

THE AUTHORISATION AND SUPERVISION OF AUDITORS AND AUDIT FIRMS IN FINLAND

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<http://www.finlex.fi/fi/> (The Auditing Act 459/2007 in English)

The Legal Requirements of Audits and Auditors

The new Auditing Act entered into force 1 July 2007. It contains the basic and the general provisions on the statutory audit, the qualification requirements of auditors and the regulation of the authorisation and supervisory organisation¹. At the same time, provisions on the statutory audit and auditors laid down in several other acts and regulations were amended. The scope of the Auditing Act covers the statutory audit and other audit activities prescribed by law or decree to be carried out by a statutory auditor. Certain articles of the Auditing Act shall also apply to any other activities carried out by an authorised auditor in this capacity.

The Auditing Act conforms to the law of the European Union complying with the Directive of the European Parliament and of the Council of annual accounts and consolidated accounts (2006/43/EC).

More detailed provisions on the enforcement of the Auditing Act are laid down in the Auditing Decree that entered into force at the same time with the Auditing Act. The Finnish Institute of Authorized Public Accountants has also an important role in developing generally accepted auditing standards in Finland, which are published annually.

The Chamber of Commerce Act (878/2002) contains the basic regulation of the organisation and objectives of the Chamber of Commerce organisation. Pursuant to the Act the Central Chamber of Commerce carries out duties, which are prescribed in the Auditing Act. In other Acts and Decrees there are also special provisions on issues characteristic to the audit of different legal entities, such as limited liability companies, banks and insurance companies.

The Authorised Auditors in Finland

There are two categories of authorised auditors in Finland defined in the Auditing Act section 2:

- 1) KHT auditors, authorised by the Central Chamber of Commerce of Finland; and
- 2) HTM auditors, authorised by regional Chambers of Commerce².

According to the Auditing Act and other laws it is also allowed to elect an authorised audit firm as an auditor. There are two kinds of authorised audit firms in Finland:

- 1) KHT audit firms, authorised by the Central Chamber of Commerce of Finland;
and
- 2) HTM audit firms, authorised by regional Chambers of Commerce.

In January 2009, there were 703 KHT auditors and 735 HTM auditors in Finland. In addition, there were 44 KHT and 30 HTM audit firms. The big international audit firms operating in Finland have usually the status of an authorised KHT audit firm.

The Objectives of the Audit

According to the Auditing Act, all registered companies, foundations and other legal entities must appoint an auditor to audit their annual accounts (including consolidated ac-

¹ This presentation is based on the provisions of new Auditing Act.

² There are 19 regional Chambers of Commerce in Finland.

counts). However, the smallest companies are exempt from this requirement.

According to the Auditing Act, the auditor shall audit the accounting records of the financial period, the financial statements and the corporate governance of a company or a foundation.

The main objectives of the audit according to the law requirements are:

- to confirm that the financial statements are presented according to the law;
- to confirm that the administration (corporate governance) has been legally conducted
- to accomplish other responsibilities laid down in the law.

All statutory auditors and audit firms are subject to a system of quality assurance, which aims at maintaining high quality for the audits.

The Main Responsibilities of Auditor

According to the Auditing Act, all statutory auditors and audit firms are subject to principles of professional ethics, covering at least their public-interest function, their integrity and objectivity and their professional competence and due care (section 20).

Each auditor has an obligation to observe good auditing practice. This means that not only in carrying out his duties as a statutory auditor, but also in audit related consultation, he must comply with good auditing practice. In order to comply with good auditing practice the auditor must respect laws and other regulations as well as follow the procedures generally conducted by so called carefully operating professionals.

The Institute of KHT auditors has issued a Code of Ethics and implemented all of the ISA standards of the Council of the International Federation of Accountants (IFAC). The same standards apply on audit carried out by HTM auditors and HTM audit firms. The auditing standards constitute an important source for good auditing practice.

Pursuant to the Auditing Act, statutory auditors and audit firms carry out statutory audits in compliance with international auditing standards adopted by the Commission³ (section 13).

The official supervisors, such as the Auditing Board of the Central Chamber of Commerce, often express their view of the contents of good auditing practise.

The Auditor's Report

The contents of the audit report are laid down in the law. According to the Auditing Act, the auditor's report must contain a statement on following issues:

- 1) whether the financial statements give a true and fair view, in accordance with the Accounting Act, of the company's or foundation's result of operations and its financial position; and
- 2) whether the annual report is consistent with the financial statements for the same financial year.

