

LAW
OF THE REPUBLIC OF ARMENIA
ON AUDITING

Adopted on 26 December 2002

CHAPTER I
GENERAL PROVISIONS

Article 1. Subject Matter of the Law

This Law defines the principles of auditing in the Republic of Armenia and regulates relations pertaining to auditing.

Article 2. Scope of the Law

This Law shall apply to auditing in the territory of the Republic of Armenia.

Article 3. Regulatory Legal Acts on Auditing

Regulatory legal acts governing auditing shall include this Law, other laws containing norms in regard to auditing, decisions of the Government of the Republic of Armenia, as well as other legal acts adopted by the public administration body authorised by the Government of the Republic of Armenia (hereinafter referred to as “the authorised body”).

Article 4. Main Concepts used in this Law

The concepts mentioned below shall have the following meanings in this Law:

Auditing service shall mean audit and/or audit review;

Audit entity shall mean an audit firm and/or an individual auditor;

Audit firm shall mean a legal entity providing audit services;

Individual auditor shall mean an individual entrepreneur providing audit services;

Audited entity shall mean a legal entity, institution or individual entrepreneur undergoing audit services;

Auditor shall mean an individual qualified as an auditor.

Article 5. Use of words “*audit*” [audit], “*auditor*” [auditor], “*auditorakan*” [auditing]

1. The words “*audit*” [audit], “*auditor*” [auditor], “*auditorakan*” [auditing] or the derivatives thereof may be used in the titles only by the firms which have obtained a licence to carry out auditing services (hereinafter referred to as “licence”), except for cases when the meaning of such word explicitly implies that it does not refer to auditing.

Firms not holding a licence, including firms in process of establishment or firms with a withdrawn licence may not use the words referred to in this point for more than six months.

2. The audit firm may not use misleading words in its title, which may cause misunderstanding on the financial or legal status of the audit firm concerned.

(Article 5 supplemented by LA-93-N of 8 June 2004)

CHAPTER II

AUDITING AND AUDIT

Article 6. Concept of Auditing

1. Auditing is the audit of financial statements and/or other information included in the documents containing financial statements (hereinafter referred to as “financial statements”) and/or provision of audit-related services (audit review, agreed-upon procedures, compilation (collection of information)).

2. Auditing shall be carried out in the manner prescribed by regulatory legal acts on auditing.

3. Audit and audit review shall enable the audit entity to provide a level of assurance on the reliability of information, whereas agreed-upon procedures and compilation do not envisage such assurance.

4. Provision of audit services without a licence shall be prohibited. Audit services shall be provided at least by one auditor.

(Article 6 amended by LA-93-N of 8 June 2004)

Article 7. Audit

1. Audit is an independent verification of information contained in the financial statements of an audited entity, resulting in an audit conclusion.

The objective of the audit of financial statements is to enable the auditor to express an opinion on whether the financial statements, in all essential terms, are prepared in accordance with the legislation of the Republic of Armenia.

2. Audit shall be carried out in cases prescribed by law (statutory audit) or upon the initiative of audited entity (voluntary audit).

Both statutory and voluntary audits shall be carried out in the manner prescribed by regulatory legal acts on auditing.

Voluntary audit may be carried out based on other principles (other standards, etc.) if audit findings are intended for users outside the territory of the Republic of Armenia.

Article 8. Audit Review

Audit review of financial statements is the implementation of procedures enabling the auditor to detect the existence of facts, if any, which may witness that financial statements, in all essential terms, are not prepared in accordance with the legislation of the Republic of Armenia.

Article 9. Agreed-upon Procedures

Agreed-upon procedures are procedures of auditing nature, which the person carrying out the procedure, the legal entity (institution or individual entrepreneur) and the relevant third party or parties agree upon, and as a result of which - based on the report submitted by the person carrying out the procedures - the users may draw their conclusions.

Article 10. Compilation

Compilation is collecting, classifying and summarising financial information in order to make its layout more comprehensible and convenient for use.

Article 11. Auditing standards

Auditing standards are regulatory legal acts complying with the international auditing standards, regulating the methods of and the procedure for carrying out audit and providing audit-related services.

The audit entity shall choose its *modus operandi* independently proceeding from the requirements laid down in regulatory legal acts on auditing.

