

DECISION
OF THE GOVERNMENT OF THE RUSSIAN FEDERATION
NO. 472 OF APRIL 27, 1999
ON THE LICENSING OF CERTAIN KINDS OF AUDITING ACTIVITIES
IN THE RUSSIAN FEDERATION

Pursuant to the Federal Law on the Licensing of Certain Kinds of Activities the Government of the Russian Federation hereby decrees to:

1. Approve the enclosed Regulations on the Licensing of Certain Kinds of Auditing Activities in the Russian Federation.
2. Establish that auditing licenses which were issued in the authorized manner before the present Decision was adopted shall remain valid until their expiration.
3. Declare null and void Item 3, Paragraph three of Item 4 of the Decision of the Government of the Russian Federation No. 482 of May 6, 1994 on the Approval of Regulatory Acts on Regulating Auditing in the Russian Federation (Collected Acts of the Russian Federation No. 4, Item 365, 1994), Paragraph four of this Item as regards fees charged for the issue of licenses, as well as the Procedure for the Issue of a License for Auditing (apart from norms dealing with the procedure the issue of licenses to perform banking audit).

Chairman of the Government
of the Russian Federation

Ye.Primakov

Regulation
on the Licensing of Certain Kinds of Auditing Activities
in the Russian Federation
(Approved by the Decision of the Government of the
Russian Federation No. 472 of April 27, 1999)

1. This Regulation has been drafted in keeping with the Federal Law on Licensing of Certain Kinds of Activities to establish the procedure for licensing auditing activities, so as to ensure state control over compliance with requirements set to such activities by the legislation of the Russian Federation.
2. This Regulation shall not cover the licensing of activities in the area of bank auditing.
3. Auditors engaged in business activities without formation of legal entities and also audit firms including those established as joint ventures with foreign legal and natural persons shall have the right to engage in auditing in the Russian Federation only provided they hold the license for auditing (hereinafter referred to as the license).
4. Separate licenses shall be issued for the following kinds of audit activities:
 - a) audit of insurance companies and mutual insurance societies (audit of insurers);
 - b) audit of stock exchanges, extra-budgetary funds and investment institutions;
 - c) general audit (audit of other legal entities and individual businessmen).Licenses shall be issued according to a single form as per the Appendix.
5. Audit activities shall be licensed by the Ministry of Finance of the Russian Federation (hereafter referred to as the licensor agency).
6. Based on an application filed by a license seeking applicant licenses shall be issued for

the period of three, two or one year.

Licenses shall not be prolonged. Upon license expiration, on the basis of an application filed by a license seeking applicant a new license may be issued in the manner established by the present Regulation.

7. In order to obtain the license a license seeking applicant shall submit the following documents to the licensor organization (in a single copy):

a) for an individual businessman, an application to obtain the license indicating the kind of activity sought, the period during which it will be performed, family name, given name, middle name, details on the individual's personal identification document; the copy of certificate of state registration of the individual as an individual businessman (if the copy was not notarized, the original is to be presented); the certificate on registration with the tax body as the place of residence, including his tax payer identification number; a document to confirm the payment of a fee for the application examination; the notarized copy of the auditor qualification certificate to the right to engage in the particular kind of auditing; a standard reference from his place of residence;

b) for an auditing organization, an application to obtain the license indicating the kind of activity sought, the period during which it will be performed, its name, organizational and legal form and location of the organization, name of the bank and number of settlement account in the bank; notarized copies of its foundation documents, including all amendments and addenda thereto, copy of the state registration certificate as a legal entity (if the copies are not notarized, the originals are to be presented); certificate on registration with the tax body, including its tax payer identification number; a document to confirm the payment of a fee for the application examination; bank references or other documents confirming the payment for the auditing organization's authorized capital; information about the auditing organization managers, their deputies and the certified auditors working in the auditing organization (including their family name, given name, middle name and position held), including notarized copies of the auditors' qualification certificates.

The following shall be the documents used to confirm the payment for the auditing organization's authorized capital: a copy of the organization's balance sheet bearing a note made by the tax body or a conclusion of another auditing organization or an independent auditor who holds a relevant auditing license.

8. All documents submitted to the licensor agency to obtain the license shall be accepted against a list and a copy thereof with a note on the documents reception date shall be sent (handed in) to the license seeking applicant.

9. The license shall be issued to an auditing organization receiving it for the first time, provided the following licensing conditions and terms are met:

a) the auditing organization may not have the form of an open joint stock company;

b) the authorized capital (authorized fund) as stated in the foundation documents shall be not less than 100-fold minimal wages established by the federal law (at the application filing date);

c) the share owned by certified auditors and/or licensed auditing organizations shall be not less than 51 per cent of the authorized capital (authorized fund) of the auditing organization;

d) the auditing organization shall have at least two full time auditors holding valid auditor certificates that cover the area of auditing activities stated in the application filed to obtain the license.

10. The license shall be issued to an individual businessman who receives it for the first

time, provided he holds a valid auditor certificate that covers the area of auditing activities stated in the application filed to obtain the license.

