

Auditors Act

Revisorslag (2001:883)

SFS 2001:883

issued on 29 November 2001.
By order of the Riksdag¹

the following is prescribed.

General provisions

Section 1. This Act regulates

1. The Supervisory Board of Public Accountants (*Revisorsnämnden*) (section 3),
2. approval and authorization of auditors (sections 4–7),
3. audit firms (sections 8–12),
4. registration of public accounting firms (sections 13–16),
5. auditor in charge in audit business (section 17),
6. period of validity for approval, authorization and registration (section 18),
7. professional duties of an auditor (sections 19–27),
8. liability to supply information etc. (sections 28–31),
9. disciplinary measures etc. (sections 32–35), and
10. appeals, criminal liability etc. (sections 36–41).

Section 2. In this Act

1. *auditor* means an approved or authorized public accountant,
2. *approved public accountant* means an accountant who has been approved under section 4,
3. *authorized public accountant* means an accountant who has been authorized under section 5,
4. *audit firm* means a sole trader who carries on audit business or a non-registered partnership, partnership or limited company in which an auditor carries on such business,
5. *registered public accounting firm* means an audit firm that has been registered in accordance with section 13 or section 14,
6. *audit firm network* means a group of enterprises in which at least one audit firm is included and which, due to ownership structure, agreement or administrative co-operation or for another reason may be regarded as part of the same commercial community,
7. *audit business* means
 - a) business that consists of such examination of administration or financial information as follows from statute, articles of association, by-law, or contract and which results in a report or some other document that is intended to constitute a basis for assessment also for a person other than the client, and

¹ Bill 2000/01:146, Report 2001/02:LU3, Riksdag communication 2001/02:47.

- b) advice or other assistance occasioned by observations during the examination in accordance with a.

The Supervisory Board of Public Accountants

Section 3. The Supervisory Board of Public Accountants shall

1. consider matters relating to approval, authorization and registration in accordance with this Act,
2. supervise audit business and auditors and registered public accounting firms,
3. consider disciplinary and other measures against auditors and registered public accounting firms, and
4. ensure that professional ethics for accountants and generally accepted auditing standards are developed in an appropriate way.

More detailed provisions concerning the Supervisory Board of Public Accountants shall be issued by the Government.

Approval and authorization of accountants

Section 4. An approved public accountant shall

1. be carrying on audit business professionally,
2. be a resident of Sweden or another state in the European Economic Area or in Switzerland,
3. not be declared bankrupt, subject to trading prohibition, under guardianship under chapter 11, section 7 of the Code on Parents and Children, subject to consultancy prohibition under section 3 of the Act (1985:354) on the Prohibition of Professional Consultancy in Certain Cases, or be under similar restrictions in another state,
4. have the education and experience required for audit business,
5. have passed the examination of professional competence as an approved public accountant set by the Supervisory Board of Public Accountants, and
6. be a fit and proper person to carry on audit business.

Where there are particular grounds, the Supervisory Board of Public Accountants may grant exemption from the requirements in the first paragraph, points 1 and 2.

Section 5. An authorized public accountant shall fulfil the requirements in section 4, first paragraph, points 1-4 and 6 and shall have passed the examination of professional competence as an authorized public accountant set by the Supervisory Board of Public Accountants.

Where there are particular grounds, the Supervisory Board of Public Accountants may grant exemption from the requirements in section 4, first paragraph, points 1 and 2.

Section 6. The requirement in section 4, first paragraph, point 5, to have passed the examination of professional competence as an approved public accountant, shall be deemed to be fulfilled also by a person who

1. holds a foreign diploma conferring the right to carry out statutory audits in a state within the European Economic Area or in Switzerland, and
2. has passed a special aptitude test arranged by the Supervisory Board of Public Accountants.

