembly pursuant to this Act on or before 31 December 2009.
- (2) The Chamber established pursuant to the previous laws or regulations shall be deemed the Chamber established pursuant to this Act.
- (3) Any professional regulations, directives and the Statutes of the Chamber issued prior to the date of entry into force of this Act shall remain in force. The Chamber shall ensure their compliance with this Act within 12 months of the date of entry into force of this Act.
- (4) Where, as of the date of entry into force of this Act, any of the international auditing standards referred to in Section 18 does not apply for a certain area of audit activities, the previous auditing standard issued by the Chamber that is governing that area shall be applied until the area concerned is governed by the international auditing standard referred to in Section 18.
- (5) Members and substitute members of the Council of the Chamber elected pursuant to the previous laws or regulations shall be deemed members and substitute members of the

Executive Committee pursuant to this Act as of the date of entry into force of this Act. Until an Executive Committee has been elected pursuant to this Act, the Executive Committee shall have such number of members and substitute members as set out in the previous laws or regulations governing the Council of the Chamber (Section 32(2) of Act No. 254/2000 Coll., on Auditors and on the amendment to Act No. 165/1998 Coll.). The same procedure shall apply for the Supervisory Committee and for the Disciplinary Committee of the Chamber.

- (6) Elections to the Chamber's bodies pursuant to Section 32 shall take place for the first time on or before 31 December 2010; seven members of the Executive Committee who receive the highest number of the votes cast shall be elected for a period of four years, while the remaining seven members shall be elected for a period of two years. If any member of the Executive Committee serving the four-year term resigns for any reason whatsoever, the vacated position shall be filled with another member of the Executive Committee with the next highest number of votes cast. His or her vacated position shall be filled with a substitute member.
- (7) When appointing the first six members of the Presidium, two members shall be appointed for a period of six years, two members shall be appointed for a period of four years, and two members shall be appointed for a period of two years. In such appointment the number of the members of the Presidium who constitute persons outside of profession may be reduced to four members.

Section 56

- (1) Any applications submitted for the auditor's examination or partial auditor's examinations or the aptitude test pursuant to the previous laws or regulations shall be deemed applications for the auditor's examination or partial auditor's examinations or the aptitude test pursuant to this Act.
- (2) Statutory auditors, audit firms and assistant auditors shall provide the Chamber within six months of the date of entry into force of this Act with updated information for entry in the List of Auditors or in the List of Assistant Auditors.

Section 57

Public-interest entities shall comply with their obligations pursuant to this Act on or before 31 December 2009.

Section 58

Repealing provisions

The following laws and regulations shall be repealed:

1. Act No. 254/2000 Coll., on Auditors and on the amendment to Act No. 165/1998 Coll.
2. Act No. 209/2002 Coll., amending Act No. 254/2000 Coll., on Auditors and on the amendment to Act No. 165/1998 Coll.
3. Act No. 169/2004 Coll., amending Act No. 254/2000 Coll., on Auditors and on the

amendment to Act No. 165/1998 Coll., as amended by Act No. 209/2002 Coll.

4. Decree No. 467/2000 Coll., issuing the Rules of Examinations for auditor's examinations and aptitude tests (Rules of Auditor's Examinations).

PART TWO

Amendment to Act No. 284/2004 Coll., as amended by Act No. 344/2005 Coll.

Section 59

Part Three of Act No. 284/2004 Coll., amending Act No. 61/1996 Coll., on selected measures against legitimisation of proceeds of crime and on the amendment to and supplementation of related acts, as amended, and selected other acts, as amended by Act No. 344/2005 Coll., shall be repealed.

PART THREE

Amendment to Act No. 56/2006 Coll., amending Act No. 256/2004 Coll., on Capital Market Undertakings, as amended, and other related acts

Section 60

Part Ten of Act No. 56/2006 Coll., amending Act No. 256/2004 Coll., on Capital Market Undertakings, as amended, and other related acts, shall be repealed.

PART FOUR

Amendment to Act No. 57/2006 Coll., on the amendment to acts in connection with the integration of financial market oversight

Section 61

Part Twenty-Seven of Act No. 57/2006 Coll., on the amendment to acts in connection with the integration of financial market oversight, shall be repealed.

PART FIVE

Amendment to Act No. 70/2006 Coll., amending selected acts in connection with the adoption of the act on the implementation of international sanctions

Section 62

Part Seventeen of Act No. 70/2006 Coll., amending selected acts in connection with the adoption of the act on the implementation of international sanctions, shall be repealed.

PART SIX

ENTRY INTO FORCE

Section 63

This Act shall enter into force as of the date of its promulgation.

Vlček *m.p.*

Klaus *m.p.*

Topolánek *m.p.*

Selected provisions of amendments

Art. XIX of Act No. 139/2011 Coll.

