

9 September 2016.

No. 1167.

## Announcement of the Danish Act on Approved Auditors and Audit Firms (the Auditor Act)<sup>1)</sup>

Announcement of the Danish Act on Approved Auditors and Audit Firms (the Auditor Act), cf. act no. 468 of 17 June 2008, with the amendments arising from Section 6 of act no. 133 of 24 February 2009, Section 3 of act no. 516 of 12 June 2009, Section 24 of act no. 718 of 25 June 2010, Section 8 of act no. 1231 of 18 December 2012, Section 2 of act no. 1232 of 18 December 2012, Section 1 of act no. 617 of 12 June 2013, Section 11 of act no. 634 of 12 June 2013, Section 20 of act no. 403 of 28 April 2014, Section 10 of act no. 1490 of 23 December 2014, Section 4 of act no. 1563 of 15 December 2015, Section 14 of act no. 395 of 2 May 2016 and Section 1 of act no. 631 of 8 June 2016.

The wording of the Act concerning the heading of Part 6, Sections 28 and 28 a comes into effect on 1 January 2017, cf. Section 12 (2) of Act no. 631 of 8 June 2016 amending the Approved Auditors and Audit Firms Act and various other acts (Implementation of changes to the Audit Directive and options in the Regulation on specific requirements regarding statutory audit of public-interest entities).

### Part 1

#### *Scope and definitions Scope of the Act*

**S. 1.** The present Act shall comprise the conditions for approval and registration of auditors and audit firms, the conditions for the performance of audit engagements, etc. and the rules on public oversight of approved auditors and audit firms.

(2) The Act shall apply to the auditor's provision of auditors' reports for financial statements, including the auditor's statements on management's reviews in pursuance of the Danish Financial Statements Act, and to the auditor's provision of other assurance reports that are not exclusively intended for the use of the principal.

(3) Sections 16 (4), 22, 30, 43, 44, 45-47, 47 c and 54 (4) (first sentence) shall also apply to the auditor's provision of other reports that are required in pursuance of the existing legislation or that are not exclusively intended for the use of the principal.

(4) Following negotiation with the Minister of the Interior and of Social Affairs, the Minister for Industry, Business and Financial Affairs determines rules to promote the independence, quality and expertise of municipal and regional auditors and control over such auditors. The first sentence does not apply to municipal cooperatives, cf. Section 60 of the Act on Municipal Governance, which fulfil the criteria in Section 1 a (1), no. 4.

### *Definitions*

#### **1 a.** Definitions in this Act:

- 1) Auditor: A person approved according to Sections 3, 10 or 11, unless otherwise expressly stated.
- 2) Audit firm: An undertaking approved according to Section 13, unless otherwise expressly stated.
- 3) Public-interest entities:
  - a) Entities with capital shares, debt instruments or other securities listed for trading on a regulated market in an EU or EEA country, and
  - b) financial undertakings, cf. Section 5 (1), no. 1, letters a, b and e, in the Financial Business Act.
- 4) Small undertakings: undertakings that did not exceed two of the following size thresholds in two successive financial years on the balance sheet date:
  - a) A balance sheet total of DKK 44 million,
  - b) net turnover of DKK 89 million and
  - c) an average number of full-time employees during the financial year of 50.
- 5) Medium-sized undertakings: undertakings that are not small undertakings and that did not exceed two of the following size thresholds in two successive financial years on the balance sheet date:
  - a) A balance sheet total of DKK 156 million,
  - b) net turnover of DKK 313 million and
  - c) an average number of full-time employees during the financial year of 250.
- 6) Large undertakings: undertakings that are neither small nor medium-sized undertakings.
  - (2) When calculating sizes according to (1), nos. 4 and 5, Section 7 (3) and (4) shall apply, although cf. (3).

<sup>1)</sup> The Act contains provisions that implement European Parliament and Council Directive 2006/43/EC of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, on amendment of Council Directive 78/660/EEC and Directive 83/349/EEC and on a repeal of Council Directive 84/253/EEC, Official Journal of the European Union 2006 no. L 157, page 87, as amended by Directive 2009/101/EC of the European Parliament and of the Council of 16 April 2009 amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, Official Journal of the European Union 2009 no. L 118, page 196, and parts of European Parliament and Council Directive 2005/36/EC of 7 September 2005 on the recognition of professional qualifications, Official Journal of the European Union 2005 no. L 255, page 22.

and 5, as the total of the balance sheets of the parent and subsidiary companies' balance sheet total, net turnover and average number of full-time employees. Section 110 (2) and (3) of the Danish Financial Statements Act applies when calculating sizes according to the first sentence.

## Part 2

### *Approval, etc.*

#### *Public Register*

**S. 2.** The Danish Business Authority shall keep a public register of approved auditors and audit firms. This register shall comprise

- 1) persons approved as state-authorised or registered public accountants, cf. Section 3,
- 2) persons who, in pursuance of Section 10 (1), have been approved as auditors,
- 3) persons who, in pursuance of Section 10 (5), have been approved to undertake specific engagements,
- 4) persons who provide statements on a temporary and occasional basis, cf. Section 11 (2),
- 5) companies approved as audit firms cf. Section 13,
- 6) companies registered as EU or EEA audit firms, cf. Section 13 a,
- 7) auditors and audit firms that shall be registered in this country according to Section 15, and
- 8) agricultural economics associations' advisory services, cf. Section 17.

(2) The Danish Business Authority lays down rules on compilation of the register, including reporting to it and maintenance of the same.

#### *Approval as State-Authorised or Registered Public Accountants*

**S. 3.** The Danish Business Authority can approve a person as a state-authorised public accountant if that person

- 1) is resident in this country, another EU country, an EEA country or another country with which the EU has an agreement.
- 2) has full legal capacity and is not under guardianship or curatorship,
- 3) is not under restructuring proceedings or bankrupt,
- 4) has passed a special examination, cf. rules issued in pursuance of Section 33,
- 5) has primarily participated, for a minimum period of three years after having attained 18 years of age, in the performance of engagements that concern audits of financial statements, consolidated financial statements or similar financial reporting, and
- 6) is insured against claims for damages that may be made in connection with the performance of engagements in pursuance of Section 1 (2) and (3).

(2) Engagements in pursuance of (1), no. 5 shall be performed in an audit firm. Approval as a state-authorised public accountant can only be obtained if the engagements have been performed under the supervision of an approved public accountant.

(3) The Danish Business Authority can grant exemptions

from the requirement in (1), no. 5.

(4) The Danish Business Authority shall lay down rules on insurance in pursuance of (1), no. 6, including on the scope and nature of the insurance and on the period of insurance.

(5) Approval may be denied

- 1) in the circumstances mentioned in Section 78 (2) of the Danish Penal Code,
- 2) if the person in question has shown such conduct that there is reason to assume that he or she will not be able to conduct the office as a representative of the public in a sound and responsible manner, or
- 3) if the person in question has payables to the public authorities of DKK 50,000 or more.

**3 a.** Registered public accountants entered in the Danish Business Authority's register of approved auditors and auditor firms, cf. Section 2, can be approved as state-authorised public accountants if they pass an examination for the same.

(2) The Danish Business Authority shall lay down more detailed rules on that examination, including when and how it is taken and how it is assessed.

#### *Continuing Education*

**S. 4.** An auditor who has been approved in pursuance of Section 3 shall be under an obligation to participate in an appropriate programme of continuing education that ensures that the person in question constantly maintains a sufficiently high level of theoretical knowledge, professional qualifications and knowledge of the requirements for a representative of the public.

(2) The Danish Business Authority shall lay down the particular rules on continuing education and on supervision of the same. The Danish Business Authority can also lay down the particular rules on continuing education of auditors performing audits in companies covered by Section 1 a, (1), no. 3.

(3) The auditor shall be able to document at any given time that the requirements for continuing education have been met.

#### *Use of Title*

**S. 5.** The title "state-authorised public accountant", or compositions in which this title is used, may only be used by a person who has been approved as a state-authorised public accountant.

(2) The title "registered public accountant", or compositions in which this title is used, may only be used by a person who has been approved as a registered public accountant.

(3) The title "approved auditor", or compositions in which this title is used, may only be used by a person who has been approved as an auditor in pursuance of Section 3 and Section 10 (1).

(4) The use of Danish or foreign titles that may be confused with the above shall not be permitted. However this does not apply to persons who have been approved in pursuance of Sections 10, 11 and 15.

(5) A person who is no longer approved as a state-authorised

public accountant or as a registered public accountant may not use the title “state-authorised public accountant” or “registered public accountant”, or compositions or abbreviations hereof, cf., however, Section 6 (2).

#### *Depositing of Approval*

**S. 6.** An auditor can deposit his approval with the Danish Business Authority. Depositing shall be subject to the condition that the approval has not lapsed in pursuance of Section 7, been withdrawn in pursuance of Section 8 or been revoked in pursuance of Section 44 (4) or Section 79 of the Danish Penal Code.

(2) An auditor who has deposited his approval with the Danish Business Authority must not in business relationships present him- or herself as a “state-authorised public accountant”, a “registered public accountant” or an “approved auditor”. Compositions or abbreviations of these titles must not be used.

(3) A person who has deposited his or her approval may, upon request, be re-approved, provided that the person in question meets the conditions in Section 3 (1), nos. 1-3 and 6, and Section 4, and provided that the person in question does not have payables to the public authorities of DKK 100,000 or more. Section 8 (3) and Section 9 (3) shall apply in connection with approval after the auditor's approval has been deposited.

(4) An auditor who deposits his approval shall be struck off the public register of approved auditors.

#### *Lapse of Approval*

**S. 7.** Approval as an auditor shall lapse if the conditions in Section 3 (1), nos. 1-3 or no. 6, are no longer met.

(2) Upon request from the Danish Business Authority, an auditor shall document that he or she is covered by insurance in pursuance of Section 3 (1) no. 6. The documentation hereof must have been received by the Authority no later than four weeks after the request was received. If the documentation is not received upon expiry of the time limit, the approval shall lapse.

#### *Withdrawal of Approval*

**S. 8.** The Danish Business Authority may withdraw an auditor's approval if the auditor has payables to the public authorities of DKK 100,000 or more. The approval may be withdrawn until the matter has been settled. The ruling must contain information about access to a judicial review in pursuance of Section 52 and on the time limit for instituting such legal proceedings.

(2) The Danish Business Authority may also withdraw an auditor's approval if

- 1) the auditor refuses to comply with the rules on quality assurance review, cf. Section 29, or
- 2) the auditor does not meet the requirements for continuing education in Section 4, cf., however, (3).

(3) The Danish Business Authority may lay down a time limit within which the auditor must meet the requirements for continuing education laid down in pursuance of Section 4 (2).

#### *Effect of Lapse etc.*

**S. 9.** If the approval as an auditor has lapsed in pursuance of Section 7, been withdrawn in pursuance of Section 8 or been revoked in pursuance of Section 44 (4) or Section 79 of the Danish Penal Code, the person shall be struck off the public register of approved auditors, and the person in question shall subsequently not be entitled to use the certificate of approval and the professional title.