Section 7. The requirement in section 5, to have passed the examination of professional competence as an authorized public accountant, shall be deemed to be fulfilled also by a person who

1. holds a foreign diploma conferring unlimited rights to carry out statutory audits in a state within the European Economic Area or in Switzerland, and
2. has passed a special aptitude test arranged by the Supervisory Board of Public Accountants.

Audit firms

Permissible types of enterprise

Section 8. An auditor may carry on audit business only as a sole trader, in a non-registered partnership with another auditor or in a partnership or limited company.

The Supervisory Board of Public Accountants may allow an auditor working in Sweden to carry on audit business in another state within the European Economic Area or in Switzerland even if the requirement in the first paragraph is not met.

Operating as a sole trader or in a non-registered partnership

Section 9. An auditor carrying on audit business as a sole trader or in a non-registered partnership shall keep any other business that does not have a natural connection with audit business clearly separate from the audit business.

Only auditors may be procurators in the audit business.

Operating in a partnership or limited company

Section 10. Where the audit business is carried on in a partnership or a limited company, no other business may be carried on by the firm than such as has a natural connection with audit business. Nor may the firm hold participation rights in enterprises other than audit firms and such enterprises as referred to in section 11, second paragraph.

Section 11. An auditor may carry on audit business in a partnership or a limited company only if the following three conditions are fulfilled:

1. The firm is not in bankruptcy or liquidation.
2. The firm is owned by auditors.
3. The firm's board members, deputy board members, managing director, deputy managing director, authorized signatories and procurators are auditors.

For the purposes of the first paragraph, point 2, an auditor's direct ownership shall be equated with indirect ownership through one or more partnerships or limited companies that fulfil the following three conditions (*owner firms*):

1. The firm is owned by auditors or by other owner companies.
2. The firm does not carry on any other business than
 - a) audit business,
 - b) business that has a natural connection with audit business or
 - c) ownership of an audit firm or another owner firm.

3. The firm's board members, deputy board members, managing director, deputy managing director, authorized signatories and procurators are auditors.

Notwithstanding the provisions of the first and second paragraphs audit business may also be carried on in accordance with the conditions for registered public accounting firms as prescribed in sections 13 and 14.

The provisions of the first paragraph, point 3 and the second paragraph, point 3 do not refer to board members and deputy board members appointed pursuant to the Board Representation (Private Sector Employees) Act (1987:1245).

Employment of Auditors

Section 12. An auditor may only be employed by an audit firm or a firm as specified in section 11, second paragraph.

Where there are particular grounds, the Supervisory Board of Public Accountants may grant an exemption from the provisions of the first paragraph.

Registration of public accounting firms

Partnerships

Section 13. A partnership that carries on audit business may be registered as a public accounting firm, providing that it fulfils the requirements stipulated in sections 10 and 11.

Where there are particular grounds, the Supervisory Board of Public Accountants may grant exemption from the requirements stipulated in section 11 to an individual partner, authorized signatory or procurator. A majority of the partners shall, however, always consist of auditors. Where there are only two partners, at least one of them shall be an auditor.

Limited Company

Section 14. A limited company that carries on audit business may be registered as a public accounting firm, providing that it fulfils the requirements stipulated in sections 10 and 11.

Providing that the following four conditions are fulfilled, a limited company may be registered as a public accounting firm, despite the fact that the conditions stipulated in section 11, first paragraph, points 2 and 3 are not fulfilled:

1. At least three fourths of the shares with at least three fourths of the number of votes are owned by auditors.
2. Other shares in the company are owned by persons who work for the company or for an enterprise that, due to the ownership structure, is part of the same audit firm network as the company.
3. At least three fourths of the board members and at least three fourths of the deputy board members and the managing director are auditors.
4. The articles of association prescribe that the board of directors shall form a quorum only if more than half of the members present are auditors.

Section 15. For the purposes of section 14, second paragraph, point 1, an auditor's direct ownership shall be equated with indirect ownership through one or more owner firms as defined

in section 11, second paragraph. If the owner firm is a limited company, however, only three fourths of the shares with at least three fourths of the number of votes are required to be owned by auditors or by other owner firms and only three fourths of the board members and three fourths of the deputy board members and the managing director are required to be auditors.