Auditing standards, as well as rules of conduct for an auditor shall be defined by the Government of the Republic of Armenia on the basis of international auditing standards and code of conduct.

(Article 11 supplemented LA-93-N of 8 June 2004)

Article 12. Limitations on the Activities of an Auditor and Audit Entity

1. Audit entity shall be prohibited to engage in any entrepreneurship activities other than auditing and provision of services referred to in part 2 of this Article.

2. Audit entity shall not be prohibited to provide the following services:

(a) set-up, recovery or maintenance of accounting systems, as well as preparation of financial statements;

(b) provision of training on accounting, economics, finance and audit;

(c) assessment of assets and liabilities;

(d) planning and calculation of taxes, duties and other mandatory payments;

(e) analysis of financial-economic activities of organisations;

(f) consultancy on accounting, economic, financial, tax, administrative and legal aspects;

(g) development of business plan;

(h) implementation of expert examination related to the fields of accounting, auditing, finance, economics, taxes, duties and other mandatory payments;

(i) publication of professional literature.

3. Where a licence is required for providing specific types of services referred to in part 2 of this Article, the audit entity shall - in order to be engaged in such types of activities - be obliged to obtain a relevant licence in a prescribed manner.

4. The following persons may not provide audit services:

(a) the auditor or the audit firm that has provided services referred to in points (a) or (c) of part 2 of this Article to the audited entity for the specified period within the reporting year;

(b) the auditor that is the founder (participant) or the policyholder (except for the types of mandatory insurance) of the legal entity concerned or the manager of the legal entity or institution concerned or the accountant or the person responsible for accounting or preparing financial statements of the audited entity concerned, as well as is a close relative to the mentioned persons (children, spouse, parent, sibling, grandparent, grandchild, as well as children-in-law, parent-in-law, sibling-in-law, grandparent-in-law);

(c) (point (c) repealed by LA-93-N of 8 June 2004);

(d) the audit firm that is the policyholder of the legal entity concerned (except for the types of mandatory insurance) or the founder (participant) of the legal entity or the institution concerned;

(e) the audit firm, the manager or any person from the management thereof is the founder (participant) of the legal entity concerned, its policyholder (except for the types of mandatory insurance) or the manager of the legal entity or institution concerned or the accountant or the person responsible for accounting or preparing financial statements of the audited entity concerned, as well as is a close relative to the mentioned persons (children, spouse, parent, sibling, grandparent, grandchild, as well as children-in-law, parent-in-law, sibling-in-law, grandparent-in-law);

(f) the audit firm, founded by the legal entity or the individual entrepreneur concerned or established with the participation thereof;

(g) the audit firm that has any common founder (participant) with the concerned legal entity or institution.

(Article 12 amended by LA-93-N of 8 June 2004)

Article 13. Documentation of Auditing and Audit-Related Services

1. Auditing and provision of audit-related services shall be subject to mandatory documentation by an audit entity in the manner prescribed by auditing standards.

2. Audit documentation shall mean drawing up of audit conclusion based on working papers of the auditor and audit findings. An audit report (letter to the management of the audited entity) shall also be prepared in cases provided for in the contract or upon the initiative of the audit entity.

3. Working papers of the auditor are documents prepared or obtained and kept by the auditor for the purpose of auditing. Working papers of the auditor are documents containing a commercial secret and may be disclosed solely in cases prescribed by law.

4. Audit conclusions, audit reports, working papers of the auditor and other documents related to auditing shall be kept in the manner prescribed by the legislation of the Republic of Armenia, but for not less than five years following the audit.

(Article 13 supplemented by LA-86-N of 26 May 2008)

Article 14. Audit Conclusion

1. Audit conclusion is a document prepared by the audit entity, which expresses an opinion on financial statements of the audited entity. Requirements for the form and content of audit conclusion shall be defined by auditing standards.

2. Audit conclusion is a document containing no commercial secret, and the necessity of disclosing thereof shall be determined by the audited entity, unless otherwise prescribed by law.

Audit conclusion shall be prepared in at least two copies, signed by the auditor in charge of auditing and approved by the signature and seal of the head of audit entity. One copy of the audit conclusion shall be furnished to the audited entity, and the other copy shall remain at the audit entity.