³ See Statutory Auditors' Independence in the EU: a Set of Fundamental Principles (2002/590/EY).

The auditor's statement on the financial statements follows a standard form and either approves the delivered financial information or not. If the auditor is not able to give his or her statement, this must be mentioned in the auditor's report.

In addition to this, the auditor must also give a statement on his or her observations on the company's administration. Thus, a remark must be made in the auditor's report if a Partner, Member of the Board of Directors or an equivalent body, Executive Director or other accountable person has:

- 1) breached the law and thus should be held liable for compensation for the losses that have been caused to the company; or
- 2) violated the articles of association, deed of partnership or equivalent rules of the company or other legal entity in question.

An auditor of a parent company or foundation must also give a separate group report, in accordance, *mutatis mutandis*, with the rules mentioned above (laid down in clauses 1-4).

Where necessary, the auditor is to supplement the information given in the annual accounts. The auditor may give supplementary information, where he or she considers it necessary.

The Qualification Requirements for Appointment of Auditor

The general legal requirements concerning any auditor are laid down in sections 2 and 3, and in chapter 4 of the Auditing Act.

An auditor has to be a person or an authorised firm of auditors. An auditor must have such knowledge and experience about accountancy, he or she must act honestly and in good faith, objectively and taking the public interest into account. Additionally, every auditor must maintain his or her professional skills: a person lacking full legal capacity, being in bankruptcy, or banned from business operations may not be elected as an auditor. At least one of the auditors of a company or a foundation has to be resident in the European Economic Area, or to be an authorised firm of auditors referred in the Auditing Act.

The obligation to elect an auditor (KHT or HTM auditor or KHT of HTM audit firm) depends on the size of the company or foundation. Pursuant to the Auditing Act, a company or other legal entity is exempt from the obligation to appoint an auditor, if no more than one of the following criteria is fulfilled:

- 1) The balance sheet total in the annual accounts for the preceding financial period was in excess of EUR 100 000;
- 2) Turnover or comparable net sales in the annual accounts for the preceding financial period was in excess of EUR 200 000;
- 3) The average number of employees during the preceding financial period exceeded 3.

Regardless of the above mentioned conditions, a company is obligated to appoint an auditor if its primary field of operation is to buy or possess stocks and, by doing so, to gain control over another companies (a holding company). Furthermore, even the smallest companies have a right to choose an auditor even if they do not have to.

As another exception to the above mentioned provision, pursuant to the transitional provisions the new Auditing Act a company has the right to appoint an unauthorized auditor till the end of year 2011, if the following criteria are fulfilled:

- 1) the balance sheet total in the annual accounts for the preceding financial period was in excess of EUR 340 000;
- 2) turnover or comparable net sales in the annual accounts for the preceding financial period was in excess of EUR 680 000;
- 3) the average number of employees during the preceding financial period was less than 10.

At least one of the auditors has to be an auditor or an audit firm authorised by the Central Chamber of Commerce (KHT auditor or KHT audit firm) where at least two of the following three conditions are met by the company or the foundation:

- 1) The balance sheet total in the financial statements for the preceding financial period was in excess of EUR 25 million;
- 2) Turnover or comparable net sales in the financial statements for the preceding financial period was in excess of EUR 50 million;
- 3) The average number of employees during the preceding financial period exceeded 300.

These criteria shall also apply to a company that has issued securities subject to public trade, pursuant to the Securities Market Act (495/89), or to a company or a foundation, which is a parent of a group, where at least the group meets two of the three conditions.

The Authorisation Requirements of Auditors

A certain educational background, professional experience and an examination of professional competence is required for both categories of authorised auditors. The detailed requirements are prescribed in the regulations given by the Ministry of Employment and the Economy.⁴

In order to be authorised by the Central Chamber of Commerce (for a KHT auditor), the candidate must be a person who has not turned out to be unfit as an auditor and who

- possesses the personal attributes;
- has a full legal capacity and is not in bankruptcy;
- does not carry out any secondary activities which are likely to endanger his independence as an auditor or the conduct of an audit;
- has attained a higher university degree;
- has completed studies necessary for the duties of an auditor in subjects which are laid down in the regulation of the Ministry of Employment and the Economy;
- has obtained a minimum of 3 years' practical experience under the supervision of a KHT auditor or experience of equally demanding auditing and accounting activities as prescribed in the regulation of the Ministry of Employment and the Economy; and
- has proven his or her proficiency by passing the auditors' examination of professional competence, the detailed contents of which have been prescribed in a regulation of the Ministry of Employment and the Economy, and has thereafter given the auditor's affirmation before the Court.

