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April 2010, Inter-Set Translation

Executive Order no. 42 of 23 January 2009

**Danish Executive Order on quality assurance review and the activities of the Danish Supervisory Authority on Auditing
(Bekendtgørelse om kvalitetskontrol og Revisortilsynets virksomhed)**

Executive Order on quality assurance review and the activities of the Danish Supervisory Authority on Auditing
In pursuance of [Section 34](#) (3) and [Section 54](#) (2) of the Danish Act no. 468 of 17 June 2008 on Approved Auditors and Audit Firms, the following is hereby laid down:

Part 1

Scope

S. 1. This Executive Order regulates the carrying into effect of the quality assurance review in pursuance of [Section 29](#) together with the activities of the Danish Supervisory Authority on Auditing in pursuance of [Sections 34-36](#) of the Danish Act on Approved Auditors and Audit Firms.

Part 2

Selection of audit firms for quality assurance review and selection of reviewers

S. 2. The Danish Supervisory Authority on Auditing arranges the quality assurance review in such a manner that all audit firms, cf. [Section 13](#) (1) of the Danish Act on Approved Auditors and Audit Firms, are subject to quality assurance review with a maximum interval of six years. However, the quality assurance review shall be performed at an interval of maximum three years in the case of audit firms who conduct audits of financial statements presented by companies covered by [Section 21](#) (3) of the Act on Approved Auditors and Audit Firms.

(2) An audit firm, through which reports are not given in pursuance of [Section 1](#) (2) of the Act on Approved Auditors and Audit Firms and which submits a solemn declaration to the Danish Commerce and Companies Agency on this subject, is exempted from the quality assurance review unless the Danish Supervisory Authority on Auditing decides otherwise.

S. 3. The Danish Supervisory Authority on Auditing may decide, on its own initiative or following a request from an audit firm which is part of a network, cf. [Section 7](#) (3) in the Executive Order on the Independence of Approved Auditors and Audit Firms, that all or part of these companies are to be selected for quality assurance review in the same year.

(2) If an audit firm selected for quality assurance review has other audit firms among its owners, cf. [Section 13](#) of the Danish Act on Approved Auditors and Audit Firms, the Danish Supervisory Authority on Auditing may decide, on its own initiative or following a request, that these other audit firms should be selected for quality assurance review in the same year.

S. 4. The Danish Supervisory Authority on Auditing may decide that an audit firm shall be selected for extraordinary or more frequent review, if the Authority finds circumstances that justify this. In such case, the provisions in [Sections 5-7](#) and [Section 22](#) (1) may be derogated from.

(2) The Danish Supervisory Authority on Auditing may decide upon the request of the Danish Commerce and Companies Agency to select an audit firm for extraordinary review. In such case, the provisions in [Sections 5-7](#) and [Section 22](#) (1) may be derogated from.

S. 5. The audit firms which are selected for quality assurance review will be informed no later than 1 March that they shall be subject to quality assurance review during the current year.

(2) An audit firm and auditors related to the audit firm subjected to a quality assurance review shall grant the Danish Supervisory Authority on Auditing and the reviewer access to perform the necessary investigations and ensure that the Danish Supervisory Authority on Auditing and the reviewer receive the information and assistance deemed necessary for the performance of the quality assurance review, cf. [Section 29](#) (4) of the Danish Act on Approved Auditors and Audit Firms.

S. 6. The Danish Supervisory Authority on Auditing shall inform the audit firm which reviewer has been appointed to review the firm. As far as possible, this shall take place prior to 1 April.

(2) If the audit firm has a substantiated objection to the appointed reviewer, the audit firm shall inform the Danish Supervisory Authority on Auditing hereof within 14 days of receiving notification of the appointment.

(3) In case of circumstances entailing that the appointed reviewer is unable to review the audit firm in question, the Danish Supervisory Authority on Auditing shall appoint another reviewer.

S. 7. The reviewer will be informed of the names of the audit firms which the reviewer has been appointed to review during the year in question. As far as possible, this shall take place prior to 1 April.

(2) The Danish Supervisory Authority on Auditing shall not be obligated to evenly distribute cases among the reviewers; similarly, the Authority cannot guarantee a minimum number of cases, or that all reviewers receive cases.

