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Official Gazette of the Republic of Srpska, 94/15

LAW ON ACCOUNTING AND AUDITING OF THE REPUBLIC OF SRPSKA

CHAPTER I GENERAL PROVISIONS

Article 1

This Law shall regulate the field of accounting and auditing including issues of importance for organisation and functioning of the bookkeeping and accounting system, preparation and presentation of financial statements, organisation and operation of the Accounting and Auditing Council of the Republic of Srpska, auditing of financial statements, vocational qualification process, certification and licensing, as well as other matters of importance in the field of accounting and auditing.

Article 2

(1) Terms used in this Law shall have the following meaning:

1) accounting means a system whose functioning provides information on income, property and financial status, cash flows, changes in equity, and other financial and non-financial information that is of importance for external and internal users of financial statements,

2) bookkeeping means a system that includes collecting, classification, records keeping and recapitulation of business transactions, as well as safekeeping of original business documentation providing evidence on these transactions,

3) audit of financial statements means an investigation and providing opinion whether they have been prepared and presented in a truthful and fair manner, in accordance with IAS, IFRS, IFRS for SMEs and other relevant regulations,

4) legal entity means a profit or non-profit legal person with the headquarters registered on the territory of the Republic of Srpska (hereinafter: the Republic) or abroad,

5) entrepreneur means a natural person registered for entrepreneurial activities, who keeps business records in line with the Law on Income or this Law,

6) accounting and auditing standards mean standards, instructions, explanations, guidelines and principles defined by this Law, published by professional association in cooperation with the Ministry of Finance (hereinafter: the Ministry),

7) Accounting and Auditing Council of the Republic of Srpska means a body established in line with this Law,

8) certificate means a public document issued by a professional association defined by this

Law, proving that the holder of the certificate has acquired the appropriate professional title,

9) license means a public document serving as a working permit for a natural or a legal person, which, in line with provisions of this Law and in line with International Education Standards for professional accountants, is issued by the Ministry, i.e. professional association,

10) professional association means a non-governmental, voluntary professional association of accountants and auditors in the Republic,

11) authorized auditor means a person holding a license by the Ministry, which is issued based on a certificate by a professional association,

12) certified accountant means a person holding a certificate issued by a professional association in line with this Law,

13) certified accounting technician means a person holding a certificate issued by a professional association in line with this Law,

14) Single registry of financial statements (hereinafter: the Registry) means a central source of information on business activity and solvency of legal persons in the Republic, established in line with regulations governing the registry of financial statements,

15) regulations in the field of accounting and auditing, which are in terms of this Law applied in the Republic of Srpska shall include: International Accounting Standards (IAS), International Financial Reporting Standards (IFRS), International Financial Reporting Standards for SMEs (IFRS for SMEs), International Standards on Auditing (ISA), International Public Sector Accounting Standards (IPSAS), International Valuation Standards (IVS), International Standards for the Professional Practice of Internal Auditing, Conceptual Framework for Financial Reporting, Code of Ethics for Professional Accountants (hereinafter: the Code) and the appropriate instructions, explanations and guidelines enacted by the International Accounting Standards Board (IASB) and all accompanying instructions, explanations and guidelines enacted by the International Federation of Accountants (IFAC).

(2) Certain terms used in this Law to designate a male or a female gender shall include both genders.

Article 3

(1) Provisions of this Law shall apply to all forms of business companies, including insurance companies, microcredit companies, leasing companies, investment funds, companies managing investment funds, brokerage-dealership companies, stock exchanges and banks, other financial organisations, cooperative ventures, other profit and non-profit legal persons with head office in the Republic, as well as entrepreneurs who keep their business records in form of double-entry bookkeeping, on accrual basis.

(2) Provisions of this Law shall also apply to legal entities and other forms of organisation established abroad by a legal entity with head office in the Republic, if the country in question does not impose any obligation to keep financial records and produce financial statements.

(3) Provisions of this Law shall apply to organisational units of legal entities with head office registered outside the Republic, if through these organisational units income is generated in the Republic.

(4) Provisions of this Law shall also apply to the budget users of the Republic, budgets of municipalities, cities and funds, defined with regulations governing the budget system of the Republic.

(5) The Minister of Finance (hereinafter: the Minister) shall issue a rulebook, which shall regulate issues of importance for double-entry bookkeeping system for entrepreneurs.