⁴ See a degree issued by the Ministry of Employment and the Economy (262/2008).

In order to be authorised by the regional Chamber of Commerce (for an HTM auditor), a person must satisfy otherwise similar conditions as auditors authorised by Central Chamber of Commerce with the following exceptions:

- the grounding education may be a lower university or polytechnic degree;
- the three years' practical experience may be less demanding;
- the examination of professional competence is more concise.

In addition to the above mentioned educational route, there is an experience route (7+3 or 15 years' experience) in order to be authorised.

The authorisation ceases at the age of 70. All authorised auditors (KHT and HTM auditors as well as KHT and HTM audit firms) are registered in a public register, which is situated in the Central Chamber of Commerce (from 1 July 2007).

The Authorisation Requirements of Audit Firms

To be authorised by the Central Chamber of Commerce (for a KHT audit firm), an audit firm must satisfy the following conditions:

- the firm's legal form is limited company or partnership;
- the firm has the capacity to perform in the field of audit and related activities;
- in a limited liability company majority of the shares and voting rights has to be held by KHT auditors employed by the firm, or by KHT audit firms; in a partnership the majority of the partners or personally liable partners must be active KHT auditors, or KHT audit firms; and
- at least 2/3 of the Board of Directors and their substitutes and the Chairman of the Board and the Vice Chairman of the Board must be KHT auditors and employed by the firm

To be authorised by a regional Chamber of Commerce (for an HTM audit firm), an audit firm must satisfy other similar conditions, but in addition an HTM auditor or an HTM audit firm may be a partner, a shareholder, a member of the Board etc. instead of a KHT auditor of a KHT audit firm.

Recognition of Foreign Qualifications

As Finland is a member state of the European Union, the articles of the Directive 2006/43/EC concerning approval, including mutual recognition of qualifications have been implemented.⁵ The system for approval means in practice that, for instance, if a German *Wirtschaftsprüfer(in)* wishes to start professional activity as an authorised KHT auditor in Finland, he or she must apply for approval. The German authorisation will be recognised after he or she has passed a compulsory aptitude test in Finland. After the application is approved, the applicant will be licenced and registered as a KHT auditor in the register of Auditing Board of the Central Chamber of Commerce.

In order to become mutually approved as a statutory KHT auditor, the applicant has to submit a written application to the Auditing Board of the Central Chamber of Commerce. If he or she wants to apply for recognition as an HTM auditor, the applicant must submit a written application to the Auditing Committee of a Chamber of

⁵ See Article 14 of Directive of 17 May 2006 (2006/43/EC) on the approval of statutory auditors from other Member States. See also Directive of 21 December 1988 (89/48/EEC) on a (first) general system for the mutual recognition of higher education diplomas and the Directive (92/51/EEC) on a second general system for the recognition of professional education and training, which supplements the first general system.

Commerce. The applicant auditor must give evidence (relevant documents) that he or she is has a professional qualification as an authorised auditor in a Member State.

The aptitude test is not the same as the professional examination which is arranged to the Finnish applicants. The aptitude test is a “tailor made” test. The focus of the test is on issues related to international audits.

The procedure takes usually less than a year. The professional examinations are held once a year, usually at the end of August each year.

It must be noted that provision of statutory services as a statutory auditor always require licencing and registration in Finland. Thus provision of cross border statutory services can not be legally provided from other Member States to Finland without passing an aptitude test and registration in Finland. This applies also to cross border provision of services for other activities as regulated by the Directive 2005/36/EC and the Directive 2006/123/EC.

There is no mutual recognition for auditors who have been authorised outside the European Union; nor is there mutual recognition for audit firms either. These applicants should fulfil all the same qualifications as domestic applicants.

The Guidance, Development and Supervisory Organisation

The Ministry of Employment and the Economy has the general responsibility of legislation and regulation of accounting and auditing as well as of the functioning of the auditing system in Finland.

The Ministry has no specific oversight tasks over the auditors or bodies within the auditing system but has a general task of guaranteeing its proper structure and functions.