For the purposes of section 14, second paragraph, point 2, direct ownership shall be equated with indirect ownership through one or several firms that do not carry on any other business than audit business, business that has a natural connection with audit business, ownership of an audit firm or ownership of firms of the same type.

Notwithstanding the provisions of the first and second paragraphs, a limited company may be registered as a public accounting firm only if the auditors' direct or indirect ownership of the company corresponds to at least three fourths of the shares of the company.

Section 16. Where there are particular grounds the Supervisory Board of Public Accountants may grant exemption from the requirements stipulated in section 14, second paragraph concerning who may own shares in the company and the composition of the board of directors. A majority of the board members and a majority of the deputy board members shall, however, always consist of auditors and more than half of the shares and the number of votes shall always belong to auditors or owner firms as defined in section 11, second paragraph.

Auditor in charge in audit business

Section 17. A partnership or limited company in which audit business is carried on shall, for each assignment accepted that constitutes audit business, appoint one of the auditors working for the firm as auditor in charge. The auditor in charge shall be an authorized public accountant or an approved public accountant who has passed an examination of professional competence as an approved public accountant if this is necessary to satisfy statutory requirements. The firm shall without delay inform the client of the identity of the auditor in charge.

The audit report and other statements of opinion shall be signed by the auditor in charge.

If a report or statement of opinion is signed by more than one auditor, the auditor in charge shall be specified.

Period of validity of approval, authorization and registration

Section 18. The period of validity for approval, authorization and registration is five years. If an application for renewal of approval, authorization or registration has been made before the expiry of the period of validity the approval, authorization or registration continues to apply until such time as a decision on the matter has become legally binding.

The Supervisory Board of Public Accountants or, after appeal, a court of law, may order that a decision to refuse an application for renewal as specified in the first paragraph shall apply with immediate effect.

Professional duties of an auditor

Professional ethics for accountants

Section 19. An auditor shall observe professional ethics for accountants.

If work that relates to an audit business assignment is carried out by an assistant to the auditor, the auditor is responsible for ensuring that the assistant also observes professional ethics for accountants.

The auditor's independence

Section 20. An auditor shall carry out his or her audit business assignments with independence and be objective in his or her opinions. The audit business shall be so organized that the auditor's impartiality, independence and objectivity are ensured.

Section 21. For each audit business assignment an auditor shall consider whether circumstances exist that may undermine confidence in his or her independence. The auditor shall decline or resign from such an assignment,

1. if he or she or another person in the audit firm network in which he or she works
 - a) has a direct or indirect financial interest in the client's business,
 - b) has given advice in a consultancy that does not constitute audit business on a matter that to some extent is covered by the audit assignment,
 - c) acts or has acted in support of or in opposition to the client's standpoint on a legal or financial matter,
 - d) has a close personal relationship with the client or a member of the client's management,
 - e) is being exposed to threat or other pressure intended to intimidate, or
2. if any other circumstance exists of such a nature that it may undermine confidence in the auditor's independence.

The auditor is not, however, required to decline or resign from the assignment if in the individual case such particular circumstances exist or such measures have been taken that imply that there is no reason to question his or her independence.

Section 22. The Supervisory Board of Public Accountants shall, on application by an auditor, issue an advance ruling as to whether a certain particular circumstance is such as referred to in section 21, first paragraph and, if this is the case, whether circumstances in the individual case or measures taken imply that the auditor nevertheless is not required to decline or resign from the assignment.

When an advance ruling has become legally binding, it is binding on the Board in relation to the auditor. The advance ruling ceases to apply in the event of a change in the conditions prevailing or in the regulations governing the issue covered by the ruling.

Section 23. The provisions in sections 20-22 also apply to the extent appropriate to a registered public accounting firm.