(6) The Minister shall issue an instruction for applying International Financial Reporting Standards for SMEs.

Article 4

Legal entities shall be obliged to keep their business records prescribed by this Law, prepare and present financial statements, and conduct audits of financial statements in line with this Law and other relevant legislation.

Article 5

(1) Legal entities shall be classified on the basis of: average number of employees, total annual income and value of operating assets determined on the day of preparation of financial statements for that business year.

(2) Based on criteria referred to in paragraph 1 of this Article, legal entities shall be classified as micro, small, medium and large legal entities.

(3) As micro legal entities shall be classified legal entities without investments in dependent, affiliated legal entities and legal persons which are the subject of common control, which do not issue or hold securities and which on the day of preparation of financial statements fulfill the following criteria:

1) the average number of employees for the year for which the financial statement is submitted is below 5,

2) the average value of operating assets at the end of a business year is less than BAM 250,000 and

3) the total annual income is less than BAM 500,000.

(4) As small legal entities shall be classified legal entities, which on the day of preparation of financial statements, exceed at least one of the three criteria referred to in paragraph 3 of this Article, but do not exceed two of the following criteria:

1) the average number of employees for the year of the financial statement is 50,

2) the average value of operating assets at the end of a business year is less than BAM 1,000,000 and

3) the total annual income is less than 2.000.000 KM.

(5) As medium legal entities shall be classified legal entities, which on the day of preparation of financial statements, exceed two of the criteria referred to in paragraph 4 of this Article, but do not exceed two of the following criteria:

1) the average number of employees for the year of the financial statement is 250,

2) the average value of operating assets at the end of a business year is less than BAM 4,000,000 and

3) the total annual income is less than BAM 8,000,000.

(6) As large legal entities shall be classified legal entities with values greater than those defined in at least two criteria referred to in paragraph 5 of this Article.

(7) Legal entities which do not fulfill classification criteria referred to in paragraph 4, 5, and 6, shall be classified as medium legal entities.

(8) Regardless of the criteria referred to in paragraphs 3,4,5,6, and 7 of this Article, banks, microcredit companies, savings-credit ventures, insurance companies, leasing companies, companies managing investment funds, companies managing mandatory or voluntary pension

funds, stock exchanges and other financial organisations, shall be considered large legal entities.

(9) Management of a legal entity shall independently perform classification in line with the stated criteria at the date of preparation of financial statements and shall use such obtained data for the following business year.

(10) The newly established legal entities shall be classified on the basis of data from the financial statements for the business year in which they were established, in proportion to the number of months of operation.

(11) Average value of business assets shall be calculated by dividing with a number two a net sum of the booked value of operational assets at the beginning and at the end of the accounting period, and average number of employees shall be calculated by dividing the total number of employees at the end of each month, including employees outside the territory of the Republic, with a number of months included in the accounting period.

(12) Notification regarding classification of a legal entity into category of micro, medium, small or large legal entities, conducted in line with the provisions of this Law, shall be submitted by the legal entity, along with annual financial statements, to the Agency for Intermediary, IT and Financial Services (hereinafter: APIF).

Article 6

(1) Public interest entities pursuant to this Law shall be:

1) legal entities whose securities are traded or being prepared for issuance on organized securities market,

2) banks, microcredit companies, insurance companies, leasing companies, stock exchanges, brokerage-dealership companies and other financial organisations,

3) public companies, as defined in accordance with the regulations governing the operation and management of public enterprises and

4) all legal entities of special significance for the Republic, regardless of their legal form and organisation.

(2) At the proposal of the line ministry responsible, decision on determining the status of a legal entity of special significance for the Republic shall be approved by the Government of the Republic of Srpska (hereinafter: the Government).

CHAPTER II

ORGANISATION OF THE BOOKKEEPING AND ACCOUNTING SYSTEM

Article 7

(1) Legal entities shall adopt general acts regulating the issues of importance for the establishment and functioning of the bookkeeping and accounting system in these entities.

(2) General acts referred to in paragraph 1 of this Article shall include the Rulebook on accounting and accounting policies, and all other acts with which the management of legal entity, in accordance with legal and professional rules, regulates issues of importance for the establishment and functioning of the bookkeeping and accounting system.