In accordance with the Auditing Act, the Ministry however has some other tasks relating to the auditing system and oversight bodies such as appointing members of oversight bodies and giving decrees e.g. on financing of the public oversight (amount of fees) and thus in that role assesses the budget of the Auditing Board of the Central Chamber of Commerce.

The Ministry also licenses Chambers of Commerce. According to Chambers of Commerce Act, Section 3, the approval to establish a Chamber of Commerce shall be granted by the Ministry upon proposal by the Central Chamber of Commerce of Finland. Approval may be granted to an organization providing the financial and operational resources required to carry out the public duties as prescribed for a Chamber of Commerce. The Ministry may withdraw an approval referred to above, if the essential requirements for granting such approval are no longer being fulfilled.

The Chambers of Commerce and the Central Chamber of Commerce are *sui generis* entities. The various Chambers of Commerce are not associations. Their identity and establishment is regulated by the Chamber of Commerce Act (878/2002). According to the Act a Chamber of Commerce is a member organization of the Central Chamber of Commerce of Finland, and its area of operation is as confirmed by the Central Chamber of Commerce of Finland. The purpose of a Chamber of Commerce is to develop the operational facilities for trade and industry within its area of operation and to perform public duties as prescribed.

The Central Chamber of Commerce of Finland is an organization comprised of the Chambers of Commerce. The Central Chamber of Commerce of Finland is operating as a joint body of the Chambers of Commerce and supports the Chambers of Commerce in performing their duties. The Central Chamber of Commerce of Finland shall develop the operational facilities of trade and industry on a national level, grant Medals of Merit as recognitions by the Finnish trade and industry and perform public duties as prescribed.

Unless otherwise provided in this Act, a Chamber of Commerce and the Central Chamber of Commerce of Finland shall be governed by the Associations Act (503/1989).

The Auditing Board of the Central Chamber of Commerce is subject to the Administrative Procedure Act and Act on the Openness of Government Activities and other laws which are applied to public functions - not only because of Section 44 of the Auditing Act - but also because this legislation binds all public functions on the basis of the Finnish Constitution.

The Auditing Board of the Central Chamber of Commerce has authorised auditors in Finland since 1925. The Auditing Committees of the regional Chambers of Commerce have authorised auditors since 1950. Audit firms have been authorised by the Auditing Board of the Central Chamber of Commerce and by the Auditing Committees of the local Chambers of Commerce since 1983. Nowadays there are 19 local Chambers of Commerce and 16 Auditing Committees in Finland.

According to the Auditing Act the Auditing Board of the Central Chamber of Commerce shall authorise auditors and audit firms and organise the auditors' examinations for both categories of auditors.

The Auditing Board of the Central Chamber of Commerce shall supervise and take appropriate measures to ensure that the auditors and audit firms authorised by it maintain their proficiency and other qualifications required for the authorisation and that they observe the Auditing Act and any rules given by virtue thereof.

The mission of the Auditing Board of the Central Chamber of Commerce has been defined in the Auditing Act (459/2007). The tasks of the Auditing Board of the Central Chamber of Commerce are defined as follows:

- to authorise KHT auditors and audit firms
- to oversee the operations of KHT auditors and KHT audit firms and to ascertain that the qualifications required for approval are maintained
- to maintain the Auditor register
- to lead and develop authorisation and supervision of auditors
- to arrange KHT and HTM examinations on an annual basis
- to be responsible for international cooperative oversight activities
- to take care of other tasks as provided for in the Auditing Act

In addition, the Auditing Board of the Central Chamber of Commerce is taking initiatives to improve and develop the audit industry's legislative and operative environments.

The Auditing Board of the Central Chamber of Commerce consists of the Chairman, Vice-Chairman and 12 other members. In addition each of the 12 members has a personal substitute. Three members and their personal substitutes represent research, education and juridical expertise in auditing, three members and their personal substitutes represent the business community, two members and their personal substi-

tutes represent KHT auditors and one member and his personal substitute represent HTM auditors. In addition to these 9 members and their personal substitutes, the Ministry of Employment and the Economy appoints three members as well as their personal substitutes to the Board.

These provisions concerning the tasks of the Auditing Board of the Central Chamber of Commerce also apply to the duty of an **Auditing Committee of the regional Chamber of Commerce** to supervise, within its area of operation, auditors authorised by the Chamber of Commerce.

