

## Appendix 6 Extracts from the Auditors Activities Act<sup>1</sup>

### § 55. Client contract for provision of audit service

(1) For the provision of an audit service, an audit firm shall enter into a contract for the provision of an audit service with the client in writing (hereinafter client contract). The provisions of the Law of Obligations Act apply to a client contract, taking into consideration the specifications provided for by this Act.

(1<sup>1</sup>) A client contract shall include the procedure for cancellation of the client contract and the notification obligation pursuant to § 57 of this Act.

[RT I, 23.12.2014, 2 – entry into force 01.01.2015]

(1<sup>2</sup>) A contract for the provision of the statutory audit of annual accounts shall be entered into for at least two years.

[RT I, 30.06.2017, 1 – entry into force 01.07.2017]

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(2) At least the following shall be agreed upon in a client contract:

- 1) the audit service and the object of the service;
- 2) the estimated duration of the provision of the audit service in hours;
- 3) the person who signs the sworn auditor's report or any other report of his or her professional activities;
- 4) in the case of the existence of a consolidation group, the audit firm of the consolidation group and the person who signs the sworn auditor's report of the consolidated entity for whom auditing of the annual accounts is mandatory;
- 5) the amount of the fee for the provision of an audit service (hereinafter client contract fee) and the procedure for the payment thereof

(3) Upon the provision of an audit service provided in §§ 50 and 51, all the members of the management board of the client are required to confirm the responsibility of the management board in writing before the sworn auditor's report in compliance with the standards for the professional practice of a sworn auditor established or approved on the basis of § 46 of this Act. An audit firm may require the confirmation specified in this subsection also upon the provision of other audit services.

(4) An audit firm is required to notify the Oversight Board through the information system of the register of entry into the first client contract for the provision of an audit assurance service with a public interest entity and of the expiry of the last such client contract within five working days as of entry into or expiry of the contract.

(5) The audit firm of a consolidation group is the provider of the service of auditing or review of annual accounts of the consolidation group.

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<sup>1</sup> The English text of the extracts from the Auditors Activities Act has been taken from the unofficial translation available on the website of Riigi Teataja (State Gazette) issued by the Estonian Ministry of Justice. The unofficial translations do not have legal force and may contain terminological errors (e.g. the independent auditor is called a sworn auditor, etc.).

(6) The provisions of subsections 1–5 of this section do not apply in public service to a sworn auditor who is a public servant.

#### **§ 56. Right of audit firm to access information and documents**

(1) A client shall provide an audit firm with all the information required for the professional practice of a sworn auditor and provide an opportunity to access to all the documents required for such professional activities unless otherwise provided by law.

(2) An audit firm of a consolidated entity of a consolidation group shall provide the audit firm of the consolidation group with all the information required for the professional practice of a sworn auditor and provide an opportunity to access all the documents required for such professional activities unless otherwise provided by law.

(2<sup>1</sup>) If a third-country audit firm does not comply with the obligation provided for in subsection 2 of this section, the audit firm of the consolidation group shall notify the Oversight Board thereof.

[RT I, 30.06.2017, 1 – entry into force 01.09.2017]

(3) Copies, transcripts and extracts may be made of the documents required for the professional practice of a sworn auditor and evidence relating to such professional activities may be obtained in other ways.

#### **§ 57. Cancellation of client contract**

(1) A client contract may be cancelled only with good reason.

(2) The divergence of opinions in dealing with the issues concerning accounting or the activities of a sworn auditor cannot be a good reason for cancellation of a client contract.

(3) An audit firm and the client shall immediately notify the Oversight Board of the cancellation of a client contract through the information system of the register and provide its explanations concerning the reasons for cancellation of the client contract. The audit firm shall submit a report concerning the work performed immediately after notification of the Oversight Board.

[RT I, 12.11.2010, 1 – entry into force 15.11.2010]

(4) A client is obliged to pay immediately to the audit firm for all the works agreed upon in the client contract which were performed before the cancellation of the client contract.

#### **§ 58. Client contract fee and disclosure thereof**

(1) A client contract fee shall not:

- 1) depend on the supply of other services, goods or benefits;
- 2) depend on conditions which might have an adverse effect on the conduct of a sworn auditor in his or her professional activities.

(2) A client contract fee shall be agreed upon as a specified final amount, an hourly fee or a combination thereof.