11. Auditing organizations and individual businessmen who have been performing auditing in an established manner before the present Regulation was adopted shall be issued new licenses, subject to compliance with conditions set out in Items 7-10 of the present Regulations and also subject to the absence of the following facts during the term of operation of a previously issued license (whatever the kind of the audit activity involved):

a) recurrent low quality of audits or audit services. The above facts shall be established in the course of supervision over the licensee's compliance with the license requirements and over the quality of audits in accordance with the rules (standards) laid down for auditing by the Auditing Commission under the President of the Russian Federation; b) the conduct by the licensee of audit activities which are not covered by the license issued to him;

c) the submission by the licensee of information he has received during the audit to third persons without the permission of the transactor unit being audited, except for the cases provided for by the legislation of the Russian Federation;

d) the entry into legal force of a court judgement providing for the punishment of the person engaged in auditing by banning him to hold certain offices or to engage in a certain activity in the sphere of financial and economic relations;

e) the deliberate concealment by the licensee of circumstances denying him any possibility of conducting audits;

f) the licensee being engaged in activities not related to auditing. No new license shall be issued if the license issued earlier has been suspended pursuant to the legislation of the Russian Federation at the application filing date or while the application has been under examination.

12. A fee collected for license examination by the licensor agency equals to 3-fold minimal wage established by the federal law (at the application filing date).

Fees collected for the examination of applications are transferred to the federal budget.

If a license seeking applicant decides to abandon his submitted application during its examination the fee collected for the license examination shall not be reimbursed.

13. The licensor agency decides whether to issue or refuse to issue the license within thirty days after it receives the application along with all the necessary documents.

The licensor agency shall advise the license seeking applicant about its decision within three days after it is made.

Notification about the issue of the license (in writing) shall be sent (handed in) to the license seeking applicant and it shall indicate the requisites of the bank account to which the license fee shall be deposited as well as the deadline for its payment.

Notification on the refusal to issue the license (in writing) shall be sent (handed in) to the license seeking applicant and it shall state the reasons for the refusal.

The license shall be issued within three days after the license seeking applicant presents a document to confirm the payment of the license fee.

If the licensee fails to pay the license fee within three months after the licensor agency decided to grant the license, the licensor agency shall have the right to annul the license.

14. The following shall constitute the ground to refuse to issue the license:

unauthentic or distorted information uncovered in the documents submitted by the license seeking applicant;

failure of the license seeking applicant to comply with conditions set out in Items 7-11 of the present Regulations.

15. The license seeking applicant shall have the right in the manner established by the legislation of the Russian Federation to lodge an appeal against the licensor agency refusal to issue the license or the its inaction.

When lodging an appeal against refusal to issue the license, license seeking applicant may conclude an agreement with an auditing organization to conduct an independent expert examination.

16. An independent expert examination intended to determine whether the licensor agency decision to refuse to issue the license is well grounded shall be conducted by an auditing organization which had received its license in the established manner at least two years before the decision in question was made by the licensor agency.

Services rendered under an independent expert examination shall be made to the charge of the license seeking applicant. The procedure, amount and form of payment shall be determined by the agreement and may not be linked to fulfillment of any demands of the license seeking applicant as to the contents of possible conclusions of the expert examination.

Within 3 days the license seeking applicant and an auditing organization which have concluded an agreement to conduct an independent examination shall be obligated to advise the licensor agency about the performance thereof. Within 10 days upon receipt of the notification the licensor agency shall be obligated to an auditing organization conducting an independent expert examination the copy of application filed by the license seeking applicant and copies of all documents enclosed thereto.

17. In case of reorganization of the auditing organization, change of its name or seat, either the licensee auditing organization or its successor shall be obligated to submit without delay an application to reissue the license, enclosing the license in question, and documents confirming the relevant changes.

In case the licensee changes his name or place of residence he shall be obligated to submit without delay an application to reformulate the license, enclosing the license in question, and documents confirming the relevant changes. The license shall be reformulated within five days from the date the licensee files a corresponding application. In so doing the licensor agency shall enter the required changes in the register of licenses.

For the issue of reformulated licenses a fee shall be charged amounting to one tenth of the minimal wage established by the federal law (at the application filing date). The licensee shall attach to his application to reformulate the license a copy of payment document confirming the transfer of the above payment. The above amount shall be transferred to the federal budget.

A duplicate may be issued to replace a lost license, the term of whose operation has not elapsed, upon an application of the licensee.

18. In exercising supervision over compliance by the licensee with the license requirements the licensor agency shall have the right to:

a) conduct inspections of the licensee's activities to check whether they meet the license requirements and conditions, including the checks of quality of works performed by individual businessmen and auditing organizations;

b) request that the licensee provide the required explanations and materials pertaining to questions arising during inspections;

c) draft inspection reports (protocols) on the basis of such inspections which are to list specific violations;

d) make decisions obligating the licensee to eliminate the uncovered breaches and fix deadlines for eliminating such breaches;

e) warn the licensee;

f) exercise other powers established by the legislation of the Russian Federation.