(2) If the cause of the lapse or withdrawal of an approval ceases or if the revocation of an approval expires or is set aside, the approval shall enter into force again upon request, and the person shall be entered in the public register of approved auditors. This shall be subject to the conditions in Section 3 (1), nos. 1-3 and no. 6, and Section 4 having been met and to the person in question not having payables to the public authorities of DKK 100,000 or more.

(3) For a person who has not held an approval for a number of years, the requirement for continuing education in pursuance of Section 4 may be replaced by a special test in accordance with rules to be fixed by the Danish Business Authority.

#### *Other Approval as Auditor, etc.*

**S. 10.** The Danish Business Authority can approve as state-authorised public accountants persons who

- 1) document that they have gained a qualification abroad, which can be equated with that in pursuance of Section 3 (1) and (2),
- 2) are approved abroad for undertaking statutory audits, and
- 3) fulfil the conditions in Section 3 (4) and (5).

(2) Persons who have obtained approval to undertake statutory audits in a country that has not implemented 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, as amended by Directive 2014/56/EU, and which the EU has not entered into an agreement with, may only be approved as an auditor in pursuance of (1) on condition of reciprocity. An applicant shall document continued reciprocity upon the request of the Danish Business Authority.

(3) Prior to approval as a state-authorised public accountant in pursuance of (1), the Danish Business Authority may lay down a requirement for passing an aptitude test.

(4) The provisions in Sections 4-9 shall apply correspondingly to auditors who have been approved in pursuance of (1).

(5) Where special circumstances apply, the Danish Business Authority may permit foreign auditors to handle specific tasks for which a state-authorised public accountant or a registered public accountant is required in accordance with the existing legislation. Such an approval may be limited and conditional.

#### *Access to Provision of Reports on a Temporary and Occasional Basis*

**S. 11.** Auditors who have been approved in pursuance of rules that implement the European Parliament and Council Directive on statutory audits of annual accounts and consolidated accounts and who are established in another EU country, in an EEA country or in another country with which the EU has entered into an agreement may provide reports on a temporary and occasional basis in pursuance of Section 1 (2) and (3). However, the report must not concern the statutory audit of financial statements and consolidated financial statements. Auditors who provide a report in pursuance of the first sentence shall use their professional title in their country of establishment.

(2) Auditors who are covered by (1) shall submit an application for registration to the Danish Business Authority before they provide any reports. The Authority shall lay down rules on application and registration.

(3) The Danish Business Authority shall keep a public register of auditors, cf. (1), who are established in another EU country, in an EEA country or in another country with which the EU has entered into an agreement at the time of the submission of the application for registration and who have notified the Authority that they intend to provide reports in Denmark on a temporary and occasional basis. Details of the person's name, address and professional title shall be entered in the register.

**S. 12.** Auditors who provide reports in Denmark in pursuance of Section 11 (1) shall inform the recipients of the reports about the auditors' professional title in their country of establishment as well as any registration number in a public register in the country of establishment, any VAT registration number in the country of establishment and any professional indemnity insurance.

(2) The Danish Business Authority shall lay down rules on the information that must be provided in pursuance of (1).

*Approval as an Audit Firm, etc.*

**S. 13.** The Danish Business Authority shall approve as an audit firm, cf. however (7) and (8), any company that

- 1) meets the conditions in (2) and (5) and the conditions in rules issued in pursuance of (6) and the requirements in Sections 28 and 28 a on internal organisation, etc. and
- 2) submits to the rules on quality assurance review in pursuance of Section 29.

(2) In audit firms, the majority of the voting rights must be held by auditors or audit firms that are approved in pursuance of rules that implement the European Parliament and Council Directive on statutory audits of annual accounts and consolidated accounts. Other parties may each hold a maximum of 10 per cent of the other voting rights in the audit firm. This restriction shall not, however, apply to

- 1) persons who have their principal occupation with the audit firm,
- 2) employee associations in a public limited company of accountants, a private limited company of accountants or a limited partnership company of accountants (a partnership of accountants) that are independent of the audit firm's management and that only have as members

the persons mentioned in no. 1 and

- 3) persons who have acquired the voting rights in a public limited company of accountants, a private limited company of accountants or a limited partnership company of accountants (a partnership of accountants) as part of an employee scheme.

(3) The term "approved audit firm", or compositions in which this term is used, may only be used by an audit firm that has been approved in pursuance of (1).

(4) Audit firms in which the majority of the voting rights is held by state-authorised public accountants or state-authorised audit firms or by registered public accountants or registered audit firms respectively shall have the exclusive right to use the term "state-authorised audit firm" and "registered audit firm" respectively or compositions in which these terms are used. The use of Danish or foreign titles that may be confused with the above shall not be permitted.

(5) The majority of the members of the supreme management body of the audit firm must be auditors or audit firms that have been approved in pursuance of rules that implement the European Parliament and Council Directive on statutory audits of annual accounts and consolidated accounts. In companies that have a two-tiered management system, the first sentence applies to members of the management body and members of the supervisory body.

(6) The Danish Business Authority shall lay down further rules on the exercise of audit activities in various corporate forms, including rules on the audit firm's name, winding-up, liquidation and compulsory compositions, etc., the exercise of the voting rights in the audit firm and the transfer of voting shares in the event of death or deposition of the approval.

(7) Approval may be denied if there is reason to assume that the firm will not be able to perform the engagement in a sound and responsible manner.

(8) A company for which the approval as an audit firm has lapsed, cf. Section 14 (1), been withdrawn in pursuance of Section 14 (2) or been revoked, cf. Section 44 (6), fourth sentence, can only be re-approved if the reason for the lapse or withdrawal is no longer present or if a revocation has expired or been set aside.

**S. 13 a.** An audit firm that is approved in another EU country or an EEA country according to rules that implement 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, as amended by Directive 2014/56/EU, and that submits reports in pursuance of Section 1 (2), shall be registered in the public register of approved auditors and audit firms, cf. Section 2.

(2) Audit firms that are covered by (1) shall submit an application for registration to the Danish Business Authority before starting work on the provision of reports in pursuance of Section 1 (2).

(3) The Danish Business Authority may lay down more detailed rules on the conditions for registering audit firms covered by (1), and on informing the competent authority of the home country.

**S. 14.** Approval as an audit firm shall lapse if the audit firm

no longer meets the conditions in Section 13 (2) and (5) and conditions in rules issued in pursuance of Sections 13 (6).

(2) The Danish Business Authority may withdraw an audit firm's approval if the audit firm refuses to comply with the rules on quality assurance review in pursuance of Section 29.

(3) If an approval as an audit firm has lapsed in pursuance of (1), been withdrawn in pursuance of (2) or been revoked in pursuance of Section 44 (6), sentence 4, the audit firm shall be struck off the public register of approved audit firms and shall not subsequently be entitled to use the term "approved audit firm", cf. Section 13 (3), or "state-authorised audit firm" or "registered audit firm", cf. Section 13 (4), or compositions or abbreviations hereof.

*Registration of auditors and audit firms that do not have their registered office in Denmark, in another EU country or in an EEA country*

**S. 15.** Auditors and audit firms that do not have their registered office in Denmark, in another EU country or in an EEA country, and which provide an auditor's report on financial statements or consolidated financial statements for a company that does not have its registered office in Denmark, in another EU country or in an EEA country, and which have transferable securities admitted to trading on a regulated market in Denmark, shall be registered in the public register of approved auditors and audit firms.

(2) (1) shall not apply if the auditors' report concerns a company that solely issues debt securities that

- 1) were admitted to trading on a regulated market prior to 31 December 2010, cf. (1) and if the nominal value per unit on the date of issue amounts to at least EUR 50,000 or, if the debt securities are denominated in another currency, with a nominal value that corresponds to at least EUR 50,000 on the date of issue, or
- 2) were admitted to trading on a regulated market on 31 December 2010 or later, cf. (1) and if the nominal value per unit on the date of issue amounts to at least EUR 100,000 or, if the debt securities are denominated in another currency, with a nominal value that corresponds to at least EUR 100,000 on the date of issue.

(3) The provisions in Part 9 shall apply correspondingly, with the necessary adjustments, to auditors and audit firms that are registered in pursuance of (1).

(4) The Danish Business Authority may, subject to reciprocity, grant full or partial exemptions from the requirements in (1) and (3) if the auditor or audit firm is subject to systems of public oversight, quality assurance review and investigations and disciplinary sanctions in a third country that correspond to the provisions in (3).

(5) The Danish Business Authority shall lay down rules on and conditions for registration in pursuance of (1) and conditions for full or partial exemption in pursuance of (4).

(6) An auditors' report provided by an auditor or an audit firm that is not registered in pursuance of (1)-(5) shall not have any legal effect.

*Auditor's Activities, etc.*

*Acceptance and continuation of an audit engagement*

**S. 15 a.** Before accepting or continuing an audit engagement, an audit firm shall evaluate and document

- 1) that it fulfils the requirements on independence, cf. Section 24,
- 2) whether there are threats to the independence of the audit firm or auditor, and if so, the safeguards applied to mitigate such threats,
- 3) that they have the necessary competent personnel, the necessary time and necessary resources to perform the audit engagement correctly, and
- 4) that the auditor is approved to give an auditor's report on the accounts.

(2) (1) no. 3 and 4 shall not apply in the event of audits of financial statements presented by small undertakings.

(3) (1), no. 1 and 2, apply correspondingly in the event of other reporting engagements with assurance.

(4) (1) applies correspondingly to an audit firm covered by Article 6 in 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.

*Auditor's Activities*

**S. 16.** The auditor shall be the representative of the public during the performance of engagements in pursuance of Section 1 (2). The auditor shall perform the engagements in accordance with generally accepted auditing practices, and the auditor shall show the accuracy and expediency that the nature of the engagements permits. Generally accepted auditing practices also entail that the auditor shall show professional scepticism, integrity, objectivity, confidentiality, professional behaviour, professional competence and due care in the performance of the engagements.

(2) During the planning and execution of an engagement in pursuance of Section 1 (2), an auditor shall exhibit professional scepticism in recognition of the fact that there can be circumstances that can indicate significantly false information in the object of a report. When performing an audit, the auditor shall exhibit professional scepticism when reviewing the management's estimates concerning fair value and depreciation of assets, provisions and future cash flow that are significant to the audited company's ability to continue trading.

(3) The engagements in pursuance of (1) may only be performed in audit firms, cf., however, Section 10 (5), Section 11 and Section 17.

(4) During the performance of engagements in pursuance of Section 1 (3), the auditor shall show professional competence and due care. If the auditor does not act independently in connection with the performance of the engagements, cf. Section 24, this must be disclosed in the report.

