

Act on Chartered Public Finance Auditors
(467/1999; amendments up to 1033/2008 included)

By decision of Parliament, the following is enacted:

Section 1 - *Scope of the Act*

- (1) This Act applies to the approval and supervision of chartered public finance auditors (*CPFAs*), hereinafter *auditors*, and chartered public finance auditing corporations (*CPFA corporations*), hereinafter *auditing corporations*. The Act applies to chartered public finance auditing in so far as provisions do not exist elsewhere in the law. Separate legal provisions apply for auditing performed by the National Audit Office of Finland. (1033/2008)
- (2) Sections 4, 5 and 24 of this Act do not apply to auditors acting in auditing other than statutory chartered public finance auditing functions.
- (3) Sections 4, 5, 23 and 24 of this Act do not apply if provided otherwise elsewhere in the law.

Section 2 (370/2005) - *Board of Chartered Public Finance Auditing*

The Board of Chartered Public Finance Auditing (*CPFA Board*) operates under the auspices of the Ministry of Finance.

Section 3 (1098/2000) - *General eligibility of auditors*

Auditors may not be legally incompetent, in a state of bankruptcy or prohibited from engaging in business operations, their eligibility may not have been restricted, and their actions may not have demonstrated that they are unsuitable for auditing work.

Section 4 (370/2005) - *Independence and public liability of auditors and auditing corporations*

- (1) Auditors and auditing corporations shall meet the requirements for carrying out an independent audit. If these requirements are not met, the auditor or auditing corporation shall refuse to accept the assignment or shall withdraw from it.
- (2) Auditors are subject to public liability. The provisions in section 24 of this Act apply to the liability to indemnify.

Section 5 (370/2005) - *Disqualification of auditors*

The provisions laid down in sections 27–30 of the Administrative Procedure Act (434/2003) apply to the disqualification of auditors.

Section 6 - *Good auditing practice*

In carrying out an audit assignment, auditors and auditing corporations shall follow good chartered public finance auditing practice.

Section 6a (1033/2008) *Quality assurance*

- (1) Auditors shall monitor the quality of their auditing and take part in quality control as laid down in section 15 of this Act.
- (2) Auditors who are public officials of the National Audit Office are obligated to take part in quality control procedures as laid down in section 15 of this Act in so far as they carry out auditing for bodies other than the National Audit Office. In all other respects, the National Audit Office supervises the quality of the auditing of its public officials employed as auditors and carries out quality control for all auditing duties laid down for the National Audit Office.

Section 7 (1033/2008) - *Approval of auditors*

- (1) On application, the Board approves as an auditor a person who is generally eligible and has passed the chartered public finance auditing examination (*CPFA examination*), hereinafter the *examination*.
- (2) Before approval as an auditor, an applicant shall submit to the Board an affirmation on chartered public finance auditing in writing, the content of which shall be given by Government Decree.

Section 8 (370/2005) – *Examination*

Provisions on the structure of the examination, the method by which it is taken and the required subjects of study shall be given by Decree of the Ministry of Finance.

Section 9 (1033/2008) - *Eligibility for the examination*

- (1) Persons are entitled to take the examination if they
 - 1) have a higher academic degree;
 - 2) have completed any other required studies;
 - 3) have worked in public administration and finance for at least three years; and
 - 4) have worked in auditing or for the National Audit Office as an auditor for a minimum of three years.
- (2) In so far as the experience referred to in subsection 1(4) was acquired in statutory auditing, at least two thirds of this must have been under the guidance of a chartered public finance auditor or a certified public auditor as laid down in section 2 of the Auditing Act (459/2007).
- (3) As an exception to the requirements referred to in subsections 1 and 2 above, the examination can also be taken by persons who successfully complete the supplementary studies for the subjects referred to in subsection 1(2), and:
 - 1) have a minimum of seven years' experience in demanding duties in public administration accounting, finance and law, and a minimum of three years' practical experience in auditing; or
 - 2) have served professionally for 15 years in auditing or in comparable duties.
- (4) Supplementary studies can account for a maximum of half the subject area for each subject in the curriculum.
- (5) Further provisions shall be given by Decree of the Ministry of Finance on the:
 - 1) extent and content of the studies referred to in subsection 1(2);
 - 2) nature of the experience obtained in public administration and finance referred to in subsection 1(3);
 - 3) nature of the auditing experience referred to in subsection 1(4);
 - 4) nature of the auditor's guidance referred to in subsection 2;
 - 5) nature of the experience referred to in subsection 3;
 - 6) supplementary studies referred to in subsection 3 and which subject areas these studies substitute;
 - 7) duration of the validity of the qualification.