(3) The reviewer shall assess whether threats to his or her independence are present in pursuance of [Part 4](#) of the Danish Act on Approved Auditors and Audit Firms and rules issued in pursuance hereof. The reviewer shall also assess whether he or she commands the necessary professional competence in regard to the audit firm to be reviewed. In case of any threats to the reviewer's independence, or the reviewer not commanding the necessary professional competence, the reviewer shall inform the Danish Supervisory Authority on Auditing hereof within 14 days of the appointment.

(4) Should the reviewer subsequently ascertain that he or she is not independent or does not otherwise meet the conditions for carrying out the review, the reviewer shall immediately inform the Authority and the audit firm hereof in writing. The Authority shall subsequently appoint a new reviewer to carry out the review of the audit firm. In such case, the provisions in Sections [5-7](#) and Section [22](#) (1) may be derogated from.

S. 8. In specific cases, the Danish Commerce and Companies Agency may appoint other persons than the reviewers approved by the Danish Supervisory Authority on Auditing as reviewers, cf. Section [35](#) of the Danish Act on Approved Auditors and Audit Firms. In such case, the provisions in Sections [5-7](#) and Section [22](#) (1) may be derogated from.

(2) The Danish Commerce and Companies Agency may entrust the Danish Supervisory Authority on Auditing to enter into an agreement in pursuance of Sections [10-13](#) with a reviewer appointed in pursuance of (1).

S. 9. Where the Danish Supervisory Authority on Auditing finds it necessary, it may carry out quality assurance review visits itself or participate in a quality assurance review visit together with a reviewer.

(2) Where the Danish Supervisory Authority on Auditing finds it necessary, it may appoint more than one reviewer to carry out review of a particular audit firm or a network.

Part 3

Agreement on performance of quality assurance review

S. 10. The reviewer may enter into an agreement with the Danish Supervisory Authority for each quality assurance review, which the reviewer is appointed to carry out. As a minimum, the agreement shall contain the following:

- 1) The size of the audit firm to undergo the quality assurance review, including the number of auditors who make assurance engagements, the number of premises and the size thereof, together with revenue and number of customers where reports are provided in pursuance of Section [1](#) (2) of the Danish Act on Approved Auditors and Audit Firms.
- 2) The content and scope of the quality assurance review including the expected random sample of individual files.
- 3) Whom has been selected to perform the quality assurance review.
- 4) The expected number of hours to be used (for each participant).
- 5) Special circumstances of importance for the above-named.

(2) When a reviewer is appointed, the person in question shall contact the audit firm to be reviewed as quickly as possible with a view to determining the information named in (1) above.

(3) The reviewer fills out and signs the agreement. The reviewer shall send the agreement to the Danish Supervisory Authority on Auditing no later than 14 days after the appointment. The Authority shall approve and sign the agreement.

S. 11. The audit firm to undergo quality assurance review confirms that the audit firm will actively contribute to the performance of the quality assurance review. At the same time, the audit firm confirms that it does not have knowledge of circumstances of the reviewer not being independent or otherwise failing to meet the conditions for performing the quality assurance review.

S. 12. Once the Danish Supervisory Authority on Auditing has signed the agreement, the reviewer and the audit firm to be reviewed shall be informed hereof by the Authority.

(2) In case of circumstances which make the Danish Supervisory Authority on Auditing unable to enter into the agreement, or make the Authority terminate the agreement subsequently, the Authority shall appoint a new reviewer to perform the quality assurance review. In such case, the provisions in Sections [5-7](#) and Section [22](#) (1) may be derogated from.

S. 13. The Danish Supervisory Authority on Auditing shall prepare guidelines for the form and content of the agreement.

Part 4

Reviewers

S. 14. The Danish Supervisory Authority on Auditing shall prepare lists of reviewers who are approved for the performance of quality assurance reviews of:

- 1) Audit firms in which the majority of votes are held by state-authorised public accountants.
- 2) Audit firms in which the majority of votes are held by state-authorised public accountants and which audit financial statements presented by companies covered by Section 21 (3) of the Act on Approved Auditors and Audit Firms.
- 3) Audit firms in which the majority of votes are held by registered public accountants.
- 4) Audit firms in which the majority of votes are held by registered public accountants and which audit financial statements presented by companies covered by Section 21 (3) of the Act on Approved Auditors and Audit Firms.
- 5) The agricultural economics associations' advisory services related to or by the organisation Danish Agriculture and Food Council.