(5) The Danish Business Authority may lay down further

rules on ethics, arrangement and performance of audit engagements and the auditor's provision of auditors' reports, including the auditor's statements on management's reviews in pursuance of the Danish Financial Statements Act, and on performance of other reporting engagements with assurance and the auditor's provision of other assurance reports. The Authority may decide that auditors and audit firms shall use a digital signature or a corresponding electronic signature in connection with the performance of engagements covered by Section 1 (2).

**S. 17.** Section 16 (3) notwithstanding, registered public accountants employed with the agricultural economics associations' advisory services related to or run by the organisation Danish Agriculture and Food Council may perform engagements in pursuance of Section 1 (2). Such registered public accountants may only perform the engagements for natural persons and legal entities who are engaged in agricultural activities and with whom the advisory service has a maximum share of 5 per cent of its turnover in a financial year. It shall be a condition that the advisory services are registered with the public register, cf. Section 2, and submit to quality assurance reviews in pursuance of Section 29.

(2) Registered public accountants who are employed with the agricultural economics associations' advisory services may only perform engagements in pursuance of Section 1 (2) from these offices and must not have any ownership interests in an audit firm.

(3) The statutory rules on audit firms laid down in the Act shall apply correspondingly, with the necessary adjustments, to the agricultural economics associations' advisory services. However, this shall not apply to Section 3 (1), no. 5, cf. (2), and Section 13.

#### *Auditor's Resignation, etc.*

**S. 18.** If the auditor provides auditors' reports on financial statements, etc. the auditor shall continue in the office of auditor until a new auditor has taken up the position unless otherwise follows from legislation or from a company's Articles of Association or unless otherwise agreed. The first sentence shall not apply if the audit is performed in pursuance of the Danish Business Authority's reporting standard, cf. Section 135 (1), point 2 of the Financial Statements Act, and the auditor has provided a report on an extended review.

(2) (1) notwithstanding, the auditor may resign from the office of auditor at any given time unless this is contrary to generally accepted auditing practices. If an auditor resigns from his or her position, the incoming auditor shall contact the resigning auditor, who shall be under an obligation to state the reasons for his or her resignation. If the resigning auditor did not provide the most recent report on the financial statements, etc., the incoming auditor shall also contact the auditor who did provide the most recent report. Both the resigning auditor and the auditor who provided the most recent report shall be under an obligation to grant the incoming auditor access to all relevant information about the company relevant for the auditors' report.

#### *Auditors' Report or Other Assurance Report*

**S. 19.** When the auditor has concluded an audit, the auditor shall provide an auditors' report on the financial statements on the work performed and the opinion expressed. The auditors' report shall be provided by the auditor(s) who has or have been appointed to perform the engagement or, if an audit firm has been appointed, by the auditor(s) who has or have been in charge of and had the final responsibility for the engagement. Auditors' reports for financial statements must not be provided together with other parties than approved auditors, cf., however, (4).

(2) If the existing legislation or a company's Articles of Association prescribe that several auditors must be appointed for the provision of auditors' reports or assurance reports on financial statements, these auditors must not be related to the same audit firm.

(3) If, in pursuance of (2), several auditors have been appointed to provide an auditors' report, those auditors shall reach agreement on the audit performed and provide a joint auditors' report. If the auditors fail to reach agreement, each auditor shall provide a conclusion in a separate section of the auditors' report and state the reason for the disagreement.

(4) (1) notwithstanding, an auditor may provide an auditors' report together with an Auditor General, if the audit is covered by the Danish Act on Audit of State Accounts, etc. or by private legislation, in pursuance of which the Auditor General conducts an audit together with a state-authorized public accountant or a registered public accountant.

(5) Other assurance reports than auditors' reports, cf. Section 1 (2), shall be signed by the auditor(s) who has or have been appointed to perform the engagement, or, if an audit firm has been appointed, by the auditor(s) who has or have been in charge of and had the final responsibility for the engagement. The report may be provided together with non-auditors.

#### *Auditors' Records*

**S. 20.** In public-interest entities, an audit record, cf. Article 11 (1) in 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, shall also be provided to that entity's Board of Directors or supervisory body.

**S. 21.** (Repealed)

#### *Reporting on Financial Crime*

**S. 22.** If the auditor realises during the performance of engagements in pursuance of Section 1 (2) and (3) that one or more members of the company's management commit or have committed financial crimes in connection with the performance of their managerial duties, and if the auditor has reason to assume that the crime concerns significant sums or is otherwise of a serious nature, the auditor shall immediately notify each individual member of the management hereof. The notification shall be entered in the auditors' records if the auditor keeps such records. If the management has not documented to the auditor within 14 days at the latest that it has taken the necessary steps to stop any ongoing crime and to

remedy the damage that the alleged crime has caused, the auditor shall immediately notify the Public Prosecutor for Serious Economic Crime about the assumed crimes. Sentences 1 and 3 shall not apply to circumstances that are covered by the rules in the Danish Act on Preventive Measures against Money Laundering and Financing of Terrorism.

(2) If the auditor finds that notification of the members of the management will not be a suitable measure for the prevention of continued crime, the auditor shall immediately notify the Public Prosecutor for Serious Economic and International Crime of the assumed financial crimes. The same shall apply if the majority of the company's members of the management are involved in or have knowledge of the financial crimes.

(3) If the auditor resigns from his or her position, cf. Section 18 (2), and this is a result of the auditor having reason to assume that there is a situation as described in (1), sentence 1, the auditor shall immediately notify the Public Prosecutor for Serious Economic and International Crime hereof and of the reasons for the auditor's resignation from his or her position.

(4) In companies that have a two-tiered management system, members of the company's management shall comprise both members of the management body and of the supervisory body.

(5) (1)-(4) shall not apply to audits of financial statements, etc. for a public-interest entity, when the auditor is covered by the obligations in Article 7 in 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.

#### *Documentation*

**S. 23.** For each engagement performed in pursuance of Section 1 (2), auditors and audit firms shall prepare working papers that document the basis of report or statement. The working papers and copies of the reports, auditors' records and financial statements shall be kept for five years from when the report that the material concerns was signed.

(2) In connection with an audit of parent companies that present consolidated financial statements, the working papers shall also document the review that has been performed of the audit work carried out by other auditors in connection with the auditing of the group. The working papers shall also document the consent of these auditors to release of relevant documentation concerning the audit work during performance of auditing the group.

(3) If the auditor is prevented from reviewing and evaluating the audit work performed by other auditors with regard to auditing the group, cf. (2), sentence 1, the auditor shall take appropriate measures and inform the Danish Business Authority hereof.

(4) If the audit work in subsidiaries has been performed by one or more auditors or audit firms that do not have their registered office in an EU country, an EEA country or in another country with which the EU has entered into an agreement, the auditor or audit firm shall keep a copy of the documentation, including working papers, for the audit work

performed in the subsidiary that is of importance to the audit of the consolidated financial statements. The auditor or the audit firm may refrain from storing the documentation if an agreement has been entered into on adequate and unlimited access to the documentation on request or if other suitable measures have been taken.

(5) If the auditor or audit firm has been prevented from receiving the documentation in pursuance of (4), the working papers shall document the obstacles in question.

(6) (4) and (5) shall not apply if an agreement has been entered into with the country in question in pursuance of Section 48 (5) no. 2.

#### Part 4

##### *The Auditor's Independence*

**S. 24.** An auditor, audit firm and other persons in the audit firm linked to the engagement or supervising its performance shall, when performing engagements covered by Section 1 (2), be independent of the company that the engagement concerns and must not be involved in the decisions made in the company. Independence is required both during the engagement period and during that period covered by the financial statements or other activities for which a report has to be provided. The engagement period commences when work on the reporting engagements starts, and ceases once the report has been provided.

(2) An auditor is not independent if there is a direct or indirect financial, business or employment relationship or other relationship, including the provision of services not covered by Section 1 (2), between the auditor and the company that the engagement concerns that may raise doubt in a well-informed third party about the auditor's independence. The same shall apply if there is such a relationship between other persons in the audit firm who are attached to the engagement or who are in a position to influence the outcome of the engagement, the audit firm or the audit firm's network and the company that the engagement concerns.

(3) In the event of threats to the auditor's or audit firm's independence, including self-review, self-interest, advocacy, close personal relations, including familiarity, relationships or intimidation, the auditor or the audit firm shall apply safeguards aimed at mitigating such threats. If the threat is of such a nature in relation to the safeguards applied that the auditor's or the audit firm's independence has been compromised, the auditor shall desist from performing engagements in pursuance of Section 1 (2).

(4) The Danish Business Authority lays down rules on relationships covered by (2) and (3), including threats, safeguards and situations in which auditors or audit firms are not independent.

(5) Audit firms shall ensure that auditors in connection with performance of engagements document all significant threats to the auditor's or audit firm's independence in their work papers, and the safeguards applied to mitigate such threats.

(6) If the auditor performs an audit for a company that is

taken over by, merges with or takes over another company during the account period, the auditor shall identify and assess all previous and current interests or relationships, including provision of any other services than audit to that company, which, with regard to available safeguards, can put the independence of the auditor and his ability to continue the audit after the merger or takeover date in doubt.

(7) The auditor shall take all necessary precautions to terminate current interests or relationships that could put the auditor's independence, cf. (6), in doubt as soon as possible and within no more than 3 months. The auditor shall furthermore apply safeguards to mitigate any threats to his independence as a result of previous and current interests and relationships.

**S. 24 a.** By way of derogation from Article 5 (1) in 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, an auditor or audit firm auditing public-interest entities can perform the following engagements for audit customers and their parent or subsidiary companies:

- 1) Tax services related to
  - a) preparation of tax forms,
  - b) identification of public subsidies and tax incentives,
  - c) support regarding tax inspections, and
  - d) provision of tax advice on the application of tax legislation, and
- 2) valuation services, including valuations performed in connection with actuarial services or litigation support services.

(2) A condition for the performance of engagements in pursuance of (1) is that

- 1) the engagements individually or collectively do not have or only have an immaterial effect on the audited financial statements,
- 2) the estimation of the effect on the audited financial statements is comprehensively documented and explained in the auditors' record for the audit committee and Board of Directors, cf. Article 11 in 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
- 3) the auditor and audit firm fulfil the conditions on independence in Section 24.

**S. 24 b.** Upon justified application from an auditor or an audit firm, the Danish Business Authority may in exceptional cases, and if indicated by highly extraordinary circumstances, exempt the auditor or audit firm from the limit imposed in Article 4 (2) in 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.

(2) Exemption in pursuance of (1) cannot be given for more than one financial year.

**S. 24 c.** The auditor or auditors that sign the auditor's report in a company cannot accept a managerial position or become a member of the Board of Directors or supervisory body or of

an audit committee in that company within one year of resigning as auditor. The first sentence shall not apply if the audit is performed in pursuance of the Danish Business Authority's reporting standard, cf. Section 135 (1), second sentence of the Financial Statements Act. Concerning the auditor's report for public-interest entities, the prohibition applies in pursuance of the first sentence for two years.

(2) (1), first sentence, shall apply correspondingly to any other auditor related to the same audit firm, and who has been directly involved in the audit.