Section 9 a (370/2005) – *Auditor's report*

- (1) The auditor shall submit an auditor's report on each accounting period. Provisions on the content of the auditor's report shall be issued separately.
- (2) When the audit is complete, the auditor shall make an entry in the accounts to this effect, in which a reference shall be made to the auditor's report.
- (3) If, during the accounting period, the auditor finds something significant to remark on concerning the administration or finances of the organization being audited, he/she shall give notification of this without delay to the board of directors or other equivalent organ of the organization being audited.

Section 10 - *Approval of an auditing corporation*

On application, the Board approves as an auditing corporation a limited company, limited partnership or general partnership that is not in a state of bankruptcy and meets the following requirements:

- 1) the company's sphere of operations according to the Trade Register is auditing and related activities;
- 2) more than two thirds of the partners in a general partnership or of the partners in a limited partnership are auditors working in the company or auditing corporations, and, in a limited company, more than two thirds of all the shares and the votes conferred by them are held by auditors working in the company, auditing corporations, public corporations or associations whose members are all public corporations;
- 3) more than two thirds of the members of the board of directors of a limited company shall be auditors or otherwise thoroughly familiar with public finance auditing.

Section 11 (370/2005) - *Accountable auditor in an auditing corporation*

If an auditing corporation is chosen for the audit, it shall, without delay, give the organization to be audited and the party commissioning the audit notification of who will be the accountable auditor and who will be his/her deputy. The accountable auditor and his/her deputy must be chartered public finance auditors.

Section 12 (1033/2008) - *Board composition and personnel*

- (1) The Board consists of a chair, a deputy chair and a minimum of seven and a maximum of nine other members; apart from the chair and deputy chair, each member shall have a personal deputy. The Government appoints the chair, the deputy chair, the other members and their deputies for three years at a time. At least one member shall have a Master of Laws degree. In addition, of the members:
 - 1) three shall be appointees proposed by the central organization of local authorities;
 - 2) at least one member shall be an appointee proposed by the National Audit Office;
 - 3) two of the members shall represent higher education establishments; and
 - 4) at least one member shall represent auditors.
- (2) A chartered public finance auditor may not be appointed as the chair or deputy chair of the Board. The majority of the members shall be persons other than chartered public finance auditors or ones whose qualification as a chartered public finance auditor has expired more than three years ago or who has been deleted from the register more than three years ago.
- (3) The above provisions governing Board members also apply to deputy members.
- (4) The Board may have a secretary or secretaries and other necessary personnel.
- (5) The Board members, deputy members and secretary shall be thoroughly familiar with public finance auditing.

Section 13 - *Duties of the Board*

- (1) The duties of the Board are to
 - 1) provide general guidance and supervision concerning auditing carried out by auditors and auditing corporations;
 - 2) decide the outcome of applications to take the examination, and to confirm its date and time;
 - 3) arrange the examination and to decide whether to pass participants;
 - 4) decide on the approval of an auditing corporation;
 - 5) maintain a register of auditors and auditing corporations as separately provided for;
 - 6) submit motions and proposals to improve public finance auditing;
 - 7) ensure the availability of training in public finance auditing;
 - 8) carry out any other duties provided for it.