The Auditing Committee consists of the Chairman, the Vice-Chairman and six other members and their personal substitutes. They represent more or less the same interest groups as those in the Auditing Board of the Central Chamber of Commerce.

The Auditing Board of the State is a separate, independent Board from the Ministry and not part of the operations of the Ministry. The members of the Board are appointed by the Government after a proposition of the Ministry. The Ministry also provides for the funding for the Board through the state budget as well as gives some support in technical and administrative tasks.

The Auditing Board of the State, which gives instructions and statements on the Auditing Act and the decrees given on the basis thereof. The Auditing Board of the State shall also make proposals and motions regarding the development of audit regulations and look after the general guidance, development and supervision of the audit function. The Auditing Board of the State shall give its decision, if an auditor makes an appeal against a decision made by the Auditing Board of the Central Chamber of Commerce.

The Auditing Board of the State consists of the Chairman, the Vice-Chairman and six other members as well as substitutes for each, except for the Chairman. The qualification requirements for the members and the secretary are laid down in the Auditing Act.

All of these bodies are independent. The members and the secretaries of the bodies legally have the same responsibilities and liabilities as civil servants.

An appeal against a decision made by the Auditing Board of the State on the basis of the Auditing Act or the decree given by virtue thereof shall be lodged in the Supreme Administrative Court. Only in the cases where the application for KHT or HTM auditor or KHT or HTM audit firm has been rejected or where the authorisation has been cancelled can be appealed to the Supreme Administrative Court.

The supervision of auditors

The Auditing Board of the Central Chamber of Commerce examines annually the reports and documents given to it by the authorised auditors and authorised audit firms in order to check that auditors and audit firms still maintain their proficiency and other qualifications required for authorisation.

The objective of supervision is also to ensure that authorised auditors and authorised audit firms observe the Auditing Act and any provisions given by virtue thereof.

Various methods are used in the supervisory operations. For example, if complaints are made against a KHT auditor or a KHT audit firms, the Auditing Board of the Central Chamber of Commerce examines the case, which often means investigating the conduct of an individual audit. The Auditing Board of the Central Chamber of Commerce may

also take action on the basis of its own initiative, for instance due to communications other than complaints. If there are negative news about auditors published in the press, it may easily lead to an investigation by the Auditing Board of the Central Chamber of Commerce. The Auditing Committees of the regional Chambers of Commerce act accordingly.

Where the Auditing Board of the Central Chamber of Commerce or the Auditing Committee of a regional Chamber of Commerce consider that the special conditions laid down in the Auditing Act are met, it has to give a warning or a remark to the authorised auditor or the authorised audit firm.

Where the Auditing Board of the Central Chamber of Commerce or the Auditing Committee of a regional Chamber of Commerce considers that the special conditions of cancellation of authorisation laid down in the Auditing Act are met, it has to make an application to the Auditing Board of the State for the cancellation of the authorisation of an authorised auditor or an authorised audit firm.

All sanctions are registered after all appeals are done and decided. They become public (see Auditing Act, Section 37) after registration at the latest. A copy of a written decision is available from the Auditing Board of the Central Chamber of Commerce on request even if appeals are made. However it is made clear when a copy is transmitted that the decision is not final. Sometimes the media may publish an article or news about a pending case. Information about a pending case can and must be given to third parties on request by the Auditing Board of the Central Chamber of Commerce if there are no legal grounds for keeping it confidential.

An anonymous summary of all disciplinary cases is published through the Internet annually.

The Auditing Board of the State, the Auditing Board of the Central Chamber of Commerce or the Auditing Committee of a regional Chamber of Commerce have the right to obtain all the documents and other records considered necessary for the supervision of the authorised auditor. They may also examine the documents and other records on the premises of the supervisory authorities or of the authorised auditor. In addition the authorised auditor shall, without unnecessary delay, submit to the supervisory authorities any requested information or reports necessary for the supervision.

The Auditing Standards and the Standards of Ethics

Statutory auditors have to adhere to the highest ethical standards. Thus they are subject to professional ethics, covering their public-interest function, their integrity and objectivity and their professional competence and due care.

In Finland, as in most of the other European countries, the auditing sector publishes its own standards and code of ethics. Almost all authorised auditors in Finland are members of either the Institute of KHT auditors or in the Institute of HTM auditors. However, the membership is voluntary.