**S. 25.** Audit firms and auditors shall ensure that the auditor or auditors that sign the auditors' report for companies referred to in (2) are replaced for period of at least 3 years not later than 7 years after they have been appointed to handle the engagement.

(2) Companies not covered by Section 1 a (1), no. 3, but that exceed two or more of the following criteria in two consecutive financial years, are covered by (1) until they no longer fulfil the following criteria:

- 1) A workforce of 2,500 people,
- 2) a balance sheet total of DKK 5 billion, and
- 3) net turnover of DKK 5 billion.

(3) Section 1 a (2) and (3) shall apply when calculating the sizes in pursuance of (2).

**S. 26.** In connection with the performance of engagements in pursuance of Section 1 (2), an auditor must not demand

- 1) a higher fee for his or her work than can be regarded as reasonable or
- 2) a fee, the payment or size of which is made conditional on matters other than the work performed.

(2) The provision in (2) shall also apply to fees for non-audit services if the auditor or other persons in the audit firm who are attached to the engagement or who are in a position to influence the outcome of the engagement are concurrently in a position to influence the outcome of the engagement or are attached to engagements for the same principal in pursuance of Section 1 (2).

Part 5

*(Repealed)*

**S. 27.** (Repealed)

Part 6

*Internal Organisation, Quality Management and Quality Control*

**S. 28.** An audit firm shall have an internal organisation, including a quality control system, intended to prevent any threats to the independence and objectivity of the firm or auditors and to ensure quality, integrity and thoroughness for performance of a reporting engagement. In fulfilment of the first sentence, the audit firm shall take into account the size and operational characteristics of the company and whether it is part of a network.

(2) The audit firm shall be able to document fulfilment of the requirements in (1), including the use of a quality control system.



(3) The Danish Business Authority lays down rules on the demands on the internal organisation and the contents of the quality control system and on documentation of its use.

**S. 28 a.** As part of its quality control system, an audit firm shall have means by which its employees can report violations or potential violations of auditing rules via a special channel. Reporting shall be possible anonymously.

(2) An audit firm cannot expose its personnel to adverse treatment or adverse consequences as a result of an employee reporting violations or potential violations of auditing rules in pursuance of (1).

(3) The provision in (1) shall not apply to audit firms that only have one auditor, or to audit firms that exclusively perform non-audit engagements.

**S. 29.** An audit firm and the auditors it employs are bound to submit themselves to quality assurance reviews. The quality assurance review shall be performed in accordance with the rules in Sections 34-35 b.

(2) The quality assurance review includes appraisal of the quality control system, cf. Sections 28 and 28 a, and the performance and independence in connection with the engagements in which an auditor is engaged in pursuance of Section 1 (2).

(3) In audit firms that audit financial statements presented by medium-sized and large companies, the quality assurance review shall be held at an interval of 6 years at a maximum. In other audit firms that provide reports in pursuance of Section 1 (2), the quality assurance review shall be based on risk assessment. The first sentence shall not apply to quality assurance review for audit firms covered by Article 26 (2) in 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.

(4) An audit firm that is subjected to a quality assurance review shall grant the Danish Business Authority and the quality assurance reviewer access to perform the necessary investigations and to ensure that both receive the information and assistance deemed necessary for the performance of the quality assurance review. Auditors related to the audit firm shall have corresponding obligations vis-à-vis the Danish Business Authority and the quality assurance reviewer.

(5) An audit firm covered by Section 13 a has an obligation to submit to quality assurance review of reports covered by Section 1 (2) provided in Denmark.

#### Part 7

##### *The Auditor's Professional Secrecy*

**S. 30.** Sections 144, 150-152 f and 155-157 of the Danish Penal Code shall apply correspondingly to auditors. Sections 144, 152-152 f and 155 of the Danish Penal Code shall apply correspondingly to the employees of auditors.

(2) By way of derogation from the provisions in Sections 152-152 e of the Danish Penal Code, an auditor in a subsidiary may disclose information to a group auditor in a parent company.

#### Part 8

##### *Audit Committee*

**S. 31.** Public-interest entities shall set up an audit committee, cf., however, (4), (5), (7) and (8). The audit committee shall consist of members of the company's Board of Directors, Supervisory Board or persons elected by the company's general meeting or similar body. The majority of the committee's members, including the chairman, shall be independent, unless the committee solely consists of members of the company's Board of Directors or Supervisory Board. At least one member shall have qualifications within accounting or auditing. The committee members shall collectively have competences relevant to the company's sector.

(2) A person elected by the general meeting or corresponding body to be a member of the audit committee, shall, in the performance of their work, be subject to the same regulations as a member of the audit committee who is also a member of the company's Board of Directors or supervisory body.

(3) The duties of the audit committee, shall, as a minimum, consist of the following:

- 1) Informing the full supreme management body of the result of the statutory audit, including the financial reporting process,
- 2) monitoring the financial reporting process and presenting recommendations or proposals to ensure integrity,
- 3) monitoring whether the company's internal control systems, including any internal audits and risk management systems, function efficiently with regard to the financial reporting process in the company without compromising its independence,
- 4) monitoring the statutory audit of financial statements, etc., taking into account the result of the latest quality assurance review of the audit firm,
- 5) checking and monitoring auditor independence in accordance with Sections 24-24 c and Article 6 in Regulation (EU) No 2014/16 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and the provision by an approved auditor of non-audit services, cf. Article 5 of the Regulation, and
- 6) being responsible for the procedure for selection and proposal of auditor for election in accordance with Article 16 in 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.

(4) Companies covered by (1), first sentence, may, however, decide that the audit committee's functions are instead to be performed by the supreme management body. This shall require that no members of the Board of Directors are concurrently members of the Executive Board and that at least one member of the Board of Directors has qualifications within accounting or auditing.

(5) If a company has a Chairman of the Board of Directors

who is not a member of the Executive Board, it can elect to have the functions of the audit committee performed by the supreme management body if the company has had an average market value over the past three calendar years of less than EUR 100 million based on its value at the end of the year, or if the company does not exceed two of the following criteria in two consecutive financial years as at the balance sheet date:

- 1) A staff of 250 full-time employees,
- 2) a balance sheet total of EUR 43 million, and
- 3) net turnover of EUR 50 million.

(6) In companies in which the audit committee's functions are performed by the supreme management body, cf. (4) and (5), details shall be disclosed in the annual report.

(7) The following companies are not obliged to set up an audit committee in pursuance of (1)-(6):

- 1) Subsidiaries, if the parent company is covered by the requirements for setting up an audit committee.
- 2) Investment associations.
- 3) Alternative investment funds as defined in Article 4 (1) (a) in Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers.
- 4) Companies with the sole objective of issuing securities hedged against assets as defined in Article 2, no. 5 in Commission regulation (EC) No 809/2004 as regards information contained in prospectuses.
- 5) Financial undertakings covered by Section 5 (1) a or b of the Danish Financial Business Act, the shares in which are not listed for trading on a regulated market in an EU or EEA country, and in the event of bond issue regularly or repeatedly have only issued bonds listed for trading on a regulated market, providing that the total nominal value of such bonds is less than EUR 100 million, and that such undertakings have not published any prospectus in accordance with Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading.

(8) A company that, in pursuance of Section 7 no. 4, decides not to set up an audit committee shall detail the reasons why it does not find it appropriate to have an audit committee, a Board of Directors or a supervisory body responsible for exercising the functions of an audit committee in its annual report.

## Part 9

### *Public Oversight, etc.*

#### *General Provisions*

**S. 32.** The Danish Business Authority is responsible for the supervision of auditors and audit firms.

(2) The Danish Business Authority's supervisory duties shall include supervision of

- 1) examination, cf. Section 33 and continuing education, cf. Section 4,
- 2) quality assurance reviews, cf. Sections 34-35 b,
- 3) investigations, cf. Sections 37-42,

- 4) disciplinary sanctions, cf. Sections 43-47, and
- 5) co-operation and exchange of information with the competent authorities in other countries, cf. Sections 48 and 49.

(3) The Danish Business Authority is furthermore responsible for

- 1) supervision to ensure that members of the supreme management body, Executive Board or audit committee in a public-interest entity fulfil the duties applied by this Act, by 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, or provisions that implement Articles 37 and 38 in Directive 2006/43/EC of the European Parliament and of the Council on statutory audits of annual accounts and consolidated accounts, as amended by Directive 2014/56/EU, and
- 2) monitoring and appraisal of developments in the market for statutory audit services for public-interest entities.

(4) In connection with the performance of the Danish Business Authority's supervisory duties in pursuance of (1)-(3), the Authority may obtain information from other Danish and foreign competent authorities and demand any necessary information from auditors and audit firms, including the surrender of working papers and other documents regarding engagements performed in pursuance of Section 1 (2), and from any other organisations, etc. performing engagements in pursuance of (2). In order to perform its supervisory duties in pursuance of (3), the Authority can also obtain necessary information from public-interest entities.

(5) (2) nos. 3-5 and (3) shall apply correspondingly to audit firms registered in pursuance of Section 13 a (1).

**S. 32 a.** The Danish Business Authority shall set up an Audit Advisory Panel to advise the Authority on general issues in audit legislation and in connection with the supervision of audit firms in pursuance of Section 32 (2) and (3). The Audit Advisory Panel shall furthermore assist the Authority in relation to the rules on examination for State-Authorised Public Accountants etc., cf. Section 33.

(2) The Audit Advisory Panel shall consist of a Chairman, one member from the Danish Business Authority and nine other members, of whom three shall be representatives of the audit industry and six shall be representatives of investors and account users. A majority of the Panel's members, including the Chairman, cannot be approved auditors or be employees of or run an audit company along with approved auditors.

(3) The Chairman and members of the Panel shall be appointed by the Danish Business Authority for a period of up to 4 years. The Chairman shall be appointed directly by the Authority. The other members shall be appointed after recommendation from relevant organisations. The members can be re-appointed.

(4) The Danish Business Authority shall provide secretarial services to the Audit Advisory Panel.

(5) The Danish Business Authority shall lay down rules for appointment of the members of the Audit Advisory Panel, including on their qualifications and duties of the Panel.

*Auditor Examinations, etc.*

**S. 33.** The Danish Business Authority shall lay down rules on the conditions for candidature for the following examinations:

- 1) Examination for State-Authorised Public Accountants, cf. Section 3 (1), no. 4, and Section 3 a (1),
- 2) special tests for persons who have not been approved for several years, cf. Section 9 (3), and
- 3) aptitude tests for persons who are approved abroad to perform statutory audits, cf. Section 10 (2).

(2) The Danish Business Authority shall furthermore lay down rules on the examinations referred to in (1), including rules on the requirements for the examination, holding and assessing examinations, who can hold examinations and the criteria for payment for deposition of such examinations.

(3) By way of derogation from Section 48 (1), the Danish Business Authority can disclose the details necessary to anyone holding the examination in pursuance of (2) that are necessary for fulfilment of the task.

(4) The Danish Business Authority can decide to provide assistance concerning examinations to the Faroese registration authority.