(Article 14 amended by LA-93-N of 8 June 2004)

Article 15. False Audit Conclusion

Within the meaning of this Law, false audit conclusion shall be an audit conclusion which has been prepared without carrying out an audit or relevant documentation in compliance with auditing standards, as well as a conclusion which is in conflict with the content of documents submitted by the audited entity and examined by the audit entity during the auditing process.

Audit conclusion shall be declared false through judicial procedure.

Article 16. Audit Report (Letter to the Management)

1. Audit report may contain information on auditing process, revealed errors and deficiencies, infringement of requirements pertaining to the maintenance of accounting records and preparation of financial statements, on findings of analysis in regard to specific issues, on matters provided for by

contract and other issues, as well as recommendations on elimination of errors and deficiencies. At the discretion of the audited entity or the auditor, the report may also contain other information.

2. Audit report is a document containing a commercial secret. It shall be prepared in at least two copies, signed by the auditor in charge of auditing and approved by the signature and seal of the head of audit entity. At least one copy of the audit report shall be furnished to the audited entity, and the other copy shall remain at the audit entity.

(Article 16 amended by LA-93-N of 8 June 2004)

CHAPTER III

AUDITOR, AUDIT ENTITY AND AUDITED ENTITY

Article 17. Auditor

Auditor may provide audit services independently as an individual auditor and/or as an employee of an audit entity.

(Article 17 edited by LA-93-N of 8 June 2004)

Article 18. Rights and Duties of Audit Entity

1. Audit entity shall be entitled to:

(a) examine, during the provision of audit services, the documentation on financial-economic activities of an audited entity - in its entirety - as well as verify the actual availability of property recorded in the documents;

(b) obtain verbal and written explanations and other necessary information from audited entity on issues arising during the provision of audit services, as well as request such information from third parties;

(c) make a written inquiry, with the knowledge of audited entity, and obtain necessary information or assurances from third parties;

(d) involve other auditors, specialists (including on contractual basis), as well as other commercial organisations during the provision of audit services; The manner of involvement of mentioned persons in the provision of audit services shall be provided for by auditing standards;

(e) refuse to carry out audit or provide an audit opinion in case an audited entity fails to submit necessary information for the purpose of preparing audit conclusions;

(f) exercise other rights not proscribed by the legislation of the Republic of Armenia.

2. Audit entity shall be obliged to:

(a) observe the requirements of the legislation of the Republic of Armenia during the period of auditing;

(b) ensure the observation, by employed auditors as well as persons mentioned in part 1(d) of this Article, of requirements envisaged by Article 12(4) of this Law;

(c) refuse to provide audit services, in case of absence of licence or where conditions defined by Article 19(2)(a) or (b) or Article 12(4) of this Law exist;

(d) ensure protection of confidentiality of information and documents - obtained and prepared during the auditing process - constituting official, commercial or banking secret. The list of confidential information shall be defined by law, the auditing contract and shall not be subject to disclosure except for cases prescribed by law or the contract, as well as by written consent of the legal entity, institution or individual entrepreneur that has undergone audit. Information which may not constitute official, commercial or banking secret pursuant to the legislation of the Republic of Armenia shall not be included in this list.

(e) communicate in writing to the authorised body about the infringement of any requirement referred to in Article 26(1) of this Law within a 30-day period following the day of such infringement;

(f) submit to the authorised body, in the manner defined by the Government of the Republic of Armenia, quarterly reports necessary for exercising control over the fulfilment of requirements of regulatory legal acts on auditing within a 30-day period following the given quarter, as well as annual performance reports prior to the 15th of April of the year following the year concerned;

(g) keep a register of contracts concluded, in the manner defined by the Government of the Republic of Armenia;

(h) incur liabilities provided for by the Law of the Republic of Armenia on Anti-Money Laundering and Combating Financing of Terrorism and other laws.