Transitional provision

An auditor carrying out a statutory audit of a settlement system operator or an electronic money institution as a public-interest entity pursuant to Section 2(m) of Act No. 93/2009 Coll., on Auditors, as amended before the entry into force of this Act, shall not be deemed an auditor carrying out a statutory audit of a public-interest entity as of the time of completion of the statutory audit relating to the reporting period in which a settlement system operator or an electronic money institution ceased to be a public-interest entity unless this auditor carries out a statutory audit of another public-interest entity. This shall be without prejudice to the auditor's obligation to publish an annual transparency report referred to in Section 43 of the Act on Auditors.

Art. LIX of Act No. 420/2011 Coll.

Transitional provisions

- (1) Proceedings initiated prior to the date of entry into force of this Act and not completed by that date shall be completed and the related rights and obligations shall be considered pursuant to the previous laws and regulations.
- (2) The licence issued under the previous laws or regulations shall be deemed the licence issued pursuant to Sections 4 and 5 of Act No. 93/2009 Coll., as amended as of the date of entry into force of this Act.

Art. II of Act No 334/2014 Coll.

Transitional provisions

- (1) Proceedings initiated pursuant to Act No. 93/2009 Coll., as amended prior to the date of entry into force of this Act, and not completed by that date shall be completed pursuant to the previous laws or regulations.
- (2) The timeframes set out in Section 8(3), Section 25(5) and Section 27 of Act No. 93/2009 Coll., as amended prior to the date of entry into force of this Act, which commenced before the date of entry into force of this Act shall be considered pursuant to the previous laws or regulations.
- (3) The List of Auditors and the List of Assistant Auditors maintained by the Chamber of Auditors of the Czech Republic pursuant to Sections 11 and 30 of Act No. 93/2009 Coll., as amended prior to the date of entry into force of this Act, shall be deemed the register of auditors pursuant to Section 11 of Act No 93/2009 Coll., as amended as of the date of entry into force of this Act.
- (4) The number of the licence pursuant to Section 12(1) (b) and Section 12(2) (e) of Act No. 93/2009 Coll., as amended prior to the date of entry into force of this Act, shall be deemed the registration number pursuant to Section 12(d) and Section 12a (g) of Act No. 93/2009 Coll., as amended as of the date of entry into force of this Act.
- (5) The Chamber of Auditors of the Czech Republic, in cooperation with the administrator of the relevant register, shall, within 12 months of the date of entry into force of this Act, ensure access to the basic population register, the population information system and the foreigners' information system pursuant to Section 12e of Act No. 93/2009 Coll., as amended as of the date of entry into force of this Act.
- (6) Applicants for issuance of the licence pursuant to Act No. 93/2009 Coll., as amended as of the date of entry into force of this Act, shall, within 12 months of the date of entry into force of this Act, evidence compliance with the requirement referred to in Section 4(1) (b) of Act No. 93/2009 Coll., as amended as of the date of entry into force of this Act, by supplying an extract from the relevant register containing the required reference data.
- (7) Temporary prohibition of the performance of audit activities pursuant to Section 6(1) (a) to (c) and (f) and Section 6(3) (a) and (c) of Act No. 93/2009 Coll., as amended prior to the date of entry into force of this Act, shall be deemed prohibition of the performance of audit activities pursuant to Section 7(1) (a) to (c), Section 7(3) (a) or Section 7(2) (a) and (d) and pursuant to Section 7(3) (a) of Act No 93/2009 Coll., as amended as of the date of entry into force of this Act.
- (8) Temporary prohibition of the performance of audit activities pursuant to Section 6(1) (d) and (e) and Section 6(3) (b) of Act No. 93/2009 Coll., as amended prior to the date of entry into force of this Act, shall be deemed a suspension of the performance of audit activities pursuant to Section 6(1) to (4) of Act No. 93/2009 Coll., as amended as of the date of entry into force of this Act.
- (9) Temporary prohibition of the performance of audit activities pursuant to Section 6(1) (g) and pursuant to Section 6(3) (d) of Act No. 93/2009 Coll., as amended prior to the date of entry into force of this Act, shall be deemed termination of the licence to perform audit activities pursuant to Section 7b(1) of Act No. 93/2009 Coll., as amended as of the date of entry into force of this Act.