*Quality Assurance Reviews*

**S. 34.** The Danish Business Authority is responsible for performance of quality assurance reviews in pursuance of Section 29. The Authority can delegate quality assurance reviews of audit firms that do not perform audit of financial statements presented by public-interest entities. The Authority shall lay down the particular rules on quality assurance reviews and how they are performed. The Authority shall hereunder lay down special rules for quality assurance reviews of audit firms that perform audits of public-interest entities.

(2) The rules in (1) on the performance of a quality assurance review shall include rules on:

- 1) Who can perform quality assurance reviews,
- 2) selection of quality assurance reviewers for performing quality assurance review visits, cf. Section 35,
- 3) selection of audit firms for quality assurance reviews,
- 4) the scope and performance of quality assurance reviews, and
- 5) publication of results of a quality assurance review, cf. Section 35 b (1).

(3) The cost of the quality assurance review shall be paid provisionally by the Danish Business Authority, but the final payment of this cost shall be made by the audit firm that has been reviewed. The Danish Business Authority shall lay down the particular rules on payment.

**S. 35.** As part of the performance of a quality assurance review, the audit firm will be visited by reviewers. Quality assurance review visits to audit firms that perform audit of financial statements presented by public-interest entities shall be performed by reviewers employed by the Danish Business Authority.

(2) In the event of quality assurance review visits to audit firms other than those referred to in (1) who perform engagements in pursuance of Section 1 (2), the Danish Business Authority may be assisted by reviewers approved in pursuance of the second sentence. The Authority shall approve auditors as reviewers who are able to perform quality assurance reviews for a five-year period, cf. Section 34 (2) no. 2. The Authority can perform review visits or take part in such visits with a reviewer when it deems it necessary. In specific instances, the Authority can appoint non-audit personnel as reviewers.

(3) The reviewers shall have appropriate professional education and relevant experience in auditing and financial reporting and shall have the necessary knowledge of quality assurance reviews.

(4) The reviewers and others involved in the work of quality assurance reviews shall be subject to the rules on the independence of auditors, cf. Section 24.

(5) Following the conclusion of a quality assurance review performed by a reviewer approved by the Danish Business Authority, the reviewer shall submit a report to the Authority. The report shall contain a description of the subject of the review, its nature and scope, along with appraisal of the quality management system and the performance and independence in connection with engagements in pursuance of Section 1 (2).

(6) The Danish Business Authority may demand the information from the reviewer and the reviewed audit firm that is necessary to ensure that the Authority can make a decision on whether there are errors, omissions or areas of improvements in the reviewed audit firm. The Authority may also demand the information from the reviewer that is necessary to enable the Authority to conduct a case before the Disciplinary Board on Auditors.

**S. 35 a.** In conclusion of the quality assurance review, the Danish Business Authority will provide a report to the reviewed audit firm. The report shall contain the main conclusions from the review along with any recommendations for action on areas of improvement identified. The Authority shall, on the basis of the quality assurance review performed, consider whether the review provides grounds for

- 1) concluding the quality assurance review without further follow-up, or
- 2) a follow-up review to determine whether the recommendations of the review have been acted upon.

(2) Upon the recommendations from the Danish Business Authority, the reviewed audit firm shall draw up an action plan that forms the basis of the following review. The action plan shall be approved by the Authority.

**S. 35 b.** The Danish Business Authority can publish the results of a quality assurance review if a follow-up review, cf. Section 35 a (1) no. 2, finds that no action has been taken on the recommendations from the previous review. The Authority can furthermore publish the result of a quality assurance review for audit firms that perform audit of financial statements presented by public-interest entities. The Authority can decide in which form publication will be made. Publication will be on the Authority's website.

(2) The Danish Business Authority shall publish an annual report on its work with quality assurance reviews.

**S. 36. (Repealed)**

*Investigations*

**S. 37.** If the Danish Business Authority believes that there is a risk that an auditor, an audit firm, a public-interest entity or a member of the supreme management body or audit committee in a public-interest entity has violated or will violate a duty arising from this Act or from 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, the Authority can initiate and conduct an investigation to detect, correct or prevent such a violation. This shall not apply to a report provided in pursuance of Section 1 (3). The Authority may also initiate an investigation if it receives a request to do so from a competent foreign authority cf. Section 32 (2), no. 5.

(2) The Danish Business Authority can also initiate and conduct an investigation as referred to in (1) if it believes that there is a risk that a public-interest entity or a member of the supreme management body or audit committee in such an entity has violated or will violate legal provisions that implement Articles 37 and 38 in 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, as amended by Directive 2014/56/EU.

(3) The Danish Business Authority can furthermore initiate and conduct an investigation as referred to in (1) if a quality assurance review detects a risk that an auditor, an audit firm, a public-interest entity or a member of the supreme management body or audit committee in such an entity has violated the provisions referred to in (1) and (2).

(4) The Danish Business Authority may make a decision on the use of external assistance in connection with an investigation in pursuance of (1)-(3).

(5) (1)-(4) shall apply correspondingly to foreign audit firms covered by Section 13 a.

(6) The Danish Business Authority may lay down provisions on initiating and conducting investigations in pursuance of (1)-(3).

**S. 38.** The Danish Business Authority may demand all information from an auditor or audit firm, including working papers, auditors' records, correspondence and other documents deemed necessary for the Authority's decision on whether there has been or will be a violation of the provisions in the present Act, provisions laid down in pursuance of the present Act or provisions on the duties of auditors laid down in other legislation.

(2) For investigations involving public-interest entities, the Danish Business Authority can demand corresponding details concerning the statutory audit of the audited company by persons who are involved in or have connections to the auditor or audit firm, and by third parties to whom work has been assigned by the auditor or audit firm.

**S. 39.** The Danish Business Authority shall have access to an audit firm's premises, without a court order, at any given time against the presentation of adequate identification and to the audit firm's records, documents, etc., including material kept electronically, in order to obtain information that is necessary for use in an investigation in pursuance of Section 37, cf., however, Section 9 of the Danish Act on Due Process in Connection with the Administration's Use of Compulsory Intervention and Duties of Disclosure.

(2) (1) shall not apply to buildings or parts of buildings that are solely used for private dwellings.

(3) The police shall, if necessary, provide assistance in the performance of an investigation in pursuance of (1). The Minister of Industry, Business and Financial Affairs may lay down further rules on this following negotiations with the Minister of Justice.

(4) In connection with the performance of an investigation in pursuance of Section 37 (1), third sentence, the Danish Business Authority may permit personnel from the relevant foreign authority to accompany the Authority.

(5) The Danish Business Authority shall lay down provisions on the participation of personnel from foreign authorities in pursuance of (4).

**S. 40.** Following the conclusion of an investigation, the Danish Business Authority shall decide whether the findings of the investigations provide grounds for

- 1) conclusion of the investigation without comment,
- 2) issuing a reprimand,
- 3) ordering that any violations be brought to an end,
- 4) bringing the auditor, audit firm or both before the Disciplinary Board on Auditors, cf. Section 43, or
- 5) bringing a member of the supreme management body or audit committee in a public-interest entity, a public-interest entity or both before the Disciplinary Board on Auditors, cf. Section 44 a.

(2) The Danish Business Authority may publish a ruling in pursuance of (1) no. 3, cf. Section 47 a.

**S. 41. (Repealed)**

**S. 42.** The Danish Business Authority may, as a sanction, levy daily or weekly fines on members of an audit firm's Board of Directors, Executive Board or similar executive body and auditors, plus members of the supreme management body or audit committee in a public-interest entity, if they fail to

- 1) comply with a request for information in pursuance of Section 38, or
- 2) comply with an order issued by the Authority in pursuance of Section 40.

(2) Fines that accrue to the Treasury may be collected by distraint and by the withholding of pay, etc. in pursuance of the rules on the collection of personal taxes laid down in the Danish Tax at Source Act.

(3) The authority in charge of collecting arrears may waive claims in pursuance of (1) and (2) in pursuance of the rules in the Danish Tax Collection Act.

*The Danish Disciplinary Board on Auditors*

**S. 43.** The Danish Business Authority shall appoint a disciplinary board. The Disciplinary Board on Auditors consists of a Chairman (who shall be a judge) and at least 16 other members, eight of whom shall be approved auditors and a further eight of whom shall be representatives of financial statement users. At least two of the members representing the financial statement users shall have management experience from public-interest entities. The representatives of the financial statement users cannot be approved auditors or be employees of or run an audit firm along with approved auditors. In the event of an expansion of the number of members, a proportionally equal number of state-authorized accountants and registered public accountants shall be appointed, and the proportion of representatives of the users of financial statements shall be maintained. The Board's Chairman and members shall be appointed by the Danish Business Authority, which can also appoint one or more judges as Deputy Chairmen. At least one member of the chairmanship must be a High Court judge. The chairmanship and members shall be appointed for a period of up to four years.

(2) In the Disciplinary Board on Auditors' hearing of a case concerning state-authorized public accountants, at least one state-authorized public accountant and one representative of financial statement users shall participate in the hearing together with the Chairman or one Deputy Chairman. In the Disciplinary Board on Auditors' hearing of a case concerning registered public accountants, at least one representative of financial statement users and one accountant, who shall where possible be a registered public accountant, shall participate in the hearing together with the Chairman or one Deputy Chairman. If more members participate in the hearing, the number of auditors shall correspond to the number of representatives of financial statement users. In cases that may involve revocation, cf. Section 44 (4) and (6), a prohibition, cf. Section 44 (3), or conditional revocation, cf. Section 44, at least two state-authorized public accountants or two registered public accountants shall always participate along with the Chairman or one Deputy Chairman, although in the event of a complaint against a registered public account, two registered public accounts wherever possible and a corresponding number of representatives of financial statement users. The Disciplinary Board on Auditors can only rule on revocation, prohibition or conditional revocation when the use of such a sanction is requested during the hearing of a complaint.

(3) Complaints that an auditor has failed to comply with the duties of the office of auditor in the performance of engagements in pursuance of Section 1 (2) and (3) may be brought before the Disciplinary Board on Auditors. The same shall apply to complaints about auditors who are registered in pursuance of Section 11 (2) and complaints about matters mentioned in Section 44 (4), second sentence. Complaints about an auditor's fees and cases concerning collegial matters cannot be brought before the Disciplinary Board on Auditors.

(4) Complaints about audit firms and foreign audit firms covered by Section 13 a, regarding matters mentioned in Section 44 (6), sentence 4, may be brought before the Disciplinary Board on Auditors.

(5) An audit firm may be brought before the Disciplinary Board on Auditors by the Danish Business Authority if the Authority based on a quality assurance review, cf. Section 29, or an investigation, cf. Section 37, finds errors or omissions in the audit firm that, in the Authority's view, give rise to the case being brought before the Disciplinary Board on Auditors, including the firm's duties, cf. Section 15 a (1) and (4) and Section 24 (5), if the firm has no quality control system, cf. Sections 28 and 28 a, or a quality assurance review has otherwise found errors or omissions in the audit firm. The Disciplinary Board on Auditors can consider a complaint brought in pursuance of the first sentence or in pursuance of (4), regardless of whether the audit firm continued to be approved in pursuance of Section 13 or registered in pursuance of Section 13 a at the time the complaint is brought.

