

Law of Ukraine
On Amendments to the Law of Ukraine “On Auditing”

No. 140-V
14 September 2006

The Supreme Rada of Ukraine hereby r e s o l v e s:

To amend the Law of Ukraine “On Auditing” (*Vidomosti Verkhovnoji Rady Ukrajiny* [Bulletin of the Supreme Rada of Ukraine], 1993, No. 23, page 243; 1995, No. 14, page 88; 1996, No. 9, page 44; 2003, No. 30, page 247; 2004, No. 45, page 501; 2005, No. 34, page 434; 2006, No. 14, page 117, No. 22, page 184), having restated this Law as follows:

“LAW OF UKRAINE
On Auditing

This Law defines legal foundations for performance of auditing in Ukraine and is aimed at establishing a system of independent financial control with a view of protecting interests of

An audit shall mean a review of data contained in accounting records and figures in financial statements of a business entity in order to issue an independent auditor's opinion on their authenticity in all material aspects and their compliance with requirements set out in the laws of Ukraine, accounting rules (standards) or other regulations (internal bylaws of business entities)

The total amount of a shareholding in the charter capital of an auditing firm that is owned by founders (participants), who are not auditors, may not exceed 30%.

Only an auditor may be the manager of the auditing firm.

Article 6. Auditing Standards

In the course of auditing, auditors and auditing firms shall apply relevant auditing standards.

Auditing standards shall be adopted on the basis of auditing standards and ethics of the International Federation of Accountants subject to the requirements set out in this Law and other regulatory acts and rules.

The Auditing Chamber of Ukraine shall have an exclusive right to approve auditing standards. Auditing standards shall be confirmed with other subjects as and when provided by law.

Auditing standards shall be binding on auditors, auditing firms and business entities.

Article 7. An Auditor's Opinion and other Official Documents

An auditor's opinion shall mean a document which is drawn up in accordance with auditing standards and which contemplates granting confidence to users that financial statements or other information have followed conceptual foundations that were used in the course of their preparation. Laws and other regulatory acts of Ukraine, accounting rules (standards), internal requirements and regulations of business entities, other sources may be conceptual foundations.

Auditing services in the form of consultations may be provided in oral or written form, with issuing a statement or other official documents. Auditing services in the form of expert examinations shall be completed with an expert conclusion or a report.

Results of other auditing services rendered shall be set out pursuant to auditing standards.

If submitted officially to a Ukrainian institution, organization or business entity, an auditor's opinion of an auditor from a foreign country shall be subject to confirmation by a Ukrainian auditor, unless otherwise contemplated by an international treaty of Ukraine.

Article 8. Obligatory Performance of an Audit

An audit must be obligatorily performed for:

1) confirming the authenticity and completeness of annual financial statements and consolidated financial statements of open joint stock companies, enterprises that have issued bonds, professional operators on the stock market, financial institutions and other business entities whose statements must be officially published in accordance with Ukrainian law, except for institutions and organizations, which are fully financed out of the State budget;

2) verifying the financial condition of founders of banks, enterprises with foreign investments, open joint stock companies (except for natural persons), insurance companies and holding companies, mutual investment institutions, subsidiary companies and other financial intermediaries;

Section II
CERTIFICATION OF AUDITORS AND THE REGISTRY OF AUDITING FIRMS AND AUDITORS

Article 10. Certification of Auditors

The Auditing Chamber of Ukraine shall certify auditors (ascertain qualifications for engaging in auditing).

Procedures for certification of auditors who will audit banks shall be approved by the Auditing Chamber of Ukraine upon confirmation with the National Bank of Ukraine.

Natural persons, who have a university degree in economics or law, a document confirming which degree is recognized in Ukraine, have required knowledge in auditing, finances, economics and commercial law, experience of work for at least 3 years as an inspector, accountant, lawyer, financier, economist or assistant to an auditor, shall be eligible to obtain a certificate.

A written qualification test under a program approved by the Auditing Chamber of Ukraine shall be conducted to determine whether a person possesses the required scope of knowledge for obtaining the certificate.

The term of the certificate may not exceed 5 years.

The term of the certificate shall be extended in 5 years based on results of a test by specialization held pursuant to procedures laid down by the Auditing Chamber of Ukraine.

A fee shall be charged for certification in the amount specified by the Auditing Chamber of Ukraine based on the estimate of costs for financing the Auditing Chamber of Ukraine.

Article 11. The Registry of Auditing Firms and Auditors

The Registry of Auditing Firms and Auditors shall mean a database that contains information on auditing firms and auditors, who are engaged in auditing individually as natural persons that are registered as private entrepreneurs (hereinafter referred to as the “Registry”).

Registry maintenance procedures shall be laid down and carried out by the Auditing Chamber of Ukraine.

At least once a year the Registry shall be published in a specialized bulletin of the Auditing Chamber of Ukraine.

Auditing firms and auditors, who are natural persons registered as private entrepreneurs, shall have a right to engage in auditing only after they have been included into the Registry.

The auditing firms and auditors specified in Part 4 of this Article that have been included into the Registry shall be issued a certificate of an established form.

A fee for including into the Registry shall be charged in the amount specified by the Auditing Chamber of Ukraine.

The Auditing Chamber of Ukraine shall be formed on a parity basis through delegation of auditors and representatives of government agencies to the Auditing Chamber of Ukraine.

The total number of members of the Auditing Chamber of Ukraine shall be 20 persons.