(3) Legal entity, with its general act, pursuant to this Law, shall:

1) regulate the organisation of bookkeeping and accounting system in a way that it ensures comprehensive recordkeeping, as well as detecting and preventing falsely recorded business events,

- 2) regulate internal accounting control procedures,
- 3) determine accounting policies and accounting evaluations,
- 4) determine persons responsible for legality and accuracy of occurrence of business events, as well as creation and control of bookkeeping documents related to such events,
- 5) determine flow of bookkeeping documents and define deadlines for their submission for further processing and booking,
- 6) determine procedures for preparation, compiling and presentation of financial statements,
- 7) prescribe procedures for collecting, processing and presentation of data related to preparation and creation of annual reports on performance, and financial data for statistical, taxation and other purposes, and
- 8) regulate other issues of importance for establishing efficient bookkeeping and accounting system in legal entity.

(4) A legal person shall organize collecting and compiling of bookkeeping documents, keeping of business records, preparation of annual financial statements in line with this Law and other appropriate bylaws, applying at the same time adopted accounting standards, rules and orderly bookkeeping principles.

(5) A legal person processing the data using a computer shall use accounting software supporting the functioning of the internal accounting control and preventing erasing of booked business events.

1. Bookkeeping documents

Article 8

(1) Bookkeeping document shall be a document in writing, in material or electronic form, regarding the occurred business event, containing all data necessary for booking in business records, signed by persons authorized for preparation and control of bookkeeping documents.

(2) Bookkeeping documents shall be prepared in place and time of occurrence of a business event, except for those prepared by the bookkeeping of the legal entity.

(3) A photocopy of the bookkeeping document may serve as a basis for booking of a business event, only if it contains indicated place of safekeeping of the original document, signed by the responsible person.

(4) Bookkeeping document received in electronic form shall be considered valid if it has been signed in a way prescribed by the Law on Electronic Signature of the Republic of Srpska.

Article 9

(1) A bookkeeping document shall be complete, true, contain accurate calculations, neat, composed in a way that enables full insight into the validity of a document.

(2) Control of bookkeeping documents shall not be conducted by persons who are materially in charge of the assets for which the documents were made.

(3) Persons in charge of preparation and control of bookkeeping documents shall use their signature, hand-written or electronic, to confirm that the bookkeeping document is complete, true, containing accurate calculations, and that it reflects the main features of the business event in question.

(4) A responsible person within the legal entity shall use the signature to validate the accuracy and completeness of the bookkeeping document before its data are recorded in business records.

(5) Persons performing preparation and receiving of bookkeeping documents shall submit the signed document and other documentation related to a business event to accounting department immediately after its preparation, i.e., its receipt, and not later than three days from the date of occurrence of any business change, i.e., the date when the bookkeeping document has been received.

(6) Persons maintaining business records shall book all bookkeeping documents in the books during the following day, and not later than eight days from the day of receipt.

Article 10

(1) Bookkeeping documents shall be kept in their original material or electronic form, in form of electronic file or on microfilm.

(2) Payrolls and analytical records on salaries, documents on ownership and ownership status over the real estates and securities shall be kept permanently.

(3) Bookkeeping documents on the basis of which the data have been entered in the business records shall be kept for at least five years or longer, if there are regulations imposing longer periods for which certain documents shall be kept.

(4) Bookkeeping documents shall be kept in business premises of a legal entity, i.e., in the organisational unit of the legal entity or entity entrusted with keeping business records.

(5) The period of time during which the bookkeeping documents are to be kept shall start upon expiry of the last day of the accounting period, containing the data retrieved from such documents.

2. Business records

Article 11

(1) Business records shall be uniform records on status of and changes in assets, liabilities and equity, as well as realized revenues and expenditures.

(2) Business records shall consist of: a journal, a general ledger and subsidiary ledgers.

(3) A journal and a general ledger shall be kept based on the double-entry bookkeeping system.

(4) A journal shall be a business record of entering of business events occurring during the accounting period, in chronological order, according to the sequence of their occurrence.

(5) A general ledger shall be a systematic record showing status of and changes in assets, liabilities, equity, revenues and expenditures during the accounting period, and it shall serve as a basis for preparation of financial statements.

(6) Subsidiary ledgers shall be analytical records kept on intangible assets, real estate, plant and equipment, investment property, financial investments, inventories, receivables, cash and cash equivalents, liabilities, equity and other balance sheet items.

(7) Number and contents of subsidiary ledgers, keeping method and relationship with the general ledger and the like, shall be regulated by a general act issued by the legal entity or entrepreneur, in line with this Law.

