

KREDITTILSYNET

Norway

Translation revised January 2006

This translation is for information purposes only. Legal authenticity remains with the official Norwegian version as published in Norsk Lovtidend.

No. 712 of 25 June 1999

Regulations on auditing and auditors

CONTENTS

Chapter 1 – Authorisation of auditors

Section 1-1. Education

Section 1-2. Practical training

Section 1-3. Practical examination

Section 1-4. Aptitude test

Chapter 2 – Requirements regarding continuing education

Section 2-1. Scope and content

Section 2-2. Documentation

Chapter 3 – Provision of security

Section 3-1. Form of security

Section 3-2. Which security provider shall be liable

Section 3-3. Size of security

Section 3-4. Further requirements regarding security

Chapter 4 – Independence and objectivity

Section 4-1. Group

Section 4-2. Cooperation agreement as mentioned in section 4-7 of the Auditors Act...

Section 4-3. Consulting or other non-audit services

Section 4.4. Prohibition in the Auditors Act section 4-5 first paragraph against providing consulting and other non-audit services

Section 4.5. Prohibition in the Auditors Act section 4-5 second paragraph against carrying out management and control tasks

Section 4.6. Requirements regarding assessment and documentation

Chapter 5 – Other provisions

Section 5-1. Retention of documents

Section 5-2. Entry into force

Chapter 1 - Authorisation of auditors

Section 1-1. Education

Kredittilsynet shall set further requirements regarding grades for the authorisation of registered auditors and state authorised auditors.

Section 1-2. Practical training

Kredittilsynet may approve up to two years' practical training from the Office of the Auditor General, local authority or county authority audit or tax audit when such practical training is clearly deemed to be relevant to the auditing of the annual accounts of entities subject to the statutory audit obligation.

The auditor shall document practical training by presenting an overview, made by his employer, of the nature of such practical training. The overview shall also indicate the name of the undertaking in the audit of which the auditor has participated as well as the sector. If the auditor has more than five years' practice, the overview may be replaced by a general confirmation by a state authorised auditor or registered auditor that the person concerned has varied auditing experience.

Section 1-3. Practical examination

The practical examination is intended to test an auditor's ability to apply theoretical knowledge in practical situations, including knowledge acquired in the course of his period of practical training. Examinations may be arranged by institutions that offer education programmes under section 3-2 of the Auditors Act or by other institutions approved by Kredittilsynet.

The examination shall be held at least once a year. Kredittilsynet shall lay down further rules for the carrying through of the examination. The grade given is either "pass" or "fail".

Section 1-4. Aptitude test

Auditors as mentioned in section 3-6 of the Auditors Act shall take a test (aptitude test) in tax law and jurisprudence that is equivalent to the test taken by auditors with equivalent education in Norway.

Chapter 2 - Requirements regarding continuing education

Section 2-1. Scope and content

Auditors who audit the annual accounts of entities subject to the statutory audit obligation shall at any and all times be able to document that they have undergone 105 hours of continuing education in the course of the three previous calendar years. Relevant continuing education is deemed to be attendance at an ordinary programme of study in the field of auditor education in Norway, arranged by a Norwegian or foreign university or college. The same is true of attendance at a course in the field mentioned in the second sentence. Giving lectures at a course etc as mentioned in the second and third sentences is also considered relevant continuing education on a par with attendance at a course etc.

Kredittilsynet may approve other types of activity as relevant continuing education.

Continuing education under the first and second paragraphs must at least include:

1. 21 hours of auditing,

2. 21 hours of accounting, and
3. 21 hours of tax law.

Up to 42 hours of the continuing education may comprise instruction, courses or giving lectures in subjects mentioned in nos. 1 to 3 or other subjects in the field of auditor education in Norway.

Section 2-2. Documentation

The auditor must be able to document continuing education from and including the fourth year after he received authorisation.

Confirmation of completed continuing education pursuant to section 2-1 must contain:

1. the name of the organiser of the programme etc,
2. a description of the programme etc, and
3. the scope of the programme etc.

Chapter 3 – Provision of security

Section 3-1. Form of the security

Security under section 3-7 first paragraph no. 4 of the Auditors Act shall be provided by a non-life insurance company or another Norwegian financial institution listed in section 1-4 first paragraph nos. 1 to 3 of the Financial Institutions Act of 10 June 1988 no. 40, or by an equivalent undertaking (the security provider) whose head office is located in, is authorised to operate in and is subject to supervision by the authorities in another member state in the European Economic Area.

The security provider shall undertake on terms as mentioned in section 3-2 and section 3-4 to guarantee the discharge of the auditor's liability as mentioned in chapter 8 of the Auditors Act up to a specified amount that meets the requirements of section 3-3.

An auditor shall at any and all times be able to present documentary proof of sufficient security.

Section 3-2. Which security provider shall be liable

The security provider which the auditor has engaged at the time an injured party presents a claim for compensatory damages shall be liable towards the injured party. This shall apply even if the loss was caused while another security provider was engaged by the auditor.

A claim for compensatory damages shall be deemed to have been presented at the earliest of the following points in time:

1. the point in time when the auditor or his security provider first received written notification of the loss together with a claim for compensatory damages, or
2. the point in time when the auditor or his security provider first received written notification from the insured party or the injured party of circumstances which might be expected to lead to a claim for compensatory damages being brought against the insured party.
3. The requirement of written notification in no. 1 and no. 2 shall not prevent electronic communication provided a satisfactory method is used to indicate the time of dispatch and receipt of such notification.

If the auditor has not engaged a security provider at the time when a claim is brought, the last security provider engaged by him shall be liable.