- (10) Permanent prohibition of the performance of audit activities pursuant to Section 7(1) (a) and pursuant to Section 7(2) (a) of Act No. 93/2009 Coll., as amended prior to the date of entry into force of this Act, shall be deemed permanent prohibition of the performance of audit activities pursuant to Section 7a(1) of Act No. 93/2009 Coll., as amended as of the date of entry into force of this Act.
- (11) Permanent prohibition of the performance of audit activities pursuant to Section 7(1) (b) and (d) and Section 7(2) (b) and (d) of Act No. 93/2009 Coll., as amended prior to the date of entry into force of this Act, shall be deemed prohibition of the performance of audit activities pursuant to Section 7(1) (d), Section 7(2) (b) and pursuant to Section 7(3) (b) and (d) of Act No. 93/2009 Coll., as amended as of the date of entry into force of this Act.
- (12) Permanent prohibition of the performance of audit activities pursuant to Section 7(1) (c) and pursuant to Section 7(2) (c) of Act No. 93/2009 Coll., as amended prior to the date of entry into force of this Act, shall be deemed prohibition of the performance of audit activities pursuant to Section 7(3) (a) and (c) of Act No. 93/2009 Coll., as amended as of the date of entry into force of this Act.
- (13) Permanent prohibition of the performance of audit activities pursuant to Section 7(1) (e) and pursuant to Section 7(2) (e) of Act No. 93/2009 Coll., as amended prior to the date of entry into force of this Act, shall be deemed termination of the licence to perform audit activities pursuant to Section 7b(1) of Act No. 93/2009 Coll., as amended as of the date of entry into force of this Act.
- (14) The disciplinary measure of temporary prohibition of the performance of audit activities pursuant to Act No. 93/2009 Coll., as amended prior to the date of entry into force of this Act, shall be deemed the disciplinary measure of prohibition of the performance of audit activities pursuant to Act No. 93/2009 Coll. as amended as of the date of entry into force of this Act.
- (15) Public-interest entities which do not meet the requirements referred to in Section 44(1) of Act No. 93/2009 Coll., as amended as of the date of entry into force of this Act, shall meet the requirement referred to in Section 44(1) of Act No. 93/2009 Coll., as amended as of the date of entry into force of this Act, within 12 months of the date of entry into force of this Act.
- (16) The Chamber of Auditors of the Czech Republic shall ensure compliance of those internal regulations and the Statutes of the Chamber of Auditors of the Czech Republic issued in accordance with Act No. 93/2009 Coll., as amended prior to the date of entry into force of this Act, which do not comply with Act No. 93/2009 Coll., as amended as of the date of entry into force of this Act, within 12 months of the date of entry into force of this Act.
- (17) The Public Audit Oversight Board shall ensure compliance of those internal regulations and the Statutes of the Public Audit Oversight Board issued in accordance with Act No. 93/2009 Coll., as amended prior to the date of entry into force of this Act, which do not comply with Act No. 93/2009 Coll., as amended as of the date of entry into force of this Act, within 12 months of the date of entry into force of this Act.

Art. VIII of Act No. 221/2015 Coll.

Transitional provision

Statutory audits commenced and not completed prior to the date of entry into force of this Act shall be completed in accordance with Act No. 93/2009 Coll., as amended as of the date of entry into force of this Act.

Art. II of Act No 229/2016 Coll.

Transitional provisions

- (1) Act No. 93/2009 Coll., as amended as of the date of entry into force of this Act, shall apply for the first time for an audit of financial statements or consolidated financial statements for the reporting period commencing on or after 17 June 2016.
- (2) Auditor's examination passed pursuant to Act No. 93/2009 Coll., as amended prior to the date of entry into force of this Act, shall be deemed the auditor's examination passed in accordance with Act No. 93/2009 Coll., as amended as of the date of entry into force of this Act.
- (3) Successful completion of a partial examination pursuant to Act No. 93/2009 Coll., as amended prior to the date of entry into force of this Act, shall be recognised as successful passing of a partial examination pursuant to Act No. 93/2009 Coll., as amended as of the date of entry into force of this Act. Successful completion of all partial examinations in accordance with Act No. 93/2009 Coll., as amended prior to the date of entry into force of this Act, shall be deemed passing an auditor's examination in accordance with Act No. 93/2009 Coll., as amended as of the date of entry into force of this Act.
- (4) Audit firms and statutory auditors carrying out audit activities as sole practitioners pursuant to Act No. 93/2009 Coll., as amended prior to the date of entry into force of this Act, shall implement a management and control system pursuant to Section 14c, procedures pursuant to Section 14d(1), procedures or other measures pursuant to Section 14e(1) and (2) and Section 14f(2) of Act No. 93/2009 Coll., as amended as of the date of entry into force of this Act, within three months of the date of entry into force of this Act.
- (5) Quality assurance inspections commenced prior to the date of entry into force of this Act shall be completed in accordance with Act No. 93/2009 Coll., as amended prior to the date of entry into force of this Act.
- (6) The timeframes set out in Section 27(1), Section 25(7) and Section 49c(3) of Act No. 93/2009 Coll., as amended prior to the date of entry into force of this Act, which commenced before the date of entry into force of this Act, shall be considered in accordance with Act No. 93/2009 Coll., as amended prior to the date of entry into force of this Act.
- (7) Proceedings initiated pursuant to Section 26 or Part One, Title X of Act No. 93/2009 Coll., as amended prior to the date of entry into force of this Act, shall be completed in accordance with Act No. 93/2009 Coll., as amended prior to the date of entry into force of this Act.
- (8) In order to determine the nature and extent of the measure or sanction for disciplinary misconduct and an administrative offence committed pursuant to the previous laws and regulation, the provisions on the determination of the type and extent of the measure and

sanction shall apply in accordance with Act No. 93/2009 Coll., as amended as of the date of entry into force of this Act, where more advantageous for offenders.