(6) The Disciplinary Board on Auditors or the Chairman may refuse to hear complaints from persons who do not have a legal interest in the matter that the complaint concerns and complaints that must be regarded as groundless in advance. The Disciplinary Board on Auditors shall hear any complaint about an auditor or an audit firm that has been brought by the Danish Business Authority, the Danish Financial Supervisory Authority, the Ministry of Taxation, the Prosecution Service or Institute of State Authorized Public Accountants in Denmark (FSR). The Disciplinary Board on Auditors shall hear any complaint about an auditor's performance of engagements in pursuance of Section 1 (2) and (3) for a municipality or a municipal association, cf. Section 60 of the Danish Local Government Act, or for a region, which has been brought by the municipal or regional supervisory authority in question. Before rejecting a complaint in pursuance of the first sentence, the Disciplinary Board on Auditors or the chairman may refuse to deal with a complaint that is not covered by the Board's competency, or which was brought too late.

**S. 44.** An auditor who fails to comply with the duties of the office of auditor in the performance of engagements in pursuance of Section 1 (2) and (3) may be given a warning by the Disciplinary Board on Auditors or be ordered to pay a fine not exceeding DKK 300,000. If neglect of duties is of a particularly gross nature, the auditor can be ordered by the Disciplinary Board on Auditors to pay a fine not exceeding DKK 600,000.

(2) If an auditor has shown gross or persistent negligence in the performance of his or her activities, the Disciplinary Board on Auditors may conditionally revoke the auditor's approval as an auditor. Conditional revocation shall be on condition that the auditor concerned, during a trial period of up to 5 years from the date of the ruling by the Disciplinary Board on Auditors, does not fail to comply with generally accepted auditing practices under such circumstances that overall judgement can indicate revocation of approval. If an auditor takes a ruling made by the Disciplinary Board on Auditors to the courts within 4 weeks of being informed of the

ruling, and if the court upholds the ruling on conditional revocation, the conditional period counts from the court's ruling. The period of revocation shall be set at the time a ruling on conditional revocation is made. If the auditor commits any new offence during the conditional period that leads to revocation of approval, the Disciplinary Board on Auditors will determine a joint revocation for that offence and the previous offence.

(3) If an auditor has shown gross or persistent negligence in the performance of audits or the functions of an audit firm, the Disciplinary Board on Auditors can prohibit the auditor from performing or practising one or more of the following activities for up to three years:

- 1) Performing or supervising the performance of an audit,
- 2) exercising functions in an audit firm, and
- 3) exercising functions in a public-interest entity.

(4) If an auditor has shown gross or persistent negligence in the performance of his or her activities, and the negligence shown gives reason to assume that the auditor in question will not carry on his or her activities in a sound and responsible manner in the future, the Disciplinary Board on Auditors may revoke the auditor's approval for a period of between 6 months and up to 5 years or until further notice. The same shall apply if the auditor's reputation has been so severely compromised that there is an imminent risk that the auditor cannot handle his or her duties as a representative of the public in a sound and responsible manner. When making a ruling, the Disciplinary Board on Auditors will stress in particular that an auditor is the trusted representative of the public, cf. Section 16 (1).

(5) The Disciplinary Board on Auditors may allow the examination of parties and witnesses to be conducted before the District Court or City Court in the jurisdiction in which the party or the witness resides.

(6) If an audit firm has independent liability, cf. Section 43 (5) or joint liability for the auditor's neglect of an auditor's duties, cf. (1), the audit firm may be given a warning or a fine not exceeding DKK 750,000. If the audit firm's independent liability, cf. Section 43 (5) or joint liability for the auditor's neglect of its duties, cf. (1) is of a particularly gross nature, the Disciplinary Board on Auditors can increase the fine to a maximum of DKK 1,500,000. If the audit firm has joint liability, sanctions can only be applied if the firm is involved as a party in a complaint brought before the Disciplinary Board on Auditors. If an audit firm's reputation has become so severely compromised that there is an imminent risk that the audit firm will not be able to handle the engagement in a sound and responsible manner, the Disciplinary Board on Auditors may revoke the audit firm's approval for a period of between 6 months and up to 5 years or until further notice.

(7) In major and complicated cases, the Chairman of the Disciplinary Board on Auditors may appoint an expert to present the case and conduct examinations for the Disciplinary Board on Auditors. If a case has been brought by a public authority, the cost for the expert shall be paid by the public authority in question.

(8) The rulings and decisions of the Disciplinary Board on Auditors shall be published, cf. Section 47 c.

(9) A right of restraint shall apply to fines levied in pursuance of (1) and (6).

(10) A ruling in pursuance of (3) and (4) and (6), fourth sentence, shall include information about access to a judicial review in pursuance of Section 52 and on the time limit for instituting such legal proceedings.

**S. 44 a** The Disciplinary Board on Auditors considers complaints concerning neglect of duties in pursuance of this Act or 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, which apply to public-interest entities or members of the supreme management body or audit committee of such entities. Correspondingly, the Disciplinary Board on Auditors considers complaints concerning neglect of duties incumbent on public-interest entities or members of the supreme management body or audit committee in such an entity as a result of rules that implement Article 38 in 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, as amended by Directive 2014/56/EU.

(2) In the Disciplinary Board on Auditors' hearing of a case covered by (1), at least one state-authorized public accountant and one representative of financial statement users with management experience from public-interest entities, shall participate in the hearing together with the Chairman or one Deputy Chairman. If more members participate in the hearing, the number of auditors shall correspond to the number of representatives of financial statement users. In cases in which a prohibition may be relevant, cf. Section 44 b (2), at least two state-authorized accountants and a corresponding number of representatives of financial statement users shall participate in addition to the Chairman or one Deputy Chairman. The Disciplinary Board on Auditors can only rule on a prohibition when the use of such a sanction is requested during the hearing of a complaint.

(3) Complaints covered by (1) can be brought by the Danish Business Authority or by anyone with a legal interest in the matters the complaint concerns. The Disciplinary Board on Auditors or the Chairman may refuse to hear complaints from complainants with no legal interest or complaints that must be regarded as groundless in advance. A complaint can also be rejected if the complaint is not within the board's competence or submitted too late. If a complaint is submitted by the Danish Business Authority or other public authority, the Board shall consider it unless the complaint is outside the Board's competence or is submitted too late.

**S. 44 b** The Disciplinary Board on Auditors can issue a warning or a fine not exceeding DKK 300,000 if a public-interest entity or a member of the supreme management body or audit committee of such an entity neglects the duties arising from this Act and in 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.

The same applies correspondingly to neglect of a duty arising from rules that implement Article 38 in 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, as amended by Directive 2014/56/EU.

(2) If a person covered by (1) has shown gross or persistent negligence of duties as referred to in (1), the Disciplinary Board on Auditors can prohibit that person from being a member of one or more of the following company bodies in public-interest entities for up to three years:

- 1) The supreme management body,
- 2) the Executive Board, and
- 3) the audit committee.

(3) A ruling in pursuance of (2) shall include information about access to a judicial review in pursuance of Section 52 and on the time limit for instituting such legal proceedings.

(4) A right of restraint shall apply to fines levied in pursuance of (1).

**S. 45.** Upon application, the Disciplinary Board on Auditors may, at any given time, set aside a ruling on prohibition issued in pursuance of Section 44 (3), revocation in pursuance of Section 44 (4) or (6) or prohibition in pursuance of Section 44 b (2).

(2) If the approval has been revoked until further notice, and the Disciplinary Board on Auditors rejects the application to set aside the ruling on revocation, the auditor or the audit firm may demand that the ruling shall be heard by a court if a period of five years has passed since the approval was revoked and at least two years have passed since the approval has most recently been refused by ruling. Section 44 (10) and Section 52 shall apply correspondingly.

**S. 46.** The time limit for bringing a case before the Disciplinary Board on Auditors shall be five years from the date on which the breach of duty or the omission has ceased.

(2) The time limit shall be suspended on the submission of a complaint to the Disciplinary Board on Auditors.

**S. 47.** The Danish Business Authority shall lay down the provisions for the Disciplinary Board on Auditors that shall be covered by sanction and publication of the Board's rulings, including the payment of fees for submission of complaints, case preparation, hearing date, attendance of the parties involved and pertinent circumstances. No fees are payable for complaints brought in pursuance of Section 43 (6), sentences 2 and 3, or in pursuance of Section 44 a (3) by the Danish Business Authority or other public authority.

(2) The Danish Business Authority may decide that the Disciplinary Board on Auditors may also hear complaints about state-authorised public accountants or registered public accountants who have been authorised or registered by the Faroese registration authority.

#### *Publication*

**S. 47 a** The Danish Business Authority shall publish rulings on its website in pursuance of Section 40 (1), no. 3. Rulings concerning natural persons will be published in anonymised form.

(2) Rulings concerning a legal entity will be published with details of their identity unless doing so will represent a serious threat to the stability of the financial markets or a criminal investigation in progress, or when publication will cause disproportionate harm.

(3) The identity of a legal entity shall be anonymised two years after the date of publication.

(4) If the ruling is published before expiry of the complaint deadline in Section 51 (1), or a complaint is lodged about the ruling to the Companies Appeals Board, publication shall be made in pursuance of (1), first sentence, containing details of status and the result of the complaint made to the Board.

**S. 47 b** The Danish Business Authority can announce that an investigation in pursuance of Section 37 is to be initiated or has been initiated. The Authority can furthermore publish the result of an investigation in pursuance of Section 40.

(2) The Danish Business Authority shall decide in what form publication will be in pursuance of (1). Publication will be on the Authority's website.

**S. 47 c.** The Disciplinary Board on Auditors shall announce rulings made in pursuance of Section 44 (1)-(4) and (6), and Section 44 b (1) and (2) on its website.

(2) Rulings concerning natural persons will be published in anonymised form with the exception of those that apply a prohibition in pursuance of Section 44 (3), or Section 44 b (2), or if an auditor's approval is revoked in pursuance of Section 44 (4). Rulings in pursuance of Section 44 (3) and (4), and Section 44 b (2) shall be anonymised at the end of the period for which sanctions are imposed, but no later than five years after the date of publication.

(3) For rulings concerning legal entities, Section 47 a (2) and (3) apply correspondingly. Rulings in pursuance of Section 44 (6), fourth sentence, however, will be anonymised at the end of the period for which sanctions apply, but no later than 5 years after the date of publication.

(4) If the ruling is published before expiry of the deadlines referred to in Section 52 (1) and Section 52 a, or a ruling is brought before the courts, publication shall be made in pursuance of (1), containing details of status and the result of being brought before the courts.