- (2) When arranging the examination, the Board is entitled to use outside experts and other personnel. (370/2005)

Section 14 - *Register of auditors and auditing corporations*

- (1) The Board maintains a register of auditors and auditing corporations (*CPFA register*), hereinafter the *register*.
- (2) The register contains each auditor's name and date of birth, and the date on which the entry was made. In the case of auditing corporations, the company name and date of entry are recorded. Information on warnings and admonitions given under section 21 is also entered in the register as soon as the decision has become legally valid.
- (3) The register is open to public inspection. Certificates and extracts are given on request.
- (4) Only auditors and auditing corporations listed in the register are entitled to use the title chartered public finance auditor (*CPFA*) or chartered public finance auditing corporation (*CPFA corporation*).

Section 15 (370/2005) – *Supervision and quality control* (1033/2008)

- (1) Supervision by the Board shall ensure that auditors maintain their professional skill, that auditors and auditing corporations continue to meet the requirements for approval under this Act, and that they comply with the provisions given in this Act and other auditing provisions. If deficiencies are found in the above respects, the Board will take the necessary measures.
- (2) The Board shall supervise the quality control of auditors and auditing corporations. The Board:
 - 1) executes quality control themselves or commissions it from outside experts;
 - 2) determines the content and execution format of quality control;
 - 3) commissions quality control for an auditor at most every six years;
 - 4) commissions quality control for an auditing corporation at most every four years;
 - 5) decides on any measures deemed necessary for quality control. (1033/2008)
- (3) The Board is entitled to use outside experts for the purpose of implementing its supervision and quality control duties.

Section 15 a (370/2005) - *Application of administrative law provisions*

- (1) The provisions of the Administrative Procedure Act, the Language Act (423/2003) and the Act on the Openness of Government Activities (621/1999) apply to the persons referred to in sections 13(2) and 15(3) of this Act.
- (2) In performing duties under this Act, the persons referred to above in subsection 1 are subject to public liability.

Section 16 (370/2005) - *Duty to disclose information*

- (1) The Board and the outside experts referred to in section 15(3) are entitled to receive from auditors and auditing corporations all documents and recorded data that they consider necessary for the supervision of activities. Furthermore, the party under supervision shall supply the Board with any information and clarifications it requests for supervision purposes without delay.
- (2) What is provided in section 18 or elsewhere in the law on the confidentiality duty of auditors does not apply to the surrender of documents, other recorded data, information or clarifications for the purposes of supervision or quality assurance.

Section 17 - *Confidentiality duty of the Board* (370/2005)

- (1) The persons referred to above in sections 12, 13(2) and 15(3) may not derive private benefit from, or divulge to third parties, what they may have learnt in the course of their duties about the financial status of an auditor, an auditing corporation or another party, their business or professional secrets, or the private affairs of a citizen, unless the party in whose interest the confidentiality clause has been enacted agrees to surrender of the information. (370/2005)

- (2) What is provided in subsection 1 does not prevent surrender of the necessary information or documents:
 - 1) to a government, local or other authority for the purposes of that authority's supervisory or other duties laid down by law;
 - 2) to a police or other criminal investigation authority, customs or prosecution authority or to a court of law for the purposes of investigating a crime;
 - 3) to a European Union institution or other competent authority, if the Union legislation so requires; or
 - 4) if an international convention binding on Finland requires their surrender.

Section 18 - *Confidentiality duty of auditors and those employed by auditing corporations*

- (1) Auditors and those employed by auditing corporations may not derive private benefit from, or divulge to third parties, what they may have learnt in the course of their duties about the financial status of an auditor, an auditing corporation or another party, their business or professional secrets, or the private affairs of a citizen, unless the party in whose interest the confidentiality clause has been enacted agrees to surrender of the information.
- (2) What is provided in subsection 1 does not prevent surrender of the necessary information or documents:
 - 1) to a government, local or other authority for the purposes of that authority's supervisory or other duties laid down by law;
 - 2) to a police or other pretrial investigation authority, customs or prosecution authority or to a court of law for the purposes of investigating a crime;
 - 3) to a European Union institution or other competent authority, if the Union legislation so requires; or
 - 4) if an international convention binding on Finland requires their surrender.