Documentation

Section 24. Auditors and registered public accounting firms shall document their audit business assignments. The documentation shall contain such information as is material to the subsequent assessment of the auditor's work as well as his or her independence.

The documentation shall have been completed when the audit report or other statement of opinion is issued.

Subsidiary business that undermines confidence

Section 25. An auditor may not carry on any other business than audit business or business that has a natural connection therewith, if

1. such other business is of such a nature or scope that it may undermine confidence in the auditor's independence, or
2. such other business is in some other way incompatible with the position following from the right to carry out statutory audits.

The Supervisory Board of Public Accountants shall, on application by an auditor, issue an advance ruling as to whether a particular business activity is compatible with the requirement in the first paragraph. The provisions in section 22, second paragraph apply to such an advance ruling.

Professional confidentiality

Section 26. An auditor may not use information obtained during the course of his or her professional work for his or her own benefit or to the detriment or the advantage of another person. Nor may the auditor disclose such information without authorization. The auditor shall ensure that his or her assistants observe these rules.

In the public sector the Act (1980:100) on Secrecy is applicable instead of these rules.

Insurance etc.

Section 27. Auditors and registered public accounting firms shall take out insurance or deposit collateral with the Supervisory Board of Public Accountants to cover any liability for damages that the auditor or the firm may incur during the course of the audit business.

Where there are particular grounds, the Supervisory Board of Public Accountants may grant exemption from the requirement for insurance or collateral.

Liability to supply information etc.

Section 28. Auditors and registered public accounting firms are obliged to allow the Supervisory Board of Public Accountants, when exercising its supervisory powers, to inspect files, accounts and other documents pertaining to their activities and to provide the information necessary for the supervision.

Section 29. An enterprise that has particularly strong business ties with an audit firm, when ordered by the Supervisory Board of Public Accountants, shall submit to the Board any

information concerning consultancy services or other assistance provided to those who engaged the audit firm or an auditor working for the audit firm to carry on audit business.

An order under the provisions of the first paragraph may be on penalty of a fine.

Section 30. If an audit firm is part of an audit firm network, the firm shall inform the Supervisory Board of Public Accountants as to which other enterprises form part of the network. If the network's composition is changed the firm shall report the change to the Board.

Information in accordance with the first paragraph shall be provided without delay.

Section 31. If the National Tax Board (*Skatteverket*) notices any circumstance in connection with an auditor or a registered accounting firm that may be of significance for the activities of the Supervisory Board of Public Accountants, the authority shall notify the Board. This does not apply, however, to circumstances about which a tax authority has gained knowledge in the course of activities in accordance with the Act (1997:1024) on the assistance of tax authorities in crime investigations.

Disciplinary measures etc.

Section 32. Where an auditor intentionally acts wrongfully in the course of his or her audit business or acts dishonestly in other ways or where an auditor fails to pay the fees stipulated in section 39, his or her approval or authorization shall be withdrawn. Where there are extenuating circumstances, a warning may be issued instead.

Where an auditor otherwise fails in his or her professional duties as an auditor or representative of an audit firm, a warning may be issued. Where sufficient, the Supervisory Board of Public Accountants may instead issue a disciplinary reminder. Where the circumstances are particularly aggravating, the approval or authorization may be withdrawn.

Where withdrawal, warning or disciplinary reminder is considered the auditor shall be notified in writing and given the opportunity to comment on what is adduced in the case.

Where there are particular grounds, an auditor who has been given a warning may also be ordered to pay a penalty charge to the state of at least one thousand and no more than twenty five thousand kronor.

No warning or disciplinary reminder may be issued if the criticized events took place more than five years before the auditor was given notification of the matter.

Section 33. Where an approved public accountant no longer fulfils the requirements in section 4 or an authorized public accountant no longer fulfils the requirements in section 5, the approval or authorization shall be withdrawn.