(8) A cash journal shall be a subsidiary record showing status of and changes in cash and

cash-equivalents, and it shall be closed at the end of each day when the change in the treasury has occurred, and it shall be sent to the bookkeeping for booking at the latest the following day.

Article 12

(1) Business records shall be opened at the beginning of the business year, i.e. calendar year or other determined accounting period, in line with this Law, on the basis of the balance sheet and closing balance sheet showing balance of assets and sources of assets on the day of conclusion of the previous accounting period.

(2) Newly established legal entities shall open their business records on the basis of the opening balance sheet made after inventory of all assets and liabilities of the newly formed legal entity, showing balance as the day of establishment.

(3) Business year shall equal to a calendar year.

(4) Business records shall be used for entering credible bookkeeping documents exclusively.

(5) Business records shall be kept in a way which ensures control and accuracy of inserted data, their safekeeping, possibility to use data, possibility to have insight in turnover and balance of accounts contained in the general ledger, and possibility to have insight into chronology of recording of business events.

(6) Business records shall be closed once all the required bookings, pre-closing and final closing bookings have been done, no later than at the deadline for submission of annual financial statements, on the date of occurrence of statutory changes, the date of business termination and in other cases in line with law.

Article 13

(1) A legal entity and an entrepreneur, in line with this Law, shall prescribe with a general act the necessary level of educational qualifications, work experience and other requirements for a person who is to keep business records and prepare financial statements.

(2) In line with this Law, keeping of business records and preparation of financial statements may be assigned to other legal entity or entrepreneur registered for bookkeeping and accounting services, employing qualified persons entrusted with keeping of business records and preparation of financial statements, who also meet other requirements prescribed by this Law and the general act of the legal entity in question.

(3) Notwithstanding paragraphs 1 and 2 of this Article, the persons preparing financial statements shall be qualified persons.

(4) By the term qualified persons shall be understood persons who hold a certified accounting technician license or certified accountant license in line with the provisions of this Law.

(5) The provisions of paragraph 2 of this Article shall not apply to banks, insurance companies, financial leasing companies, microcredit companies and other financial organisations

whose regulations governing their business activities prohibit entrusting them with keeping business records and financial statements for other entities.

Article 14

(1) Entrepreneurs who provide bookkeeping and accounting services shall be registered in line with this Law and laws governing the craft-entrepreneur activities.

(2) The competent authority of the local self-government unit shall be obliged to, prior to the issuance of the decision on approval for doing business in the field of bookkeeping and accounting to an entrepreneur, check whether the conditions of Article 13 of this Law have been met.

(3) The competent authority of the local self-government unit shall be obliged to submit to the Ministry beforehand a copy of the issued decision referred to in paragraph 2 of this Article.

(4) Based on the submitted decisions, the Ministry shall establish and maintain the Registry of entrepreneurs providing bookkeeping and accounting services.

Article 15

(1) Company for providing bookkeeping and accounting services shall be registered in line with the provisions of this Law and laws regulating issues of importance for the establishment, operation and termination of business companies.

(2) Companies providing bookkeeping and accounting services shall be required to register in the Registry of companies providing bookkeeping and accounting services, administered by the Ministry.

(3) Along with the request for registration in the Registry of companies providing bookkeeping and accounting services, a company is required to submit documentation confirming compliance with the conditions set out in Article 13 of this Law.

(4) The Minister shall issue a rulebook regulating the conduct of the Registry of auditing companies, the Registry of licensed accountants and the Registry of legal entities and entrepreneurs providing bookkeeping and accounting services.

3. Layout of chart of accounts and inventory of assets and liabilities

Article 16

(1) Business changes shall be recorded in analytical accounts, which, in their content and balance category, correspond to accounts in the prescribed chart of accounts.

(2) The Minister shall issue rulebooks prescribing the chart of accounts and content of accounts for all legal entities and entrepreneurs.

(3) Detailed chart of accounts shall be prescribed by a general act of a legal entity, i.e. entrepreneur, which shall be in line with corresponding prescribed chart of accounts.

(4) Notwithstanding paragraph 3 of this Article, a detailed chart of accounts for users of

revenues of the budget of the Republic, municipalities, cities and funds shall be prescribed by the Minister by a rulebook.