The Institute of KHT auditors (the Finnish Institute of Authorised Public Accountants, KHT-yhdistys – Föreningen CGR ry) is a member of the IFAC. The standards issued by KHT-yhdistys – Föreningen CGR ry are translations from the standards of the International Federation of Accountants (IFAC). This also applies to the code of ethics.

The Institute of HTM auditors (The Registered Association of Certified HTM-Auditors, HTM-tilintarkastajat ry) has not prepared standards itself, but the HTM auditors have

agreed that the same standards, principles and rules of ethics as well as guidelines of good auditing practices apply to the activities of HTM auditors and HTM audit firms. HTM-tilintarkastajat ry is also an IFAC member.

Quality Assurance

The Auditing Board of the Central Chamber of Commerce shall oversee, and take the appropriate measures to ensure that auditors maintain their professional competence and other qualifications required for approval and operate in accordance with this Act and any provisions given by virtue thereof.

In order to oversee the quality assurance of KHT auditors and KHT firms The Auditing Board of the Central Chamber of Commerce:

- 1) orders an auditor to a quality assurance review at least every six years or, in the case of an auditor who audits a publicly traded entity, at least every three years;
- 2) designates one or more independent reviewers to conduct quality assurance reviews;
- 3) determines the contents and the manner of implementation of the quality assurance review; and
- 4) processes the results of a quality assurance review and decides on measures to be taken on the basis of the review.

The Auditing Board of the Central Chamber of Commerce appointed a work group to develop new quality assurance system. The working group published its report in June 2008. The Auditing Board of the Central Chamber of Commerce organised a public consultation about the report in July-August 2008. The board approved the proposals of the work group in September 2008. The implementation of the decision is in progress. It is expected that the new quality assurance inspections will start with the new organisation in 2009.

The quality assurance work group examined the activities of the Finnish audit industry, its international development, the operation of oversight bodies in other countries, regulations in place with regard to oversight of audit functions and quality assurance and mapped available alternatives to further develop oversight of quality assurance control. Focus was placed on finding out what measures would, in terms of general interest, be required in Finland as a result of the recommendation issued by the European Commission on May 6, 2008, on external quality assurance applicable to statutory auditors and audit firms auditing public interest entities.

Inspections of audit firms are led by Quality Assurance Director or Quality Assurance Manager, who will also conduct fieldwork. Quality Assurance Assistant will participate in inspections.

Inspections of audit firms in PIE (public interest entities) sector will be started in autumn 2009. The Auditing Board of the Central Chamber of Commerce has at the moment enough resources for that. The Quality Assurance team will closely cooperate with the FIN-FSA (Financial Supervision).

Resources are under constant evaluation. The need for additional inspectors in the coming years will be examined. However experience from inspections will be needed in order to have a good understanding of how the inspection manual and Quality Assurance organization works in practice.

If required, the Auditing Board of the Central Chamber of Commerce is also prepared to hire professional auditors and experts who are not full-time staff of the Auditing Board of the Central Chamber of Commerce. Inspection teams of audit firms are formed individually and appointed case by case by the Auditing Board of the Central Chamber of Commerce. Retired auditors can be hired for inspections of audit firms of listed companies. The use of retired auditors is decided in the Auditing Board of the Central Chamber of Commerce separately case by case. The role of these retired auditors is either as assistant inspector or as expert (IFRS or some line of industry, credit institution, insurance company etc.)

The Auditing Board of the Central Chamber of Commerce has set up a Quality Section, which is to operate in the role of an advisory body in the quality assurance system. The Quality Section helps the Auditing Board of the Central Chamber of Commerce and its Quality Assurance team to find best practices in the field of quality assurance.

Thus the Quality Section hasn't got any decision making power. It has a task to assist Quality Assurance Director who is present in all meetings of the Quality Section. The role of the Quality Section is especially to assist in the development of inspection working methods and methodologies. Auditors working in the profession may continue to work as quality inspectors in quality inspections of auditors other than PIEs. The Quality Section assists in the arrangements of recruiting and training these inspectors. In addition Quality Section will consult in issues of specific materiality relating to the results of inspections.

There are six members in Quality Section:

Chairman being the Vice Chairman of the Auditing Board of the Central Chamber of Commerce

1 member representing Auditing Committees of the local Chambers of Commerce

2 members representing auditors specialized in PIE audits

2 members representing auditors specialized in audits of small and medium sized entities

The members of the quality section should be familiar with audit and quality assurance.