Where any circumstance arises for an auditor that implies an impediment to approval or authorization, the auditor shall immediately notify this to the Supervisory Board of Public Accountants.

Section 34. The provisions in section 32 also apply to registered public accounting firms. The provisions in that section on withdrawal of approval or authorization shall in that case refer to withdrawal of registration.

Where a registered public accounting firm no longer fulfils the requirements applying to the firm in sections 10, 11, 13 and 14, registration shall be withdrawn.

Where any circumstance arises for a registered public accounting firm that implies an impediment to registration, the firm shall immediately notify the Supervisory Board of Public Accountants of this.

Section 35. The Supervisory Board of Public Accountants or, after appeal, a court of law, in its consideration of measures in accordance with sections 32-34, may order that a decision to withdraw approval, authorization or registration shall apply with immediate effect.

A ruling by the Supervisory Board to impose a penalty charge, when it has become legally binding, shall be executed in the same way as a decision by a court of law.

Other provisions

Appeals etc.

Section 36. Decisions by the Supervisory Board of Public Accountants under this Act may be appealed against to a general administrative court.

Decisions related to examinations under section 4, first paragraph, point 5 or section 5 or to aptitude tests under sections 6 or 7 may not, however, be appealed against.

A review dispensation is required for appeal to the Administrative Court of Appeal (*Kammarrätten*).

Section 37. Where an application for approval, authorization or registration has not been ruled on by the Supervisory Board of Public Accountants within four months after the application was filed, the applicant may demand a declaration by the Administrative Court of Appeal that the case is being unnecessarily delayed. If the application has not been ruled on by the Supervisory Board within one month after such declaration, the application shall be regarded as refused.

Criminal liability

Section 38. Any person who falsely claims to be an approved public accountant or an authorized public accountant shall be sentenced to a fine.

Fees

Section 39. Regulations on fees for matters under this Act are issued by the Government or an authority appointed by the Government.

Register

Section 40. The Supervisory Board of Public Accountants shall maintain a register of auditors and registered public accounting firms. More detailed regulations concerning the register shall be issued by the Government.

Authorization

Section 41. The Government or an authority appointed by the Government may issue further regulations concerning approval, authorization and registration and concerning conditions for business activities. The regulations may include exemptions from the provisions in section 24.

Commencement and transitional regulations

1. This Act comes into force on 1 January 2002, at which time the Auditors Act (1995:528) shall cease to apply.
2. In 2002 business activities in progress at the time the Act comes into force shall not be taken into consideration when applying the provisions of
 - a) Section 9 concerning clear separation of certain types of business,
 - b) Section 10 concerning prohibition against carrying on certain types of business in a public accounting firm, and
 - c) Section 11, second paragraph, and section 15 first and second paragraphs, stipulating that the firms specified there may only carry on certain types of business activities.
3. A matter concerning disciplinary measures against an auditor due to an action or omission before the Act came into force shall be reviewed in accordance with older provisions, unless a review in accordance with the new provisions is more advantageous to the auditor.
4. An auditor who is an approved or authorized public accountant under the old provisions shall be regarded as an approved or authorized public accountant respectively under this Act.
5. A public accounting firm that is registered in accordance with section 9 of the Auditors Act (1995:528) shall be regarded as registered under this Act.
6. A public accounting firm that is approved or authorized in accordance with older provisions shall be regarded as registered on the date determined by the Supervisory Board of Public Accountants.
7. Any person undergoing training as an auditor on 1 July 1995 and who does not fulfil the requirements for approval of auditors stipulated in section 4, may, up to and including the year 2002, be approved under the provisions in force at the end of June 1995, provided that he or she has undergone a supplementary theoretical training in accordance with rules stipulated in detail by the Government or the authority appointed by the Government.
8. Any person undergoing training as an auditor on 1 July 1995 and who does not fulfil the requirements for authorization of auditors stipulated in section 5, may, up to and including the year 2002, be authorized under the provisions in force at the end of June 1995.