(Article 18 edited by LA-93-N of 8 June 2004, LA-86-N of 26 May 2008)

Article 19. Rights and Duties of Audited Entity

1. Audited entity shall be entitled to:

(a) choose the audit entity independently, unless otherwise prescribed by law or the contract;

- (b) obtain information from audit entity on regulatory legal acts pertaining to auditing;
- (c) inform the authorised body, and where the auditor concerned is a member of a non-governmental organisation established through membership of auditors and/or accountants and auditors, accredited by the authorised body, in line with the principles defined by Article 22¹ of this Law and in the manner defined by the Government of the Republic of Armenia (hereinafter referred to as “the specialised institution”), the audited entity shall also inform the specialised institution of infringement of the requirements set forth in the regulatory legal acts pertaining to auditing committed by an audit entity;
- (d) exercise other rights not proscribed by the legislation of the Republic of Armenia.

2. Audited entity shall be obliged to:

- (a) impose no hindrance to the conduct of audit services, furnish the audit entity with necessary documents for the purpose of providing audit services, provide clarifications and explanations (verbal and/or written) on verbal and/or written inquiries of auditors, as well as request from third parties information necessary for providing audit services, at the auditor's proposal and within his/her competence;
- (b) undertake no measure which would limit the scope of issues examined during the provision of audit services;
- (c) eliminate deficiencies and infringements revealed in accounting and financial statements disclosed following the provision of audit services;
- (d) request the audit entity to present a copy of the licence thereof;
- (e) incur other liabilities provided for by the law.

(Article 19 amended by LA-93-N of 8 June 2004)

Article 20. Audit Fees

The amount of audit fees, the procedure and the manner of payment thereof shall be determined pursuant to the contract concluded by the parties and may not depend upon such requirements of the audited entity, which may impact the content of the conclusion (report) submitted following the provision of audit services.

CHAPTER IV

MAIN PROVISIONS FOR QUALIFICATION OF AUDITORS

Article 21. Qualification of Auditors

1. Qualification of auditors shall mean the procedure of granting qualification certificate of an auditor (hereinafter referred to as “certificate”) - meeting the requirements specified in Article 23 of this Law - based on the results of testing the professional knowledge of an individual (hereinafter referred to as “applicant”) who has applied to the authorised body or the specialised institution for obtaining such certificate.

Qualification of auditors shall be carried out through examinations. The programme of qualification examinations for auditors shall be approved by the Government of the Republic of Armenia. Qualification examinations for auditors shall be arranged and conducted by the authorised body and/or the specialised institution within the scope of the programme of qualification examinations approved by the Government of the Republic of Armenia.

The procedure for conducting qualification examinations by the authorised body shall be defined by the Government of the Republic of Armenia, and the procedure for conducting examinations by the specialised institution shall be defined by the specialised institution in coordination with the authorised body.

The procedure for conducting examinations - submitted for approval to the authorised body by the specialised institution - may not contain proposals mitigating the requirements set by the authorised body for conducting examinations.

The certificate shall be granted by the authorised body and/or the specialised institution when the applicant passes examinations in all sections of the programme and scores the points required for obtaining a certificate.

2. The record of service on holding certain positions or certain offices by an applicant shall not be deemed as a document certifying that the person concerned has a qualification of an auditor.

(Article 21 edited and supplemented by LA-93-N of 8 June 2004)

Article 22. Arranging Qualification Examinations for Auditors

1. Qualification examinations for auditors shall be conducted by Qualification Commissions of Auditors (hereinafter referred to as “the Commission”), and the composition and charter of the Commission, as

well as the examination questions within the framework of the programme approved by the Government of the Republic of Armenia shall be approved by:

- (a) the authorised body in case the examinations are conducted by the latter;
- (b) the specialised institution in case the examinations are conducted by the latter.

Examinations may be conducted no sooner than within two months following the official publication of the programme of examinations, examination questions and sample problems.

2. The Commissions shall comprise at least nine members including one representative from the Central Bank of the Republic of Armenia and one representative from the Securities Commission of the Republic of Armenia. The number of the representatives from the authorised body in the composition of the Commission may not be less than four.

The specialised institution shall inform the authorised body - within a five-day period - about adopting decisions on granting, conversion and/or withdrawal of a certificate, in the manner prescribed by the authorised body.

3. For the purpose of covering the costs related to the arrangement and conduct of qualification examinations, the specialised institution shall levy a fee, the amount of which shall not exceed the seven-fold of the minimum salary defined in the Republic of Armenia.