Article 17

(1) A legal person or an entrepreneur shall, at the beginning of the operation, and at least once a year, with the balance as of the date when the financial year ends or other accounting period determined in line with this Law, make an inventory of assets and liabilities with the aim to determine their actual balance and to harmonize balance in business records with the actual balance established by inventory.

(2) Notwithstanding the deadlines referred to in paragraph 1 of this Article, a legal person or entrepreneur may foresee different deadlines for the inventory by their general act.

(3) Depending on the data processing method, balancing of turnover in the general ledger with a turnover shown in the journal, as well as the turnover and balance of subsidiary ledgers with turnover and balance of the general ledger shall be conducted continuously and not later than immediately before the inventory of assets and liabilities, i.e., creation of financial statements.

(4) Apart from inventories with deadlines referred to in paragraphs 1 and 2 of this Article, a legal entity shall conduct inventory and balancing of booked balance with actual balance at the moment of transfer of duties of the bookkeeper, changes in prices of products and goods, statutory changes, initiation of bankruptcy procedure, liquidation procedure, and other cases foreseen by law.

(5) The Minister shall issue a rulebook prescribing the manner and deadlines for performing inventory and balancing of book value with actual value of assets and liabilities.

Article 18

(1) Prior to composing annual financial statements, balancing of mutual claims and liabilities (balance confirmation) shall be conducted, which shall be supported by the appropriate bookkeeping document.

(2) A legal entity shall be obliged to respond to the request of the authorized auditor to confirm the status of balance of assets and liabilities, as well as the status of other balance sheet items that are necessary for the performance of the audit.

(3) A legal entity shall, in the notes to the financial statements, present all imbalanced assets and liabilities, as well as reasons why the balancing has not been performed.

4. Financial and consolidated financial statements

Article 19

(1) A legal entity or an entrepreneur with double-entry bookkeeping system, shall prepare and present to the public financial statements for the business year which has ended on 31 December of the current year with parallel data for the previous year.

(2) Exceptionally, a subsidiary legal entity whose parent company headquartered abroad has a business year different from a calendar year, with the approval from the Minister, may prepare and present financial statements for the period different from the period referred to in paragraph 1 of this Article.

(3) A legal entity that went through statutory changes, i.e. through changes of legal form, as well as a legal entity under bankruptcy or liquidation proceedings, in addition to the financial statements referred to in paragraph 1 of this Article, shall prepare and present financial statements prepared on the day of status changes, i.e. on the day of legal form change, as well as on the day of opening and closing of the bankruptcy or liquidation procedure.

(4) Business changes which have occurred between the dates of balance and date of registration in the registry of business entities, shall be recorded in business records of the previous legal entity or a new legal entity, which is determined by a decision on statutory change.

(5) Annual financial statements shall consist of:

- 1) Balance sheet – Report on financial status at the end of the period,
- 2) Profit and loss report – Report on total result for that period,
- 3) Cash flow statement – Report on cash flows,
- 4) Statement on changes in equity and
- 5) Notes to financial statements.

(6) Notwithstanding the provision referred to in paragraph 5 of this Article, entrepreneurs with double-entry bookkeeping system, community condominium owners, trade unions and other civic associations shall present annual financial statements through:

- 1) Balance sheet – Report on financial status at the end of the period and
- 2) Profit and loss report – Report on total result for that period,

(7) The obligation of presenting the financial statements referred to in paragraph 6 of this Article shall apply to legal entities that meet the following criteria:

- 1) that the average number of employees during the year for which the financial statement is submitted does not exceed five employees,
- 2) that the average value of business assets at the end of the financial year does not exceed BAM 250,000 and
- 3) that the total annual income does not exceed BAM 500,000.

(8) Together with the annual financial statement, users of financial statements shall also be presented with a special report made in accordance with a request from the Republic of Srpska Institute of Statistics.

(9) Legal entities whose business is regulated by special regulations on the basis of which a body or organisation responsible for the supervision of their operations has prescribed obligation of preparation and presentation of periodic financial statements, shall be required to prepare these reports in line with these regulations.

(10) For the financial statements of a legal entity or an entrepreneur who runs a double-entry bookkeeping a person authorized for representation, registered in the corresponding registry shall be responsible.

(11) Financial statements of a legal entity or an entrepreneur, who runs a double-entry bookkeeping, shall be signed by a person authorized for representation, registered in the corresponding registry and a qualified person referred to in Article 13 of this Law.