(2) The Danish Supervisory Authority on Auditing shall appoint a reviewer for audit firms that are not covered by (1), sentences 1-5, who has the competence required to perform the task.

(3) The Danish Supervisory Authority on Auditing may appoint a reviewer from another list than the list which covers the type of audit firm in question.

(4) The lists are publically available on the Danish Supervisory Authority on Auditing's website (www.revisortilsynet.dk).

S. 15. An approved auditor who wishes to become a reviewer shall make an application to the Danish Supervisory Authority on Auditing. The application shall be submitted in electronic form with a digital signature.

(2). Auditors meeting the following requirements may be approved as reviewers:

- 1) Registration in Revireg.
- 2) Course attendance, cf. Section 16.
- 3) Within the last 5 years not having been given a warning or fine by the Disciplinary Board on Auditors for violation of the obligations prescribed by [the Danish Act on Approved Auditors and Audit Firms](#); or not having been recorded in The Central Criminal Register and it being the assessment of the Danish Supervisory Authority on Auditing that this is of importance for the performance of the duty as reviewer.
- 4) Not being subject to a pending case before the Disciplinary Board on Auditors, which in the assessment of the Supervisory Authority on Auditing is of importance for the performance of the duty as reviewer.
- 5) Not being employed by an audit firm, which has been imposed a follow-up review visit by the Danish Supervisory Authority on Auditing during the most recently completed quality assurance review of the firm; and
- 6) having participated in practical audit work and in connection herewith having given opinions in pursuance of Section 1 (2) in at least three years within the last five years.

(3) As reviewers of audit firms, who audit financial statements presented by companies covered by Section 21 (3) of the Act on Approved Auditors and Audit Firms, auditors may be approved who in addition to meeting the requirements of Section 15 (2), sentences 1-6, have given reports in pursuance of Section 1 (2) of financial statements presented by companies covered by Section 21 (3) for at least three of the last five years.

(4) A registered public accountant, who is employed by the agricultural economics associations' advisory services related to or run by the organisation Danish Agriculture and Food Council, may only be approved as reviewer for the review of audit firms as described in Section 17 (1) of the Act on Approved Auditors and Audit Firms.

(5) If the application in accordance with (1) is granted, the applicant shall be added to the Danish Supervisory Authority on Auditing's lists in pursuance of Section 14 for the current and the four subsequent calendar years, cf. Section 35 (1) of the Act on Approved Auditors and Audit Firms. The term may be extended.

S. 16. A course in pursuance of Section 15 (2), second sentence, shall contain a general part on quality assurance and quality control, together with a special part on the Authority's quality assurance.

(2). Importance shall particularly be paid to:

- 1) Quality control systems in audit firms.
- 2) Auditor's reporting.
- 3) Working process and the provision of opinions, including auditing standards.
- 4) The regulations of the Danish Act on Approved Auditors and Audit Firms in regard to independence and ownership.
- 5) Requirements for auditor's competencies and resources.
- 6) The regulations of the Danish Act on Approved Auditors and Audit Firms on quality assurance review.
- 7) Requirements for documentation of the independent auditor's work.
- 8) The current tasks of the Danish Supervisory Authority on Auditing.
- 9) The role and responsibility of the reviewer.
- 10) The practical conduct of the review – the process from selection of the reviewer to the provision of reports.
- 11) Elaboration on and examples of the individual elements of the process.

(3). Courses in pursuance of (2) may be held either by the Danish Supervisory Authority on Auditing or by external providers. Prior to the holding of the course, external providers shall obtain the Authority's written approval of the intended contents of the course.

S. 17. The reviewers listed in pursuance of Section [14](#) shall participate in an annual course, the contents of which shall be equivalent to those laid down in Section [16](#), and participate in an annual meeting with the Danish Supervisory Authority on Auditing, the purpose of which shall be to gather experience from the reviews performed and to draw the reviewers' attention to any special issues. Failure to attend shall lead to the reviewer being excluded from performing reviews.