(Article 22 edited by LA-93-N of 8 June 2004)

Article 22¹. Accreditation of the Specialised Institution

1. Accreditation of the specialised institution shall be the recognition - by the state - of compliance with the requirements set forth by the legislation of the Republic of Armenia for a non-governmental organisation which has adopted rules of conduct in line with the international standards on audit conduct, resulting in granting a state accreditation certificate.

2. The principles of accreditation shall be the following:

- (a) establishment of a uniform procedure for accreditation;
- (b) publicity of accreditation;
- (c) assurance of legitimacy and transparency of the accreditation process;
- (d) exercise of control over the fulfilment of terms and conditions of accreditation.

(Article 22¹ supplemented by LA-93-N of 8 June 2004)

Article 23. Requirements for Applicants

1. Nationals of the Republic of Armenia, foreign nationals and stateless persons possessing the following qualifications may participate in qualification examinations for auditors:

(a) higher education in Economics and at least three years of professional experience within the five years preceding the day of submitting an application for obtaining a certificate, or

(b) higher education and at least five years of professional experience within the seven years preceding the day of submitting an application for obtaining a certificate.

2. The requirements for professional occupation envisaged by part 1 of this Article shall be defined by the Government of the Republic of Armenia.

3. Auditors, which have been declared through judicial procedure as having no or limited capacity or has been deprived of the right to hold a certain position or undertake certain activity in the field of financial-economic relations, shall be prohibited to participate in qualification examinations.

Article 24. Validity of Certificate

1. Certificate shall be issued for a period defined by the Republic of Armenia which may not be less than five years.

2. (part 2 repealed by LA-93-N of 8 June 2004)

3. (part 3 repealed by LA-93-N of 8 June 2004)

4. In case of loss (losing, destruction, etc.) of certificate, an auditor shall be obliged to make an announcement thereon through mass media. The auditor may file an application, with the body which has granted the certificate, for obtaining a copy of the certificate lost or rendered unfit for use.

The authorised body or the specialised institution shall be obliged to issue a copy of the certificate lost or rendered unfit for use within a ten-day period following the date of submitting the above-mentioned application by the auditor. Copies of certificates shall be marked with the word “Copy” in the upper right corner.

Where the copy of a certificate is lost or rendered unfit for use, it shall be issued pursuant to the manner defined by this part.

5. Where changes are made in the first name or the last name of an auditor, the latter shall, within a 15-day period after such changes became effective, submit an application on conversion of a certificate, attaching the relevant documents verifying the mentioned information.

Conversion of a certificate shall be carried out within a ten-day period after the registry of the relevant application of an auditor at the authorised body or the specialised institution.

(Article 24 amended by LA-93-N of 8 June 2004)

Article 24¹. Withdrawal of Certificate

1. A certificate shall be withdrawn upon the decision of the authorised body or the specialised institution in case any of the following grounds exist:

- (a) disclosure of a fact of obtaining a certificate through falsification or distortion of the documents required for permission to participate in qualification examinations for auditors;
- (b) the fact of giving a false audit conclusion by an auditor has become known;
- (c) infringement by an auditor of the rules of conduct;
- (d) entry into legal force of a judgment on declaring an auditor as having no or limited capacity or on depriving of the right to hold a position or undertake certain activity in the field of financial-economic relations;
- (e) infringement of the requirement referred to in Article 18(2)(d) of this Law;
- (f) expiry of certificate.

The decision on withdrawal of a certificate, subject to publication within a period of two weeks upon its adoption, shall be made by the body granting the certificate.

2. In case of withdrawal of a certificate on the grounds provided for by points (a), (b), (c) and (e) of part 1 of this Article, a person shall be allowed to sit the qualification examination for auditors only after one year from the day of withdrawal of a certificate.

(Article 24¹ supplemented by LA-93-N of 8 June 2004)

CHAPTER V

LICENSING OF AUDIT SERVICES

Article 25. Licensing of Audit Services

Licensing of audit services shall be the process related to granting licences to, converting, suspending, renewing and withdrawing the licences of entities eligible for a licence under Article 26 of this Law, pursuant to the Law of the Republic of Armenia on Licensing and this Law.