Article 20

(1) Consolidated financial statements shall be financial statements of a group in which the assets, liabilities, equity, revenues, expenses and cash flows of the parent company and its subsidiaries are presented as if they were one economic unit.

(2) A group shall consist of a parent legal entity and its subsidiary entities over which the parent entity has control, in accordance with the IAS, i.e. IFRS.

(3) Parent legal entities shall have an obligation to prepare, present, publish and deliver consolidated financial statements in line with the relevant IAS, i.e. IFRS and the provisions of this Law.

(4) The obligation referred to in paragraph 3 of this Article shall be incurred in the year in which the parent company achieves control over subsidiary legal entity or more than one subsidiary legal entity, and it shall end by submitting consolidated financial statement for the year in which the parent company has lost control over all subsidiary legal entities.

Article 21

(1) The Minister shall adopt rulebooks prescribing the content and form of financial statements prepared and presented in line with this Law.

(2) Entrepreneurs, who in line with this Law, decide to run double-entry bookkeeping, shall prepare their financial statements using the appropriate forms for financial statements prescribed for legal entities.

Article 22

(1) Business records and financial statements shall be kept in the original or using other appropriate means of filing.

(2) Business records and financial statements shall be kept, prepared and stored in the business premises of the legal entity, organisational part of the legal entity, entrepreneur or person entrusted with bookkeeping in the Republic.

(3) If business records are kept in electronic form, a legal entity, i.e. organisational unit of a legal entity or an entrepreneur, shall be obliged to provide to the authorized control authorities access to a central database for the purpose of smooth control of business records.

(4) Journal and general ledger shall be kept for at least ten years.

(5) Subsidiary ledgers shall be kept for at least five years.

(6) Financial statements and audit reports shall be kept permanently in their original form.

(7) Deadlines for storage of business records and financial statements shall begin to run following the expiry of the last day of the financial business year to which they relate.

Article 23

Business records, financial statements and other financial information presented by the persons to whom the provisions of this Law refer to, shall be expressed in currency unit and a language officially in use in the Republic.

Annual report on business activity

Article 24

(1) Legal entities shall be obliged to prepare annual reports on their business activity showing objective review of business activity of the legal entity and its position, including description of main risks and threats, and measures undertaken to protect the environment.

(2) Annual report on business activity shall contain:

- 1) all important events that occurred in the period from the end of business year until the day of delivery of financial statement,
 - 2) evaluation of the expected future development of a legal entity,
 - 3) the most important activities related to research and development,
 - 4) information on buy-off of own equity stocks and shares,
 - 5) information on business segments of a legal entity,
 - 6) financial instruments used, if relevant for evaluation of financial position and level of success in business activities of a legal entity,
 - 7) objectives and policies of a legal entity in connection with the management of financial risks, together with the policies of hedging for each planned transaction for which protection is required and
 - 8) exposure of a legal entity to price risk, credit risk, market risk, currency risk, solvency risk and other risks affecting business activity of the legal entity.
- (3) Annual report on business activity of large legal entities and legal entities having their securities placed on the organized market for securities shall necessarily contain review of applied rules of corporate management.
- (4) Notwithstanding provisions of paragraph 1 of this Article, micro and small legal entities shall not be obliged to prepare annual report on business activity.
- (5) Annual report on business activity shall be kept in its original form ten years after the end of the business year for which it were made.
- (6) Annual report on business activity referred to in paragraph 2 of this Article shall necessarily be submitted to the Registry, which is kept by APIF, no later than at the end of June of the current year, for the previous year.

Article 25

- (1) Financial statements referred to in Article 19 and 20 of this Law shall be submitted to the Registry.
- (2) Annual financial statements for the previous year shall be submitted to the Registry no later than the last day of February of the current year.
- (3) Legal entities which have business year different than a calendar year shall be obliged to, for statistical and other purposes, submit to the Registry a balance sheet, profit and loss account, and a special report prepared by a requirement by the Republic of Srpska Institute of Statistics, for a business year which equals with the calendar year, with the deadline referred to in paragraph 2 of this Article.
- (4) Legal entities, who are in line with this Law obliged to prepare and present consolidated financial statements, shall be obliged to submit these reports in the Registry latest at the April of the current year, for the previous year.
- (5) Legal entities, whose financial statements, in line with this Law, are subject to statutory audits, shall be obliged to submit to the Registry the audit report, together with financial statements which were subject to audit, latest at the end of June of the current year, for the previous year.