(2) The Danish Supervisory Authority on Auditing may decide that participation in the annual course and meeting with the Authority is not necessary.

S. 18. A reviewer may at any time request that he or she be removed from the list in pursuance of Section [14](#). However, the reviewer cannot be removed from the list before the reviewer has completed the reviews that he or she has already taken on unless the Supervisory Authority on Auditing decides otherwise.

(2) If a reviewer is prevented from performing the reviews that he or she has taken on due to illness or other special circumstances, the Danish Supervisory Authority on Auditing and the audit firm must be informed hereof as quickly as possible. The Authority shall decide whether the quality assurance review may be postponed to the subsequent year or whether the review may be performed after the appointment of a new reviewer. In such case, the provisions in Sections [5-7](#) and Section [22](#) (1) may be derogated from.

(3) The reviewer is under an obligation to notify the Danish Supervisory Authority on Auditing immediately if the reviewer is given a warning or fine by the Disciplinary Board on Auditors or is recorded in The Central Criminal Register for violation of the obligations prescribed by the [Danish Act on Approved Auditors and Audit Firms](#). In each specific case, the Authority will decide whether the reviewer shall be removed from the lists in pursuance of Section [14](#).

Part 5

The conduct and contents of the quality assurance review

S. 19. Prior to the reviewer beginning the review, he or she shall:

- 1) Inform the firm of the information that shall be provided on the firm being reviewed prior to the review.
- 2) Examine the information received in regard to 1 above prior to the review visit and
- 3) Plan the actual quality assurance review.

S. 20. During the carrying out of the review, the reviewer shall in particular review:

- 1) That the audit firm has the required quality control system.
- 2) That the firm's quality control system lives up to good quality control practices and that it is adequate in relation to the audit firm's size and nature.
- 3) That the firm has an updated list of owners and members, cf. Section [3](#) of the Executive Order no. 662 of 26 June 2008 on audit firms, and that the ownership provisions in Section [13](#) (2-5) of the Danish Act on Approved Auditors and Audit Firms have been complied with.
- 4) That the audit firm has rules for the control of independence in general and for each assignment.
- 5) That the audit firm documents that the rules on independence in [Part 4](#) of the Danish Act on Approved Auditors and Audit Firms and the rules laid down in pursuance hereof are complied with.
- 6) That the performance of assignments in pursuance of Section [1](#) (2) of the Danish Act on Approved Auditors and Audit Firms takes place in accordance with generally accepted auditing practices, including the auditing standards in place in Denmark, and that this can be documented.
- 7) The scope of the resources used.
- 8) The fees charged in regard to the assurance engagement.
- 9) Whether the auditors affiliated with the audit firm have received the mandatory continuing education in pursuance of Section [4](#) of the Danish Act on Approved Auditors and Audit Firms and the rules laid down in pursuance hereof; and
- 10) That the firm has prepared adequate written internal rules regarding customer identification, reporting to the Danish Money Laundering Secretariat etc. to preclude and prevent money laundering and terrorist financing at the firm's customers, cf. Section [25](#) (1) of the Danish Money Laundering Act.

(2) The quality assurance review, cf. (1) above, shall include both the generally applied procedures in the audit firm as well as a sampling of specific audit assignments and assurance engagements. The sampling of specific audit assignments and assurance engagements shall be based on a risk-based approach and on the nature and scope of the activities in the audit firm.

(3) If the audit firm under review has other audit firms among its owners, cf. Section [13](#) of the Danish Act on Approved Auditors and Audit Firms, the reviewer shall during the review be aware of whether circumstances in these other audit firms and their subsidiaries, if any, may be of importance for the assessment of independence.

(4) The Danish Supervisory Authority on Auditing shall prepare guidelines for the performance of the quality assurance reviews and the reviewer's statement and reporting to the Authority.

Part 6

The reviewer's follow-up of the review and reporting to the Danish Supervisory Authority on Auditing

S. 21. As soon as possible following the completion of the review, the reviewer shall prepare a limited assurance engagement.

(2) In the case of reviews conducted in audit firms which audit financial statements presented by companies as described in Section [21](#) (3) of the Danish Act on Approved Auditors and Audit Firms, a report shall moreover be prepared. The Danish Supervisory Authority on Auditing prepares guidelines for the form and content of the report.