If any breaches of the license based requirements and conditions are uncovered by the state supervising and controlling agencies as well as other bodies of state power they shall be obligated to inform the licensor agency about such uncovered breaches and measures they have taken.

Pursuant to the legislation of the Russian Federation and the present Regulation individual businessmen and auditing organizations are obligated to assist the licensor agency conducting an inspection including through provision of the required documents and information.

19. The licensor agency may suspend the license if:

the state supervising and controlling agencies as well as other bodies of state power acting within their competence uncover any breaches of the license based requirements and conditions which are specified in Items 7-11 of the present Regulation;

the licensee fails to meet any demands made by the licensor agency to eliminate uncovered breaches.

20. The license shall become legally void and regarded annulled if:

a) the license seeking applicant fails to pay the license fee within three months after the licensor agency decides to grant the license;

b) the legal entity is liquidated or its operation is terminated, from the time of its liquidation or reorganization of the legal entity;

c) expiration of the certificate on state registration of an individual as an individual businessman, from the expiration date of the certificate;

d) a court ruling on the basis of a corresponding application filed by the licensor agency or a state power body, according to their competence. At the same time when filing the request to the court the licensor agency shall have the right to suspend the license in question until the court's ruling enters into legal power.

The following shall be the grounds for filing the request to court:

- unauthentic or distorted information discovered in the documents submitted in order to obtain the license;

- multiple or gross breaches of the license based requirements and conditions which are specified in Items 7-11 of the present Regulation;

- illegal decision to issue the license.

21. Within three days from the decision date the written decision containing motivated justification to suspend the license or to file the request to a court of law to annul the license shall be brought to the notice of the licensee.

The decision to suspend the license may be appealed in the manner established by the legislation of the Russian Federation.

The licensor agency shall be obligated to set for the licensee a certain deadline by which it is to eliminate the circumstances which resulted in the suspension of license.

The above term may not exceed six months. Should the licensee fail to eliminate by the established deadline the aforesaid circumstances, the licensor agency shall be obligated to file a request to a court of law to annul the license.

When the licensee eliminates the circumstances which resulted in the license suspension, within one month the licensor agency shall be obligated to take a decision to reinstate the license.

22. The licensor agency shall maintain the register of licenses which is to include the following data:

a) with regard to individual businessmen - their surname, name and patronymic, legal address, settlement account, the numbers of communication means used, the number and the date of issue and the term of operation of the auditor's qualification certificates;

b) with regard to auditing organizations - organization name, its location (legal address), the numbers of communication means used, the settlement account, information about the structure of the authorized capital (authorized fund) of the organization and its founders, information about the organization's managers, and the certified auditors working in the organization (their surname, name and patronymic, the number and the date of issue and the term of operation of qualification certificates);

c) data on the licensor agency, which has issued the licenses;

d) the kinds of audit activities for which the licenses were issued;

e) the date of issue and numbers of the licenses, their validity periods;

f) the grounds and dates when the licenses were suspended and reinstated;

g) the grounds and dates when the licenses were reissued, the grounds and dates the licenses were annulled.

Within 15 days individual businessmen and auditing organizations shall be obligated to advise the licensor agency about the changes in the registration information.

23. The information contained in the register shall be open to the public and shall be made available for a fee to interested natural persons and legal entities.

24. For the issue of information from the register as regards a single licensee a fee shall be charged amounting to one tenth of the minimal wage established by the federal law (at the date an application was filed to obtain the information).

The fee collected for furnishing information from the register shall be transferred to a special account of the licensor agency and further utilized to fund the organizational and methodological activities in the area of auditing.

Such information shall be furnished free of charge to bodies of state power and bodies of the local self-government.

Information from the register shall be furnished within three days from the date a corresponding application is filed, provided the fee is paid for furnishing such information.

25. A fee collected for the issue of a license equals to 10-fold minimal wage established by the federal law (at the application filing date).

The license issue fees are transferred to the federal budget.

If an individual businessman (auditing organization) decides to refuse to accept the license, the license issue fee shall not be reimbursed.

26. Heads and officials of the licensor agency shall be held liable for the breaches of or undue execution of the established order set for licensing of auditing pursuant to the legislation of the Russian Federation.

27. Decisions and actions of the licensor agency may be appealed against in a court of law in the established manner.

Appendix to
the Regulation for
Licensing Certain Kinds
of Auditing Activities in
the Russian Federation

License for Auditing Activities

No. _____

By decision of the Ministry of Finance of the Russian Federation,
No. _____, of _____, 199__

(surname, name and patronymic of the auditor, name of the

auditing organization)

(place of residence of the auditor, seat of the auditing
organization)

is authorized to perform audit activity in the area of _____

(name of the specific kind of auditing activity)

for a term _____ year (years) since the stated date of the
decision to issue this license.

Entered in the state register on _____ 199 _____

Minister of Finance of
the Russian Federation

(signature)

Date of issue

Seal