Article 26

(1) APIF shall be obliged to process data from submitted financial statements referred to in Article 19 and 20 of this Law in a manner suitable for the assessment of property, income and financial status of legal entities and entrepreneurs with double-entry bookkeeping system.

(2) Basic data from financial statements shall be available to the public free of charge, on the official website of APIF, provided with translation in English language.

(3) APIF shall be obliged to, within sixty days of expiry of the deadline for their submission, secure processing of data from submitted reports referred to in Articles 24 and 25 of this Law and make them accessible to any applicant.

(4) Storing and protection of data taken from submitted reports, manner of information reception, control and processing of reports, data usage and other issues of importance for establishment and functioning of the Registry shall be prescribed with regulations on the Registry.

(5) The Minister shall issue a rulebook prescribing the form and content of basic data referred to in paragraph 2 of this Article.

(6) APIF shall be obliged to submit to the Tax Administration of the Republic of Srpska (hereinafter: the Tax Administration), within deadline defined by the law regulating Registry of financial statements, data on subjects who have not acted in line with the Article 5, paragraph 12 and Article 24 and 25 of this Law.

Article 27

(1) APIF shall be obliged to provide permanent insight into submitted financial statements to the Ministry, defined in the Article 25 of this Law, not later than 30 days from expiry of the deadline for their submission in the Registry.

(2) APIF shall be obliged to, within deadlines referred to in paragraph 1 of this Article, based on the processed data from financial statements, provide on its website the possibility of creating aggregated and individual analysis and reports on property, income and financial status of legal entities and entrepreneurs.

(3) The information referred to in paragraph 2 of this Article shall be provided for the needs of the republic administration bodies and local governments free of charge.

CHAPTER III AUDIT OF FINANCIAL STATEMENTS

Entities subject to financial statements audit and auditing companies

Article 28

(1) Audit of financial statements shall be done in line with this Law and International Standards of Auditing.

(2) Subject to obligatory audit shall be financial statements of public interest entities, as defined by this Law and financial statements of large legal entities classified in line with this Law.

(3) Parent legal entities, which are required to prepare and present consolidated financial statements, shall be obliged to audit these statements.

(4) If not covered by paragraph 2 of this Article, subject to obligatory audit shall be financial statements of other legal entities as well, if required so by specific regulations governing their business.

(5) In addition to the subjects referred to in paragraphs 2 and 3 of this Article, all other legal entities may decide to audit their financial reports in line with the provisions of this Law.

Article 29

(1) Auditing companies shall be registered in line with the provisions of this Law and other laws regulating the issues of relevance for establishment, operation and termination of operations of companies.

(2) All forms of auditing in the Republic shall be conducted by auditing companies who hold a license issued by the Ministry.

(3) Licenses to the auditing companies licensed in accordance with the provisions of the relevant laws on accounting and auditing in Federation of BiH and Brcko District shall be issued in accordance with the conditions of mutual recognition of qualifications in the entire territory of BiH, defined by regulations in the field of accounting and auditing at the level of BiH.

Article 30

(1) The majority of voting rights and the majority share in capital in an auditing company may be owned exclusively by authorized auditors or some other auditing company in capacity of a founder.

(2) An auditing company may also be established by a foreign company dealing with auditing, in line with this Law.

Article 31

(1) Auditing of financial statements shall be performed by persons with professional title of authorized auditor, possessing a license for work on financial statements auditing tasks and who are employed in or engaged by an auditing company.

(2) An auditing company may conduct auditing of legal entities, which are subject to obligatory auditing, if it has at least one full-time permanently employed authorized auditor with a valid license.

(3) Notwithstanding the provisions of paragraph 2 of this Article, an auditing company shall have permanently employed for an indefinite period of time:

1) at least two authorized auditors with a valid license, if he/she performs auditing of more than ten public interest entities, i.e. legal entities, whose total revenues, for each legal entity, established in the last financial statement in relation to the date of contracting of auditing services, is greater than BAM 10,000,000 and

2) at least three authorized auditors with a valid license, if he/she performs auditing of more than twenty public interest entities, i.e. legal entities, whose total revenues, for each legal entity, established in the last financial statement in relation to the date of contracting of auditing

services, is greater than BAM 10,000,000.

Article 32

(1) The Ministry shall issue, renew and revoke the work permits – licenses for performing financial statements auditing – to the authorized auditors.