(3) For quality assurance reviews performed by the Danish Supervisory Authority on Auditing itself, cf. Section [9](#), a report shall be prepared. Reviewers who are appointed by the Danish Commerce and Companies Agency, cf. Section [8](#) (1), shall also prepare a report.

S. 22. As soon as possible and no later than 15 November of the review year, the reviewer shall submit his or her assurance engagement and any report to the Danish Supervisory Authority on Auditing.

(2) The assurance engagement shall describe the object, type and scope of the review and provide an assessment of the results of the review. The reviewer shall include a clear statement as to whether the circumstances in Section [20](#) have been met. If the assurance engagement contains qualifications or supplementary information, including significant suggestions for improvements, this shall be clearly stated in the assurance engagement. The assurance engagement shall contain a conclusion, which states whether the audit firm complies with the requirements imposed on an audit firm of that particular type and size.

(3) A report presented in pursuance of Section [21](#) (2) shall also include an assessment of the contents of the most recently published transparency report, cf. Section [27](#) of the Danish Act on Approved Auditors and Audit Firms.

S. 23. Should the reviewer find that the quality assurance review cannot be performed or may only be performed with great difficulty, the reviewer shall immediately notify the Danish Supervisory Authority on Auditing hereof. The Authority shall undertake a closer investigation and assessment of the case and shall contact the audit firm to inform them of possible consequences of the review's non-performance.

Part 7

The Danish Supervisory Authority on Auditing's follow-up of submitted assurance engagements

S. 24. The Danish Supervisory Authority on Auditing may request the information, documents and assistance that the Authority deems necessary for the review performance, cf. Section [29](#) (4) and Section [35](#) (4) of the Danish Act on Approved Auditors and Audit Firms.

S. 25. If the assurance engagement in pursuance of Section [21](#) contains qualifications or supplementary information, the Danish Supervisory Authority on Auditing shall decide whether:

- 1) A reprimand be given in pursuance of Section [35](#) (5), second sentence, of the Danish Act on Approved Auditors and Audit Firms.
- 2) A reprimand with a follow-up review visit be given in pursuance of Section [35](#) (5), third sentence, of the Danish Act on Approved Auditors and Audit Firms.
- 3) The case shall be brought before the Disciplinary Board on Auditors in pursuance of Section [35](#) (6) of the Danish Act on Approved Auditors and Audit Firms.
- 4) The case shall be referred to the Prosecution Service or other public bodies.
- 5) And whether the audit firm shall be directed to immediately alter the transparency report, cf. Section [22](#) (3).

(2) The Danish Supervisory Authority on Auditing shall inform the Danish Commerce and Companies Agency on violations in connection with the control of the items stated in Section [20](#) (1), third, ninth and tenth sentence.

(3) The Danish Commerce and Companies Agency shall be notified if the audit firm fails to comply with the Danish Supervisory Authority on Auditing's direction to immediately alter the transparency report in pursuance of (1), fifth sentence.

Part 8

The Danish Supervisory Authority on Auditing's supervision of the reviewers

S. 26. The Danish Supervisory Authority on Auditing shall ensure that the reviewers perform the quality assurance review in pursuance of the [Danish Act on Approved Auditors and Audit Firms](#) and rules laid down in pursuance hereof, together with guidelines prepared by the Danish Supervisory Authority on Auditing in pursuance of this Executive Order.

S. 27. The Danish Supervisory Authority on Auditing may demand that the reviewer submit his or her working papers to the Authority and answer the Authority's questions; the Authority may decide to participate in the reviewer's visits or may itself perform the review at the audit firms.

S. 28. The Danish Supervisory Authority on Auditing may remove a reviewer from the lists in pursuance of Section [14](#), if the reviewer fails to submit the assurance engagement, report and working papers etc. in due time and if this is not done within the deadline specified by the Danish Supervisory Authority on Auditing. Section [18](#) (2) shall apply correspondingly.

(2) If the Danish Supervisory Authority on Auditing finds that a reviewer has disregarded his or her obligations, the Authority may, after having provided the person in question with the opportunity of commenting on the matter in writing:

- 1) Issue a written reprimand to the person in question.
- 2) Require that the person in question participate in one or more courses before continuing his or her duties as a reviewer.
- 3) Remove the person in question from the lists of reviewers, cf. Section [14](#); as well as decide to
- 4) Bring the person in question before the Disciplinary Board on Auditors; or
- 5) Refer the case to the Prosecution Service.