Section 19 (1033/2008) – *Termination of approval and its reinstatement*

The approval of an auditor is terminated for a fixed period where an application is submitted by the auditor to the Board. Where an auditor still meets the provisions for auditors laid down in section 7 of this Act and the requirements for professional skills and updating said skills, the approval of an auditor may be reinstated by application.

Section 20 – *Withdrawal of approval*

- (1) The Board shall withdraw the approval of an auditor or auditing corporation if:
 - 1) the auditor or auditing corporation has intentionally or through gross negligence acted contrary to provisions and instructions concerning the work of chartered public finance auditors;
 - 2) the auditor or auditing corporation has intentionally or through gross negligence, despite being warned, repeatedly neglected his/her duties as an auditor or its duties as an auditing corporation;
 - 3) the auditor is no longer professionally competent or no longer meets the requirements for approval laid down in this Act;
 - 4) the auditing corporation no longer carries out auditing work or does not meet the requirements for approval laid down in this Act.
- (2) The approval of an auditor or auditing corporation can also be withdrawn for a fixed period of up to two years.
- (3) Even where an appeal is made, the withdrawal of an approval can be declared effective if there are extremely weighty reasons to do so.
- (4) Repealed by Act 370/2005.

Section 21 - *Warning and admonition*

- (1) If an auditor or auditing corporation has, through carelessness or negligence, acted contrary to the provisions and instructions concerning the work of chartered public finance auditors, or neglected his/her duties as an auditor or its duties as an auditing corporation, the Board shall issue the auditor or auditing corporation with a warning.
- (2) If the action by an auditor or auditing corporation referred to in subsection 1 has taken place under mitigating circumstances, the Board shall issue the auditor or auditing corporation with an admonition instead of a warning.

Section 21a (1033/2008) – *Deleting data from the register*

- (1) Information concerning persons who have reached the age of 70 during the calendar year is deleted from the register at the end of the calendar year. Information held in the register on warnings or admonitions is deleted five years after its entry.
- (2) Information concerning an auditor or an auditing corporation can also be permanently deleted from the register on the initiative of the auditor or corporation in question.
- (3) Where the approval of an auditor or auditing corporation has been terminated or withdrawn for a fixed period, the Board shall delete all data pertaining to the auditor or auditing corporation from the register.

Section 22 - *Appeal procedure*

- (1) A party dissatisfied with a Board decision is entitled to submit a written request for rectification to the Board. The request for rectification shall be submitted within 30 days of receiving notification of the decision. No appeal can be made against a Board decision.
- (2) In the case of the Board's decision concerning a request for rectification, an appeal can be filed with the Helsinki Administrative Court. (1098/2000)
- (3) A request for rectification or an appeal can be filed by parties:
 - 1) whose application to take the examination has been turned down;
 - 2) who have failed the examination or are not considered to meet other eligibility criteria;
 - 3) whose application to be approved as an auditing corporation has been turned down;
 - 4) who have been given a warning or an admonition;
 - 5) whose approval has been withdrawn. (370/2005)
- (4) What is provided in the Administrative Juridical Procedure Act (586/1996) applies to appeals.

Section 23 - *Penalty provisions*

- (1) A party who, contrary to section 14(4), uses the title of auditor or auditing corporation or some other description, to the effect that the party may be mistaken for an auditor in the sense referred to in this Act, shall be sentenced to a fine for *unauthorized use of the professional title of CPFA*.
- (2) The penalty for breaking the confidentiality duty laid down in section 17(1), or in section 18(1), is determined in accordance with Chapter 38, section 1 or 2, of the Penal Code unless the act is punishable under Chapter 40, section 5, of the Penal Code, or unless more severe punishment is prescribed elsewhere in the law.