(Article 25 supplemented by LA-93-N of 8 June 2004)

Article 26. Entities Eligible for a Licence

1. Auditors having obtained state registration as individual entrepreneurs, as well as commercial organisations, regardless of their legal status, except for open joint-stock companies, shall be eligible for a licence, when:

(a) at least two employees of the organisation are auditors;

(b) at least 50 percent of the founders (participants) are auditors, and at least 50 percent of the statutory capital of the organisation belongs to them.

2. The qualification certificate of an auditor shall serve as a ground for only one licence, in order to ensure any or all of the conditions specified in this Article.

(Article 26 amended and edited by LA-93-N of 8 June 2004)

Article 27. Suspension of a Licence

A licence shall be suspended in the cases and manner provided for by the Law of the Republic of Armenia on Licensing, as well as in case of infringing one of the requirements referred to in Article 26(1) of this Law, where the audit entity has informed the authorised body accordingly within a period specified by Article 18(2)(e) of this Law. With regard to the latter, the licence shall be suspended until the cause of infringement is eliminated.

Article 28. Withdrawal of a Licence

1. A licence shall be withdrawn in the cases and manner provided for by the Law of the Republic of Armenia on Licensing, as well as in the following cases:

(a) audit entity has given a false audit conclusion;

(b) audit entity has infringed the requirements laid down in Article 18(2)(d) of this Law;

(c) audit entity has infringed one of the requirements laid down in Article 26(1) of this Law, where the audit entity has not informed the authorised body accordingly within a period specified by Article 18(2)(e) of this Law;

(d) no document - verifying payment of amounts of state duties and penalties calculated for late payment to the budget - was submitted within one year after suspension of a licence on the ground of failure to pay annual state duties;

(e) audit entity has infringed the requirements referred to in Article 12(1) of this Law;

f) an infringement serving as a ground for applying Article 31³ has been committed for the third time within a two-year period after imposing liability on audit entity pursuant to the same Article.

2. A licence shall be deemed withdrawn - on the ground provided for by point (a) of part 1 of this Article - from the day following the entry into force of a court judgment on declaring the audit conclusion false pursuant to the second paragraph of Article 15 of this Law.

The licence shall be withdrawn through judicial procedure at the request of the authorised body, on the grounds provided for by points (b), (c) and (e) of part 1 of this Article. A licence shall be deemed withdrawn from the day following the entry into force of the respective court judgment, unless a later term is provided for thereby.

3. Where a licence has been withdrawn on the grounds provided for by points (a), (b) and (c) of part 1 of this Article, the person shall be entitled to apply for a new licence only after one year from the date of withdrawal of the licence.

(Article 28 supplemented and amended by LA-93-N of 8 June 2004, supplemented by LA-25-N of 16 December 2005)

CHAPTER VI

AUTHORISED BODY REGULATING THE FIELD OF AUDITING

Article 29. Tasks and Functions of the Authorised Body

(Article 29 repealed by LA-93-N of 8 June 2004)

Article 30. State Authorised Body Regulating the Field of Auditing

1. The authorised body shall:

- (a) carry out licensing of audit services;
- (b) carry out accreditation of specialised institutions in the manner defined by the Government of the Republic of Armenia;
- (c) approve the questions of qualification examinations;
- (d) approve the composition and charter of the Commission;
- (e) arrange and conduct qualification examinations for auditors;
- (f) grant certificate and make decisions on conversion and withdrawal of a certificate;
- (g) organise and exercise control over the observation by auditing entities of requirements referred to in regulatory legal acts on auditing, the rules of conduct of the specialised institution and the auditors;
- (h) define the procedure for providing information on the decisions regarding the granting, conversion and/or withdrawal of a certificate by the specialised institution.

2. Where, in the course of exercising control over the observation by auditing entities of the requirements referred to in regulatory legal acts on auditing as provided for in point (g) of part 1 of this Article, it is necessary to deal with a banking secret, specialists from the Central Bank of the Republic of Armenia shall be engaged in such activities, giving a written opinion on the issues raised.

(Article 30 edited by LA-93-N of 8 June 2004)

CHAPTER VII

LIABILITY FOR INFRINGING THE REQUIREMENTS OF THIS LAW

Article 31. Liability for Infringing the Requirements of this Law

Auditors, audit entities and audited entities shall incur liability for infringing the requirements of this Law in the manner prescribed by law.