The security provider engaged by the auditor at the time the loss was caused shall also be liable towards the injured party, but shall have full right of recourse against the security provider who is liable under the first or third paragraph.

Section 3-3. *Size of the security*

The security shall be at least NOK 5 million.

Kredittilsynet may in individual cases decide that higher security shall be provided than that required under the first paragraph.

If, as a result of disbursement by the security provider, the security no longer meets the requirements of the first and second paragraph, the auditor must ensure that his security is brought into compliance with the requirements within one month. Kredittilsynet may in individual cases set a longer or shorter time limit.

Section 3-4. *Further requirements regarding the security*

The injured party may claim satisfaction directly from the security provider without first bringing a claim against the auditor.

The security provider may not raise other objections against the injured party than those held by the auditor himself against the injured party.

The security provider may not assert to the injured party that disbursements have been made under the security unless Kredittilsynet has been notified of the disbursements at the time the payments took place and no later.

Cancellation of the security or lapse of the security in some other way shall not become effective in relation to the injured party until three months after Kredittilsynet has received notification of such lapse. If new security is provided before the end of this period, the lapse of the security shall become effective as from the time the new security is provided.

Chapter 4 – Independence and objectivity

Section 4-1. *Group*

Where an audit firm is part of a group, the provision of section 4-2 last paragraph first sentence of the Auditors Act shall apply to all companies in the group.

Section 4-2. ‘Cooperation agreement’ as mentioned in section 4-7 third paragraph of the Auditors Act shall mean an agreement on the use of identical names or the sharing of significant professional or business resources. The same shall apply to other cooperation agreements that may influence or raise doubts about the auditor’s independence and objectivity.

In cases where a cooperation agreement as mentioned in the first paragraph exists, the rules laid down in or pursuant to the Auditors Act section 4-1 first, second and fifth paragraphs, section 4-2 second and fourth paragraphs, section 4-4, section 4-5 first to third paragraphs and

fifth paragraph and section 4-6 shall apply to a corresponding extent to the cooperating undertaking, cf. also the fourth paragraph.

Section 4-1 first paragraph first sentence shall not apply in relation to close associates of the cooperating undertaking or to persons as mentioned in the fourth paragraph. Ownership shares or outstanding accounts etc as mentioned in section 4-1 second paragraph nos. 2 and 3 shall not be of consequence for the auditor's independence unless they are substantial.

The rules for undertakings shall apply to a corresponding extent to partners and senior employees of the undertaking and to members of the undertaking's governing bodies.

Section 4-3. *Consulting or other non-audit services*

“Consulting or other non-audit services” as mentioned in the Auditors Act section 4-5 first paragraph and in these regulations shall mean all the auditor's services to the audited entity which are not:

1. auditing pursuant to law and good auditing practice and services which the auditor must perform in order to be able to audit the annual accounts. Services in the previous sentence include the purely technical setting up of accounts (technical accounting assistance), provided the set-up is based on material where the principles are determined and assessments are made by the audited entity,
2. auditing of interim financial statements,
3. certifications and confirmations required by law, regulations or public authority or certifications and confirmations issued to a third party.

Section 4-4. *Prohibition in the Auditors Act section 4-5 first paragraph against providing consulting and other non-audit services*

The auditor shall ensure that he does not act in such a manner that he risks having to audit the result of his own consulting services or of other non-audit services, or that he risks attending to functions which form part of the audited entity's decision-making process. Such risk will normally be present where the auditor:

1. gives advice about or is involved in carrying out functions or formulating strategies or systems which are of direct significance for the audited entity's accounting transactions and presentation of accounts and for central aspects of the audited entity's internal control functions,
2. delivers significant premises for the audited entity's decisions in strategy and budget processes, business dispositions, operations, management, control or internal audit, or
3. over time performs consulting or other non-audit services that compensate for the audited entity's lack of capacity or competence, especially if the same type of assistance is provided on a regular basis.

The auditor shall not put himself in a situation in which his total income from consulting or other services over time becomes substantial compared with the audit fee received from the same audited entity.

Section 4-5. *Prohibition in the Auditors Act section 4-5 second paragraph against carrying out management and control tasks*

The prohibition in section 4-5 second paragraph of the Auditors Act shall also apply where the auditor in reality performs management and control tasks for which someone at the audited entity has the formal responsibility.

Section 4-6. *Requirements on assessment and documentation*

Before an auditor or undertaking with which the auditor has a cooperation agreement as mentioned in section 4-7 third paragraph of the Auditors Act takes on an assignment to provide consulting or other non-audit services for the audited entity, the auditor shall consider whether he can continue to function as auditor for the audited entity under the section 4-5 of the Auditors Act and section 4-4 and section 4-5 of these regulations. The same shall apply where, during performance of the service, matters arise which may be of significance for the auditor's independence and objectivity. The same shall also apply before an auditor takes on an audit assignment.

In order to ensure that obligations under this chapter are met, the auditor must be able to document in writing the assessments made under the first paragraph for a period of 5 years after they were made.

Chapter 5 – Other provisions

Section 5-1. *Retention of documents*

Documentation as mentioned in chapter 5 of the Auditors Act shall be retained in an orderly manner such that it is possible to identify documentation associated with each individual assignment the auditor has undertaken.

The documentation shall be retained in conformity with section 2-7 second and third paragraphs of the Accounting Act.

Section 5-2. *Entry into force*

Chapters 1, 2, 4 and 5 of these regulations shall enter into force on 1 August 1999. Chapter 3 of the regulations concerning security shall enter into force on 1 January 2000.

* * *