Section 24 - *Indemnity liability*

- (1) Auditors are required to indemnify any losses that they may intentionally or through negligence have caused to the audited organization or foundation. The same applies to losses caused to a shareholder or member of the audited organization or foundation or some other person through violation of this Act or rules and regulations concerning the audited organization or foundation. Auditors are also liable for loss caused by their assistants, either intentionally or through negligence.
- (2) If an auditing corporation has been chosen to carry out an audit, the auditing corporation and the accountable auditor are liable for any losses.

- (3) What is provided in Chapters 2 and 6 of the Compensation for Damages Act (412/1974) applies to arbitration of indemnity liability and to shared liability between two or more liable parties.

Section 25 (370/2005) - *Further provisions*

Further provisions concerning the Board's composition, personnel and duties, the undertaking of quality assurance and the submission of reports to be given to the Board shall be issued by Government Decree.

Section 26 - *Entry into force*

- (1) This Act enters into force on 1 July 1999.
- (2) The Decree on the examination for chartered public finance auditors and on CPFA corporations (926/1991) issued on 14 June 1991, as amended, is repealed by this Act. (1098/2000)
- (3) Measures necessary for the implementation of this Act may be undertaken before the Act's entry into force.

Section 27 - *Transitional provisions*

- (1) CPFAs and CPFA corporations entered in the CPFA register under the Decree now repealed will be entered without separate application in the register referred to in this Act as approved auditors and auditing corporations. Those accepted by the CPFA Board to take the CPFA examination before the Act's entry into force will continue to be entitled to take the examination as decided by the Board. However, this right will expire on 31 December 2001 at the latest.
- (2) CPFAs entered in the CPFA register under the Decree now repealed shall submit a report on their activities to the CPFA Board five years after their entry in the CPFA register under the Decree. The report must, however, be submitted within the period laid down in the decree to be issued under this Act.
- (3) As an exception to the requirements laid down above in section 9(1), persons who have a lower academic degree applicable to auditing are also entitled, until 31 December 2003, to take the examination.
- (4) The requirement of working under the guidance of an auditor laid down in section 9(2) above shall apply to auditing experience acquired in the period after six years have elapsed since the entry into force of this Act. (370/2005)
- (5) The CPFA Board set up under the Decree now repealed will continue its work as the Board referred to in this Act until the end of its term.
- (6) Any references elsewhere in the law to the Decree now repealed shall be considered to refer to this Act after the Act's entry into force.

Entry into force and application of amendments:

1098/2000

- (1) This Act enters into force on 1 January 2001.
- (2) Section 19 of the Act applies in its amended form as of 31 December 2000.
- (3) Persons deleted from the register of Chartered Public Finance Auditors under section 19(1) or the latter clause of section 5(3) of the decree referred to in section 26(2) before the entry into force of this Act who are under 70 years of age at the time of entry into force of the Act are entitled to be re-registered by submitting a written notification to the Finnish Board for Chartered Public Finance Auditors. The notification must be submitted to the Board within six months of the entry into force of this Act.

370/2005

- (1) This Act enters into force on 1 August 2005.
- (2) Measures necessary for the implementation of this Act may be undertaken before the Act's entry into force.

- (3) The first application of sections 9 a and 11 of the Act shall be for the accounting period beginning after the Act's entry into force.
- (4) As an exception to the provisions on other required studies laid down in section 9(1)(2) of the Act, the provisions that were valid when this Act enters into force shall apply until the end of 2007 to applicants granted eligibility on the basis of section 9(3)(1), and until the end of 2009 to applicants granted eligibility on the basis of section 9(3)(2).
- (5) As an exception to the degree requirements referred to in section 9(3)(2) of the Act, persons with a vocational qualification in business and administration who have been granted eligibility by the Board before the end of 2007 are also entitled to take the examination.

1033/2008

- (1) This Act enters into force on 1 January 2009.
- (2) The requirement laid down in section 9(1)(2) of the Act shall apply as of 1 January 2010 to applicants granted eligibility on the basis of section 9(3)(2) of the Act. The supplementary studies referred to in section 9(3) and (4) of the Act shall apply as of 1 January 2010.
- (3) Section 12 applies to members appointed to the Board once the Act has entered into force.