Article 31¹. Liability of Audit Entity for Infringing the Requirements of this Law

In addition to suspension or withdrawal of a licence, the authorised body shall also impose the following sanctions to an audit entity for infringing the requirements of this Law:

- (a) warning and assignment with regard to elimination of infringements;
- (b) penalty.

(Article 31¹ supplemented by LA-25-N of 16 December 2005)

Article 31². Warning and Assignment with regard to Elimination of Infringements

1. The authorised body shall record the committed infringement through inspections or review of quarterly or annual reports specified by Article 18(2)(f) of this Law submitted by an audit entity, and warn the audit entity thereof.

2. Warning shall mean an assignment on elimination of the committed infringement within the period specified by the authorised body, measures to prevent such infringement in the future and informing to the authorised body accordingly in writing.

3. Warning shall be imposed as sanction, where an audit entity:

- (a) has breached the terms of submitting quarterly or annual reports as defined by Article 18(2)(f) of this Law;
- (b) has infringed the requirements of the legislation of the Republic of Armenia with regard to submitting quarterly or annual reports as defined by Article 18(2)(f) of this Law.

(Article 31² supplemented by LA-25-N of 16 December 2005)

Article 31³. Penalties

1. Penalties shall be applied and charged upon the decision of the authorised body in the manner prescribed by the legislation of the Republic of Armenia. Where an audit entity does not agree to the decision on applying a penalty, the authorised body shall file a claim with court for charging the penalty.

2. Penalties shall be applied as sanction, where an audit entity:

(a) has infringed the requirement specified in Article 6(4) of this Law, regarding the audit services to be carried out by at least one auditor, in the amount of AMD300 000 for each case of infringement;

(b) has infringed the requirement specified in Article 13(4) of this Law, in the amount of AMD150 000 for each case of infringement;

(c) has infringed the requirement specified in the third paragraph of Article 14(2) of this Law, in the amount of AMD100 000 for each infringement (point);

(d) has infringed the requirements specified in Article 18(2)(c) of this Law, in the amount of AMD200 000 for each infringement (point);

(e) has infringed the requirement specified in Article 18(2)(g) of this Law, in the amount of AMD100 000 for each infringement (point);

(f) has repeated the same infringement during one year after imposing the relevant warning in compliance with Article 31²(2) of this Law, in the amount of AMD100 000 for each case of infringement;

(g) has infringed the requirement laid down in Article 13(1) of this Law, but the authorised body has, in accordance with the legislation of the Republic of Armenia, found the committed infringement insignificant i.e. not affecting the form and content of the audit conclusion, in the amount of AMD100 000;

(h) has not eliminated the committed infringement within the period specified by the authorised body in accordance with Article 31²(2) of this Law, or has not informed the authorised body accordingly in writing, in the amount of AMD100 000 for each case of infringement.

3. Pursuant to part 2 of this Article, where infringement serving as a ground for applying a penalty continues to take place or such new infringement is committed within two years after applying a penalty, the amount of the penalty shall be increased by AMD500 000.

4. Conclusions drawn up in breach of points (a), (c) or (d) of part 2 of this Article shall not be audit conclusions.

(Article 31³ supplemented by LA-25-N of 16 December 2005)

CHAPTER VIII

TRANSITIONAL PROVISIONS

Article 32. Transitional Provisions

1. This Law shall enter into force after one month following the day of its official publication.
2. Licences for audit services granted in accordance with the legislation of the Republic of Armenia before the entry into force of this Law shall be valid until the expiry thereof within one year after the publication of this Law, provided that they comply with the requirements for licensing prescribed by Article 26 of this Law, except for Article 26(1)(a), the compliance to the requirements of which shall be effected within two years after qualification examination for auditors is arranged for the first time pursuant to this Law.
3. Certificates valid at the moment of the entry into force of this Law shall be effective for a period of two years after qualification examination for auditors has been arranged for the first time in the manner prescribed by this Law.

(Article 32 edited and supplemented by LA-93-N of 8 June 2004)

President

of the Republic of Armenia

R. Kocharyan

31 January 2003

Yerevan

LA-512-N