(3) If the Danish Supervisory Authority on Auditing has, in connection with the most recently completed review, ordered that the audit firm in which the reviewer is employed undergo a follow-up review, the authority may decide that the reviewer shall be removed from the lists of reviewers in pursuance of Section [14](#).

Part 9

Payment

S. 29. At the same time as the filing of the assurance engagement and any report to the Danish Supervisory Authority on Auditing, the reviewer shall submit a statement of the following:

- 1) The direct number of hours used per reviewer.
- 2) The direct number of hour's used and hourly rate of the other participants of the review.
- 3) The number of hours spent on transportation.
- 4) Expenses as invoiced.
- 5) Explanation of any significant deviation between the actual number of hours spent in comparison to the expected number of hours as stated in the agreement.

(2) The cost of the reviewer's and other participants' direct number of hours, cf. Section [29](#) (1), first and second sentences, are provisionally paid by the Danish Supervisory Authority on Auditing, but shall be met by the audit firm under review.

(3) Other costs in pursuance of Section [29](#) (1), third and fourth sentences, are provisionally paid by the Danish Supervisory Authority on Auditing, but shall be distributed proportionately between the audit firms reviewed during the review year based on the number of affiliated auditors.

(4) In the cases named in Section [9](#) (1), the costs of the Danish Supervisory Authority on Auditing shall be met by the Authority. The same shall apply to costs for other reviewers appointed in pursuance of Section [9](#) (2).

S. 30. The Danish Supervisory Authority on Auditing shall annually determine one or more hourly rates which shall be applicable for the reviewers named in Section [14](#) (1).

(2) If the reviewer has made use of other persons in connection with performance of the review, this person's hourly rate shall be reported, cf. Section [29](#) (1), second sentence. This hourly rate must not exceed the hourly rate determined in accordance with (1) above.

(3) In cases where the Danish Commerce and Companies Agency in pursuance of Section [8](#) has appointed other persons than an approved reviewer as reviewer, the total costs shall be provisionally paid by the Danish Supervisory Authority on Auditing, but shall be met by the audit firm under review.

Part 10

General provisions

S. 31. The decisions of the Danish Supervisory Authority on Auditing in pursuance of this Executive Order cannot be brought before higher administrative authority, cf. Section [51](#) (3) of the Danish Act on Approved Auditors and Audit Firms.

S. 32. The guidelines of the Danish Supervisory Authority on Auditing in pursuance of this Executive Order, together with the lists of reviewers, shall be publically available, cf. Section [14](#) (4).

S. 33. The Danish Supervisory Authority on Auditing may decide that the deadlines in Section [2](#) (2), Sections [5-7](#) and Section [22](#) (1) may be derogated from.

Part 11

Penal provisions, transitional provisions and commencement provisions

S. 34. If a reviewer repeatedly and grossly violates Section [7](#) (3) or fails to comply with his or her obligations in pursuance of Sections [19-23](#), he or she shall be penalised by a fine.

S. 35. When a reviewer is penalised in pursuance of Section [34](#), the Danish Supervisory Authority on Auditing shall remove the person from their lists in pursuance of Section [14](#).

(2) If a reviewer is penalised by a fine by the Disciplinary Board on Auditors for violation of the obligations prescribed by the Act or is recorded in the Central Criminal Register as a result of circumstances which are assessed as having importance for the performance of the duty as reviewer, the Danish Supervisory Authority on Auditing may remove the person from the lists in pursuance of Section [14](#).

(3) The Danish Commerce and Companies Agency shall be informed of the removal.

S. 36. Reviewers who as at 31 December 2008 are approved in pursuance of [Executive Order no. 337 of 10 May 2004](#) on quality assurance review and the activities of the Danish Supervisory Authority on Auditing, shall be added automatically to the lists in pursuance of Section [14](#) for the calendar year 2009 together with the four subsequent calendar years.

S. 37. The Executive Order shall enter into force on 1 February 2009.

NIELS HENRIK ENGLEV

/ Vibeke Sylvest Barfoed