Each of the Ministry of Finances of Ukraine, the Ministry of Justice of Ukraine, the Ministry of Economy of Ukraine, the State Tax Administration of Ukraine, the National Bank of Ukraine, the State Statistics Committee of Ukraine, the State Commission on Securities and the Stock Market, the State Commission for Regulation of Markets for Financial Services in Ukraine, the Chamber of Accounts and the Chief Control and Auditing Department of Ukraine shall delegate 1 person to the Auditing Chamber of Ukraine as representatives of government agencies.

On behalf of auditors, there shall be delegated 10 persons to the Auditing Chamber of Ukraine from among highly qualified auditors, who have been engaged in auditing for at least 5 years without interruption, and representatives of professional educational institutions and scientific organizations.

The right of auditors to elect representatives and to be elected as representatives to the Auditing Chamber of Ukraine shall be exercised through resolutions that will be passed by the Congress of Ukrainian Auditors.

Procedures for delegation of representatives to the Auditing Chamber of Ukraine shall be established by the Congress of Ukrainian Auditors, a panel formed by government agencies or any other highest governing body, respectively.

Article 14. Activities of the Auditing Chamber of Ukraine

Resolutions of the Auditing Chamber of Ukraine shall be passed at its meetings by a simple majority of votes, provided that more than a half of its members are in attendance, except for instances specified by this Law and the Charter.

Within the territory of Ukraine, the Auditing Chamber of Ukraine may establish regional divisions, whose powers will be determined by the Auditing Chamber of Ukraine.

The term of office of a member of the Auditing Chamber of Ukraine shall be 5 years. One and the same person may not be delegated to the Auditing Chamber of Ukraine more than for 2 terms in succession.

New members of the Auditing Chamber of Ukraine instead of those Chamber members who have left shall be appointed in accordance with the procedures specified by this Law.

The members of the Auditing Chamber of Ukraine, except for the Chairman of the Auditing Chamber of Ukraine, shall discharge their duties on a voluntary and *pro bono* basis.

Sources of funding of and for activities of the Auditing Chamber of Ukraine may be as follows:

fees payable for certification of natural persons as to their right to engage in auditing;

fees payable for inclusion into the Registry;

voluntary contributions that come from professional organizations of Ukrainian auditors;

other sources not prohibited by law.

In order to carry out its functions, the Auditing Chamber of Ukraine may form commissions consisting of its members. Experts, who are not members of the Auditing Chamber of Ukraine, may be retained to work at the commissions.

Current affairs within the Auditing Chamber of Ukraine shall be handled by a Secretariat that will be managed by a Head. The Head of the Secretariat shall be personally responsible for effectual use of property and funds of the Auditing Chamber of Ukraine as well as for establishment of adequate conditions for the Chamber's members to discharge their functional duties.

Article 15. The Chairman of the Auditing Chamber of Ukraine

The Chairman of the Auditing Chamber of Ukraine shall discharge his powers on a professional basis.

The Chairman of the Auditing Chamber of Ukraine shall be elected from among its members for the duration of his term of office as a member of the Auditing Chamber of Ukraine by a majority vote of the total number of the members of the Auditing Chamber of Ukraine.

The Chairman of the Auditing Chamber of Ukraine may be dismissed from his position prior to the lapse of his term of office by resolution of the Auditing Chamber of Ukraine and in other instances specified by Ukrainian law.

Powers of the Chairman of the Auditing Chamber of Ukraine shall be defined in the Charter of the Auditing Chamber of Ukraine.

The Chairman of the Auditing Chamber of Ukraine shall ensure formation of a new composition of the Auditing Chamber of Ukraine.

Section IV

PROCEDURES OF AUDITING AND RENDERING OF OTHER AUDITING SERVICES

Article 16. General Conditions for Performing an Audit and Rendering other Auditing Services

Audits shall be performed and other auditing services shall be rendered by auditors, auditing firms, who have obtained a right to engage in auditing pursuant to this Law.

General conditions for performing an audit and rendering other auditing services shall be defined by auditing standards approved by the Auditing Chamber of Ukraine.

Article 17. Grounds for Performing an Audit and Rendering other Auditing Services

An audit shall be performed on the basis of an agreement entered into between an auditor (auditing firm) and a client.

Other auditing services may be rendered on the basis of an agreement, a written or oral request from a client to an auditor (auditing firm).

A client shall have a right of free choice in selecting an auditor (auditing firm), subject to the requirements of this Law.

The agreement for performing an audit and rendering other auditing services shall contemplate the subject matter and the time period of the audit, the scope of auditing services, the amount of a fee and payment conditions, liability of parties thereto.

Auditing standards may provide for other essential terms and conditions of the agreement for performing an audit and rendering other auditing services.

Any provisions of the agreement that are aimed to release an auditor (auditing firm) in full from financial sanctions provided by law for the untru

Article 20. Special Requirements

It shall be prohibited to perform an audit:

- 1) by an auditor, who has direct family relations with members of governing bodies of a business entity being audited;
- 2) by an auditor, who has personal proprietary interests in the business entity being audited;
- 3) by an auditor, who is a member of the governing bodies, a founder or owner of the business entity being audited;
- 4) by an auditor, who is an employee of the business entity being audited;
- 5) by an auditor, who is an employee, a co-owner of a subsidiary enterprise, a branch or representative office of the business entity being audited;
- 6) if the amount of a fee for the rendering of auditing services does not take into account the time required for rendering such services in a proper manner, adequate skills, professional qualifications and the degree of the auditor's liability;
- 7) by an auditor in other instances when requirements for the auditor's independency are not ensured.

Members of administrative, governing and controlling bodies of auditing firms, who are not auditors, as well as founders, owners, participants

Section VI
LIABILITY OF AUDITORS AND AUDITING FIRMS