- (9) Assistant auditors entered in the register shall be deemed assistant auditors as of the date of entry into force of this Act in accordance with Act No. 93/2009 Coll., as amended as of the date of entry into force of this Act.
- (10) Practical training of assistant auditors obtained pursuant to Act No. 93/2009 Coll., as amended prior to the date of entry into force of this Act, shall be deemed practical training of assistant auditors obtained in accordance with Act No. 93/2009 Coll., as amended as of the date of entry into force of this Act.
- (11) Until the Ministry of Finance issues an implementing law or regulation governing remuneration of members of the Presidium of the Public Audit Oversight Board, the provisions governing remuneration of members of the Presidium and the President of the Board shall apply pursuant to Act No. 93/2009 Coll., as amended prior to the date of entry into force of this Act.
- (12) The Chamber of Auditors of the Czech Republic shall implement an effective mechanism for reporting any actual or suspected breach of this Act within six months of the date of entry into force of this Act pursuant to Section 31(6) of Act No. 93/2009 Coll., as amended as of the date of entry into force of this Act.
- (13) The Public Audit Oversight Board shall implement an effective mechanism for reporting any actual or suspected breach of this Act within six months of the date of entry into force of this Act pursuant to Section 40e of Act No. 93/2009 Coll., as amended as of the date of entry into force of this Act.
- (14) The Chamber of Auditors of the Czech Republic shall ensure compliance of those internal regulations and the Statutes of the Chamber of Auditors of the Czech Republic issued in accordance with Act No. 93/2009 Coll., as amended prior to the date of entry into force of this Act, which do not comply with Act No. 93/2009 Coll., as amended as of the date of entry into force of this Act, within six months of the date of entry into force of this Act.
- (15) The Public Audit Oversight Board shall ensure compliance of those internal regulations and the Statutes of the Public Audit Oversight Board issued in accordance with Act No. 93/2009 Coll., as amended prior to the date of entry into force of this Act, which do not comply with Act No. 93/2009 Coll., as amended as of the date of entry into force of this Act, within six months of the date of entry into force of this Act.
- (16) Any contractual clause between an entity and a third party restricting the appointment of an audit firm or a statutory auditor performing audit activities as sole practitioners to carry out a statutory audit of that entity to selected categories or lists of statutory auditors or audit firms shall be disregarded as of the date of entry into force of this Act.
- (17) Except for cases referred to in Article 41(1) and (2) of Regulation (EU) No 537/2014 of the European Parliament and of the Council, Section 43(4) of Act No. 93/2009 Coll., as amended as of the date of entry into force of this Act, shall apply for audit engagements concerning public-interest entities, the duration of which completed ten years in the period from 17 June 2014 to the date preceding the date of entry into force of this Act, provided a selection procedure was organised for carrying out a statutory audit for the period immediately following after the ten years of the duration of the audit engagement have elapsed in accordance with Article 16(2) to (5) of Regulation (EU) No 537/2014 of the

European Parliament and of the Council.

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, as amended by Directive 2008/30/EC of the European Parliament and of the Council and Directive 2014/56/EU of the European Parliament and of the Council.

Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the 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.

6) Act No. 420/2004 Coll., on reviews of economic management of local authorities and voluntary unions of municipalities, as amended.

9) Act No. 111/1998 Coll., on universities and on the amendment to and supplementation of other acts (the Universities Act), as amended.

11) For example, Sections 105 and 106 of the Criminal Code.

13) Act No. 18/2004 Coll., on the recognition of professional qualifications and other competences of nationals of Member States of the European Union and on the amendment to selected other acts, as amended.

16) Section 44(1) of Act No. 6/1993 Coll., on the Czech National bank, as amended.

17) Article 26 of Directive 2006/43/EC of the European Parliament and of the Council, as amended by Directive 2008/30/EC of the European Parliament and of the Council.

21) Act No. 500/2004 Coll., the Code of Administrative Procedure, as amended by Act No. 413/2005 Coll.

22) Act No. 101/2000 Coll., on Personal data Protection and on the amendment to other acts, as amended.

23) Act No. 418/2011 Coll., on the Criminal Liability of Legal Entities and their Prosecution.

24) 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.

25) Section 74(2) of Act No. 90/2012 Coll., on Companies, Partnerships and Cooperatives (Business Corporations Act).