

This is an English translation.

The original Icelandic text, as published in the Law Gazette (Stjórnartíðindi), is the authoritative text. Should there be discrepancy between this translation and the authoritative text, the latter prevails.

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Entered into force 1 January 2009. EEA Agreement: Annex XXII, Directive 2006/43/EC. Amended by Act No. 98/2007 (entered into force 1 October 2009, except for Articles 69 and 70, which entered into force 1 January 2010).

## Chapter I. General provision

### Article 1

#### Definitions

For the purposes of this Act the following definitions shall apply:

1. auditor: A person possessing the knowledge to give an objective and dependable opinion regarding accounts and other financial information, is certified to work as an auditor and complies in other respects with the conditions of this

Act;

2. audit: An independent and systematic gathering of information and evaluation thereof for the purpose of expressing the reasoned and professional opinion of an auditor regarding the reliability and presentation of the information in compliance with law, statutory accounting rules or other conditions referred to in the opinion;

3. audit firm: An undertaking which has obtained registration to carry out audits pursuant to the provisions of this Act;

4. audit committee: A committee as defined in Chapter IX of Act No. 3/2006 on annual accounts;

5. network of audit firms: auditors or audit firms who are in co-operation which is aimed at profit- or cost-sharing or shares common ownership, control or management, common quality-control policies and procedures, a common business strategy, the use of a common brand-name or a significant part of professional resources;

6. international auditing standards: International standards on auditing (ISA) and related statements and standards,

insofar as relevant to audits, which have been approved by the EU Commission pursuant to Article 26 of Directive 2006/43/EC and incorporated into the Icelandic legal order.

7. public-interest entity:

- a. a legal person domiciled in Iceland with securities listed in a regulated market in a state within the European Economic Area, a state party to the Convention establishing the European Free Trade Association or the Faeroe Islands;
- b. a pension fund possessing a valid operating licence;
- c. a credit institution as defined in Act No. 161/2002 on financial undertakings;
- d. a company possessing a licence to engage in insurance activities in Iceland pursuant to Act No. 60/1994 on insurance activities.

## Chapter II. Qualifications of auditors

### Article 2

The Minister confers qualifications by means of certification to carry out audits. To obtain certification an applicant must fulfil the following conditions:

- 1. be domiciled in Iceland or be a citizen of a member

state of the European Economic Area, a state party to the Convention establishing the European Free Trade Association or the Faeroe Islands;

2. be of legal age and have been competent to manage his or her estate for the preceding three years;

3. have an unblemished reputation, as required for eligibility to the Althing;

4. have completed masters studies in auditing and accounting approved by the Public Auditors' Oversight Board;

5. have passed an examination in accordance with Article 5;

6. have worked for a minimum of three years under the guidance of an auditor on auditing annual accounts or other accounts at an audit firm;

7. have professional indemnity insurance coverage, as provided in Article 6.

If an auditor qualified as such in a member state of the European Economic Area, a state party to the Convention establishing the European Free Trade Association or the Faeroe Islands wishes to obtain certification to carry out

audits in Iceland, he or she must pass a qualification examination in tax law and company law and applicable rules.

The Minister may, on the recommendation of the Public Auditors' Oversight Board, grant certification to carry out audits to individuals who can prove that they have completed studies and passed an examination outside Iceland which is regarded as compliant with the requirements made in points 4, 5 and 6 of the first paragraph above, provided that they meet the provisions of points 2, 3 and 7 of the same paragraph. Such individuals shall pass a qualification examination in tax law and company law and applicable rules.

The Public Auditors' Oversight Board may exempt individuals who have completed other studies with auditing as an elective field from the provisions of point 4 of the first paragraph above, provided that the Council is satisfied that the applicant has sufficient knowledge of the issues that relate to auditors and their work.

Before certification is granted, an applicant shall make a