#### *Professional Secrecy and Exchange of Information*

**S. 48.** The Danish Business Authority's employees shall, under liability in pursuance of Section 152-152 e of the Danish Penal Code, have a duty to keep secret any confidential information of which they become aware through their supervisory activities. The professional secrecy shall also comprise persons who perform service engagements for the Authority, anyone who is employed with and involved in the work of quality assurance reviews, experts acting on behalf of the Authority and persons who accompany representatives of the Authority in connection with the performance of an investigation, cf. Section 39 (4). The contents of the first sentence shall also apply after any termination of the employment relationship or contract of employment.

(2) The consent from the party whom the professional secrecy is intended to protect shall not entitle the persons mentioned in (1) to disclose any confidential information.

(3) Any confidential information that the Danish Business Authority receives in pursuance of the present Part may only be used in connection with the Authority's supervisory duties, for the levying of sanctions or if a complaint about the Authority's ruling is submitted to a higher administrative authority or is brought before the courts.

(4) By way of derogation from (1) and (3), confidential information and documents may be disclosed to

- 1) The Disciplinary Board on Auditors for use in the performance of its duties in pursuance of the present Act,
- 2) The Danish Financial Supervisory Authority for use in the performance of its duties in pursuance of financial legislation and the Danish Financial Statements Act,
- 3) other public authorities, including the Prosecution Service and the police, for use in the performance of their duties according to their respective legislation,
- 4) supervisory authorities for auditors and audit firms in other EU countries, EEA countries or in other countries with which the EU has entered into an agreement which are responsible for the oversight of approval, registration, quality assurance reviews, investigations and compliance with rules, provided that the recipients of the information use the information solely for the performance of their tasks and duties, and
- 5) supervisory authorities for auditors and audit firms in other countries than those stated in no. 4 for use in the performance of their function in connection with public oversight or quality assurance reviews or in connection with an investigation, cf., however, (5) and (6).

(5) Information may only be disclosed in pursuance of (4), no. 5

- 1) if the information or documents concern the audit of companies that
  - a) have issued securities in the country in question or
  - b) form part of a group that prepares statutory consolidated financial statements in the country in question,
- 2) if a reciprocity agreement has been entered into with the country in question,
- 3) if the purpose of the request can be justified,
- 4) if the recipients are subject to statutory professional secrecy that, as a minimum, corresponds to the professional secrecy in pursuance of (1), and can only use the information and the documents for the performance of their function in connection with public oversight or quality assurance reviews or in connection with an investigation, and
- 5) if the information is disclosed in pursuance of the Danish Act on Processing of Personal Data.

(6) The Danish Business Authority shall lay down detailed rules on the conditions in (5).

(7) (4) notwithstanding, any information that the Danish Business Authority has received from a foreign competent authority may solely be disclosed to the Disciplinary Board on Auditors and the Prosecution Service, unless the foreign

competent authority has given its consent for disclosure to others.

(8) Anyone receiving confidential information from the Danish Business Authority in accordance with (4), nos. 1-3, shall be subject to professional secrecy in pursuance of (1) with regard to such information.

(9) The Danish Business Authority's staff cannot disclose information on a person when that person has reported a company or a person to the Authority for violation or potential violation of audit legislation or 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.

**S. 49.** The Danish Business Authority may exchange the necessary information with other competent authorities in another EU country, in an EEA country or in another country with which the EU has entered into an agreement about

- 1) auditors who have been approved in Denmark, cf. Section 3 (1), and who apply for a right to establish themselves as auditors in another EU country, in an EEA country or in a third country with which the EU has entered into an agreement,
- 2) auditors who have been approved in Denmark, cf. Section 3 (1), and who intend to provide services on a temporary and occasional basis in another EU country, in an EEA country or in a third country with which the EU has entered into an agreement,
- 3) auditors who have been approved in pursuance of rules that implement the European Parliament and Council Directive on statutory audits of annual accounts and consolidated accounts in another EU country, in an EEA country or in a third country with which the EU has entered into an agreement and who apply for a right to establish themselves as auditors in Denmark, cf. Section 10 (1), and
- 4) auditors who have been approved in pursuance of rules that implement the European Parliament and Council Directive on statutory audits of annual accounts and consolidated accounts in another EU country, in an EEA country or in a third country with which the EU has entered into an agreement and who intend to provide statements on a temporary and occasional basis in Denmark, cf. Section 11 (1).

(2) Under the present Act, a competent authority in pursuance of (1) shall be the authority that administrates the activities of auditors in the country in question.

(3) The information that can be exchanged must be necessary in order for the Danish Business Authority and the other competent authorities in the above countries to perform their tasks and duties in pursuance of (1).

(4) The Danish Business Authority's exchange of information in pursuance of (1) shall be done in compliance with the Danish Act on Processing of Personal Data. The information shall be treated as confidential.

(5) The provisions in (1)-(4) apply correspondingly to audit firms that are approved according to rules that implement 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, as amended by Directive 2014/56/EU in another EU country or an EEA country, and that apply for registration in the public register of approved auditors and audit firms in pursuance of Section 13 a.

(6) The Danish Business Authority shall lay down rules on the exchange of information with other competent authorities in pursuance of (1) and (5).

*Funding of Quality Assurance Reviews and the Investigative and Disciplinary System*

**S. 50.** The Danish Business Authority may decide that the quality assurance reviews and the investigatory and disciplinary systems are to be funded by the collection of a fee from all approved auditors who are attached to an audit firm. The fee for quality assurance reviews shall be decided separately for auditors attached to audit firms auditing public-interest entities, and auditors attached to other audit firms respectively.

(2) The Danish Business Authority may decide that auditors, cf. Section 11 (1), shall pay a fee as contribution towards the funding of the Disciplinary Board on Auditors.

(3) The Danish Business Authority can lay down rules that audit firms covered by Sections 13 a or 15 shall pay a fee as contribution to the financing of quality assurance reviews, investigations and the Disciplinary Board on Auditors.

(4) A right of restraint shall apply to fines levied in pursuance of (1) and (2).

Part 9 a

*Communication*

**S. 50 a.** The Danish Business Authority can lay down rules to the effect that written communication to and from the Authority on matters covered by the present Act, or rules issued in pursuance of the present Act, shall be conducted digitally.

(2) The Danish Business Authority can lay down further rules on digital communication, including on the use of certain IT systems, special digital formats and digital signatures and the like.

(3) A digital communication will be regarded as received when available to the addressee.

**S. 50 b.** The Danish Business Authority can lay down rules on it issuing rulings and other documents in pursuance of the present Act or rules issued in pursuance of the present Act without signature, with signatures produced mechanically or by other means that ensure uniform identification of the entity issuing the ruling or document. Such rulings and documents are comparable with those with personal signatures.

(2) The Danish Business Authority can lay down rules to the effect that rulings and other documents that are exclusively resolved or issued on the basis of electronic data processing can only be issued with the Danish Business Authority cited as the sender.

**S. 50 c.** When, in pursuance of the present Act or rules issued in pursuance of the present Act, it is required that

a document issued by any party other than the Danish Business Authority or Disciplinary Board on Auditors shall be signed, the requirement can be fulfilled using a technique that ensures uniform identification of the entity issuing the document, however, cf. (2). Such documents are comparable with documents with personal signatures.

(2) The Danish Business Authority may lay down further rules on waiving the requirement for signatures. In this respect, it may provide that the requirement for personal signatures cannot be waived for certain types of documents.

**S. 50 d.** The Danish Business Authority can lay down rules to the effect that written communication to and from the Audit Advisory Panel and the Disciplinary Board on Auditors on matters covered by the present Act, or rules issued in pursuance of the present Act, shall be conducted digitally. Section 50 a (2) and (3) and Section 50 b shall apply correspondingly.

Part 10

*Right of Appeal*

**S. 51.** Rulings made by the Danish Business Authority in accordance with the present Act or regulations issued in pursuance of the present Act or in accordance with 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 can be brought before the Companies Appeals Board no later than four weeks after the ruling has been notified to the party concerned.

(2) Rulings made in pursuance of Sections 29, 34-35 b and 37-39, Section 47 a (2) and Section 47 b (1) and (2) cannot be brought before a higher administrative authority.

(3) Rulings made by the Audit Advisory Panel or the Disciplinary Board on Auditors cannot be brought before another administrative authority.

**S. 52.** A party against whom a ruling is made in pursuance of Section 8 (1), Section 44 (3) and (4), Section 44 (6), fourth sentence and Section 44 b (2) may demand that the ruling shall be brought before the court. An application for this must have been received by the Danish Business Authority no later than four weeks after the party in question has been notified of the ruling. The Authority will bring legal action against the party in question in accordance with the procedures and principles of civil justice.

(2) The application for the submission of the ruling before the court in pursuance of Section 8 (1) shall not have suspensive effect, but the court may rule that the party in question shall be entitled to perform engagements in pursuance of Section 1 (2) and (3) during the hearing of the case.

(3) If a judgment concerning the unlawfulness of a revocation is appealed against, cf. (2), the court that has delivered the judgment or the court before which the case is brought may decide that an auditor shall not be entitled to perform the engagements stated in Section 1 (2) and (3) during the hearing of the appeal.

(4) A request for submission of a ruling before the court in pursuance of Section 44 (3), shall have suspensive effect, but

the court may rule that the party in question shall be entitled neither to perform an audit, nor to carry on activities in an audit firm or in a public-interest entity. If the court finds in its judgment that the ruling of the Disciplinary Board on Auditors is lawful, the court may decide that an appeal shall not have suspensive effect.

(5) A request for submission of the ruling before the court in pursuance of Section 44 (4) and (6), fourth sentence, shall have suspensive effect, but the court may rule that the party in question shall not be entitled to carry on activities as a state-authorized public accountant or a registered public accountant during the hearing of the case, or that no statements may be provided by the audit firm in question. If the court finds in its judgment that the ruling of the Disciplinary Board on Auditors is lawful, the court may decide that an appeal shall not have suspensive effect.

(6) A request for submission of the ruling before the court in pursuance of Section 44 b (2) shall have suspensive effect, but the court may rule that the party in question shall not be entitled to carry on activities as a board member, member of the Executive Board and as a member of an audit committee in a public-interest entity. If the court finds in its judgment that the ruling of the Disciplinary Board on Auditors is lawful, the court may decide that an appeal shall not have suspensive effect.

**S. 52 a.** A ruling by the Disciplinary Board on Auditors shall be brought before the courts no later than four weeks after the ruling has been notified to the party concerned. In exceptional cases, the court may permit the case to be brought before expiry of that period when an application for the same is submitted within six months of a ruling being notified to the party concerned. If permission is granted in pursuance of the second sentence, however, the case shall be brought within four weeks of permission being granted.

(2) The provision in (1) shall not apply to rulings concerning a prohibition or revocation in pursuance of Section 44 (3) and (4), Section 44 (6), fourth sentence, or Section 44 b (2).

#### Part 11

##### *Time Limits*

**S. 53.** When the present Act or regulations issued in pursuance of the Act lay down that an action shall be taken by no later than a given number of days, weeks, months or years after a defined event has taken place, the time limit for performing that action counts from the day after that event, cf. (2)-(4).

(2) If the time limit has been stated in weeks, the time limit, cf. (1), shall expire on the day of the week on which the triggering event took place.

(3) If the time limit has been stated in months, the time limit, cf. (1), shall expire on the day of the month on which the triggering event took place. If the day on which the triggering event took place is the last day of a month or if the time limit expires on a date of the month that does not exist in the month in question, the time limit shall always expire on the last day of the month regardless of the number of days in the specific month.

(4) If the time limit, cf. (1) is stated in years, the time limit for performing the action expires on the anniversary of the triggering event.

(5) If a time limit expires during a weekend, on a public holiday or on the Danish Constitution Day, 24 December or 31 December, the time limit shall be extended to the next working day.

#### Part 12

##### *Penal Provisions*

**S. 54.** Any violation of Section 5, Section 9 (1), Section 11 (1) and (2), first sentence, Section 13 a (2), Section 17 (1) and (2), Sections 20, 22-24, 24 c, 25, 26 and Section 31 (1), first sentence, (4) and (6) shall be punishable by a fine, unless a higher penalty is ordained by other legislation. Violations of Article 4 (1) and (2), Article 5 (1), Article 11 (1) and (2), Article 15 (1) and Article 17 (7) in 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 shall be similarly punishable.

(2) In regulations issued in pursuance of the Act, it may be stipulated that any violation of the provisions in the regulations shall be punishable by a fine.

(3) Companies, etc. (legal entities) may incur criminal liability in pursuance of the rules in Part 5 of the Danish Penal Code.

(4) An auditor who provides a false written report or certifies any statement, etc. in writing that concerns matters of which the auditor in question does not have knowledge in connection with the performance of engagements in pursuance of Section 1 (2) and (3) shall be punishable by a fine or imprisonment for a term of up to four months. The same shall apply to an auditor who signs the auditors' report for financial statements that have not been audited by the auditor in question without this being disclosed in the auditors' report provided or who performs the engagements stated in Section 1 (2) without being related to an audit firm.

(5) An auditor who provides statements in pursuance of Section 11 (1), first sentence, without having submitted an application for registration to the Danish Business Authority in pursuance of Section 11 (2), shall be punishable by a fine or imprisonment for a term of up to four months.

(6) The provision in (5) shall apply correspondingly to auditors who are registered in pursuance of Section 11 (3), but who provide statements of the type mentioned in Section 11 (1), second sentence.

(7) Any person acting in violation of a prohibition applied to them in pursuance of Section 44 (3), or Section 44 b (2) shall be punishable by a fine, unless a higher penalty is ordained by other legislation.

(8) The period of limitation for violation of the provisions of the Act or rules issued in pursuance of the Act is five years.

#### Part 13

##### *Commencement, Transitional Provisions, etc.*

**S. 55.** The Act shall enter into force on 1 July 2008, cf., however, (2)-(5).

(2) (Omitted)

(3) The Minister for Economic and Business Affairs shall determine the date for the commencement of Section 15<sup>2</sup>.

(4)-(5). (Omitted)

**Sections 56-63.** (Omitted)

**S. 64.** The Act shall not extend to the Faroe Islands and Greenland.

(2) The Act may enter into force for Greenland by Royal Decree, subject to any deviations required by the specific conditions affecting Greenland.

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Act no. 516 of 12 June 2009 (Amendments arising from the Companies Act) contains the following provision on commencement:

**S. 25.**

(1) The Minister for Economic and Business Affairs shall determine the date of commencement for the Act<sup>3</sup>.

(2)-(3). (Omitted)

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Act no. 718 of 25 June 2010 (Restructuring, etc.) contains the following commencement and transitional provisions:

**S. 55.**

(1) The Minister for Justice shall determine the date of commencement for the Act<sup>4</sup>.

(2)-(10). (Omitted)

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Act no. 1231 of 18 December 2012 (Mandatory digital communication and adaptations arising from transfer of jurisdiction etc.) contains the following provision on commencement:

**S. 69.**

(1) The Act shall enter into force on 1 January 2013<sup>5</sup>.

(2) (Omitted)

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Act no. 1232 of 18 December 2012 (Simplification of mandatory audit and enhanced public scrutiny of auditors, etc.) contains the following provision on commencement:

**S. 3.**

The Act shall enter into force on 1 January 2013<sup>6</sup>.

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Act no. 617 of 12 June 2013 (Education and certification of auditors in financial undertakings, etc.) contains the following provisions on commencement and transition:

**S. 3.**

(1) The Act shall enter into force on 1 January 2014<sup>7</sup>.

(2) (Omitted)

Act no. 634 of 12 June 2013 (Enhanced action against economic crime) contains the following provision on commencement and transitional provisions:

**S. 13.**

(1) The Act shall enter into force on 1 July 2013<sup>8</sup>.

(2) (Omitted)

(3) Sections 3 and 5-11 shall apply to violations of the act committed before it came into effect, unless obsolescence according to the former rules applied before commencement of the act.

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Act. no. 631 of 8 June 2016 (Implementation of changes to the Audit Directive and options in the scheme for special requirements for auditing of public-interest entities) contains the following commencement and transitional provisions:

**S. 12.**

(1) The Act shall enter into force on 17 June 2016, cf., however (2).

(2) Section 1, nos. 46-48<sup>9</sup>, shall enter into force on 1 January 2017.

(3) Section 1, no. 27<sup>10</sup> and 28<sup>11</sup>), shall apply to audit of finance statements, etc. in companies with financial year starting 17 June 2016 or later if concerning audit of the financial statements, etc. for a public-interest entity, cf. Section 1, no. 6<sup>12</sup>).

(4) Section 1, no. 30<sup>13</sup> and 31<sup>14</sup>), shall apply to work started 17 June 2016 or later.

(5) The provision in Section 31 (1), point 1 of the Approved Auditors and Audit Firms Act, as worded in Section 1 no. 54, shall apply from the first ordinary general meeting or equivalent meeting held after 31 December 2016.

(6) The provisions of Section 44 (1), second sentence, Section 44 (2)-(4) and (6), second sentence of the Approved Auditors and Audit Firms Act, as worded in Section 1, nos. 80-83, shall apply to violations committed after the act came into force.

(7) Administrative provisions issued in pursuance of Section 33 (1) of the Approved Auditors and Audit Firms Act, as worded in Act no. 468 of 17 June 2008, are upheld until they lapse according to their content or are repealed.

(8) (Omitted)

**S. 13.**

(1) Quality controls implemented in pursuance of Section 29 of the Auditor Act, as worded in Act no. 468 of 17 June 2008, and where quality assurance review visits are performed before the Act enters into force, they are dealt with in accordance with the rules applicable hitherto. After the Act comes into effect, the Danish Business Authority shall process and make rulings on the quality assurance review cases that have not been finalised by the Audit Advisory Panel. Quality assurance reviews implemented in pursuance of Section 29 of the Approved Auditors and Audit Firms Act, as worded in Act no. 468 of 17 June 2008, and where quality assurance review

visits are conducted after the Act came into effect, will be subject to the rules in this Act.

(2) An audit firm conducting an audit of financial statements, etc. for companies covered by Section 1 a (1), no. 3 of the of the Approved Auditors and Audit Firms Act, as worded in Section 1, no. 6, shall publish an annual report on transparency on their website for financial years starting before 17 June 2016 within three months of the end of the financial year. The report, for which the supreme management body of the audit firm is responsible, shall contain the following:

- 1) A description of the legal structure and ownership,
- 2) a description of the audit firm's management structure,
- 3) if the audit firm belongs to a network, a description of the network and the firm's legal and structural relationship to the network,
- 4) details of the basis for remuneration of the partners,
- 5) a description of the audit firm's internal quality management system, including details of the policies for independent and continuing education,
- 6) a statement of when the last quality assurance review (cf. Section 29 of the Approved Auditors and Audit Firms Act) was conducted,
- 7) a declaration from the audit firm's supreme management body that the quality management system works efficiently and that the independence policy is observed,
- 8) account details showing the size of the audit firm, including total turnover broken down by fees for

auditing accounts, fees for other statement engagements on assurance, tax consultancy and other services, and

- 9) a list of companies covered by Section 1 a (1), no.3 of the Approved Auditors and Audit Firms Act, as worded in Section 1, no. 6, for which the audit firm performed engagements according to Section (2) of the Act in the preceding financial year.

(3) The Audit Commission set up in pursuance of Section 33 of the Approved Auditors and Audit Firms Act, as worded in Act no. 468 of 17 June 2008 and notwithstanding the commencement of the provisions in Section 32 a (1), second sentence of the Approved Auditors and Audit Firms Act, as worded in Section 1, nos. 56 and 58, shall assist the Danish Business Authority with:

- 1) Verbal tests for examination of State-Authorised Accountants in the first six months of 2016,
- 2) written tests for examination of State-Authorised Accountants in 2016,
- 3) special tests for anyone who has worked without approval as an auditor for a number of years, cf. Section 9 (3) of the Act, held before 1 October 2016.
- 4) suitability tests for persons approved abroad to undertake statutory audits, cf. Section (2) of the Approved Auditors and Audit Firms Act, as worded in Section 1, no. 13, taken before 1 October 2016, and
- 5) the written examination for the qualification examination in 2016, cf. Section 4 (3) of Act no. 617 of 12 June 2013, as amended by Section 6 of the present Act.

*Danish Business Authority, 9 September 2016*

P.M.V.  
VICTOR KJÆR

/ Susanne Thorhauge

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- 2) Executive Order no. 839 of 14 August 2008 stipulates that Section 15 of Act no. 468 of 17 June 2008 comes into effect on 22 August 2008.
  - 3) The amendment concerns Section 13 (5), second sentence, Section 22 (4) and Section 53 and came into effect on 1 March 2010, cf. Section 1 (1) no. 3 in Executive Order no. 186 of 24 February 2010.
  - 4) The amendment concerns Section 3 (1), no. 3 and Section 13 (6) and came into effect on 1 April 2011, cf. Executive Order no. 208 of 15 March 2011.
  - 5) Upon amendment, Part 9 a and Sections 50 a-d are to be inserted.
  - 6) The amendment concerns Section 16 (5), first sentence and Section 50 (1), second sentence.
  - 7) The amendment concerns Section 3 (1) and (2), Section 4 (2), Sections 33-34 and Section 43 (1), second sentence, and Section 3 a is inserted in the Act.
  - 8) The amendment concerns Section 54 (8).
  - 9) Section 1, nos. 46-48 concern the heading of Part 6, Sections 28 and 28 a.
  - 10) Section 1, no. 27 concerns Section 20.
  - 11) Section 1, no. 28 concerns the repeal of Section 21.
  - 12) Section 1, no. 6 concerns Section 1 a.
  - 13) Section 1, no. 30 concerns Section 23 (2).
  - 14) Section 1, no. 31 concerns Section 23 (3).