(2) The Minister shall issue a rulebook prescribing conditions for issuance, renewal and revocation of authorized auditors licenses.

(3) The Ministry shall keep the Registry of the authorized auditors, who have been issued a work permit with the title of an authorized auditor.

(4) The Registry of authorized auditors shall necessarily contain the first name and the last name of an authorized auditor, the name of the entity who has issued a certificate to the authorized auditor, the number and the date of issuance of the license, license validity dates and other data significant for identification of an authorized auditor.

(5) Information entered into the Registry of authorized auditors shall be public.

Article 33

(1) A founder of an auditing company shall submit to the Ministry a request for issuing the work permit for the auditing company.

(2) In addition to the request referred to in paragraph 1 of this Article, the founder shall submit the following:

- 1) decision on establishment or other founding act,
- 2) founding act of the branch office of the company, if it is a foreign auditing company,
- 3) rulebook or other internal act regulating the methodology for performing of auditing services,
- 4) information on the founders of the company and
- 5) information on person/persons who will start the full-time employment at the auditing company for indefinite period.

(3) If the founder of an auditing company is a foreign legal entity, a legal entity from Federation of BiH or Brcko District BiH, together with the request for issuing of work permit, in addition to the documents referred to in paragraph 2 of this Article, shall also submit documentation proving that it has been registered for providing auditing services in its home country or entity, or Brcko District respectively.

(4) The requirement of submitting a request for registration of auditing companies, prescribed in paragraph 3 of this Article, shall refer to the auditors or auditing companies, which, in line with this Law, want to establish auditing company in the Republic.

Article 34

(1) Decision upon a request for issuing of the work permit shall be issued by the Minister within 30 days from the date of submission of a complete request.

(2) Decision referred to in paragraph 1 of this Article shall be final in administrative procedure, and an administrative proceeding may be filed against it.

Article 35

(1) After obtaining the work permit, the founder shall be obliged to register the auditing company or branch office of the auditing company in the Registry of business entities.

(2) In addition to application for registration into the Registry of business entities, the founder of the company shall submit the decision referred to in Article 34, paragraph 1 of this Law.

(3) Upon registration in the Registry of business entities, the founder shall be obliged, within 30 days, to register the company or branch office of the company in the Registry of auditing companies kept at the Ministry.

(4) Together with the request for registration in the Registry of auditing companies, the following shall be submitted to the Ministry:

1) Decision on registration of business entity,

2) evidence of employment of one or more authorized auditors with a valid license, for a full-time on indefinite period (a photocopy of employment contract, employment record and tax certificate on contribution payments) and

3) information on other auditors engaged by the auditing company.

(5) On the basis of application for registration of auditing company and complete documentation, the decision on registration in Registry of auditing companies shall be issued.

(6) All changes in data, which is kept within Registry of auditing companies in line with this Law, shall be, within 30 days, reported to the Registry.

Article 36

(1) The Ministry shall keep the Registry of auditing companies which have been issued a work permit.

(2) The Registry of auditing companies shall necessarily contain a business name and address of the auditing company, form of organisation, names of founders and their share in capital of the auditing company, names of persons authorized to represent the auditing company and names of permanently employed or in some other way engaged authorized auditors with licenses.

(3) Information to be entered into the Registry of auditing companies shall be public.

Article 37

(1) Auditing company which, while performing audit, ceases to meet the requirements referred to in Article 31, paragraph 2 and 3, regarding the minimum number of authorized auditors employed for a full-time, shall terminate further work and notify the Ministry and legal entity which is being audited, within eight days of the occurrence of change.

(2) If the circumstances referred to in paragraph 1 of this Article occur, auditing company may not conclude new agreements on auditing until it again meets all the requirements prescribed

by this Law.

Article 38

(1) The Minister shall issue a decision on revoking of work permit to an auditing company in the following cases:

- 1) if it performs an audit in a manner that does not comply with the provisions of this Law,
- 2) if it has been issued with a license to perform the auditing tasks on the basis of false data,
- 3) if it has not been registered in the appropriate registry or Registry of auditing companies,
- 4) if it fails to meet the requirement referred to in Article 31, paragraph 2 and 3 of this Law,
- 5) if it provides auditing services to a related legal person or if there are some other barriers defined by the Code in relation to that legal person,
- 6) if it is not insured against liability for the damage it may cause by expressing auditor opinion and
- 7) at the request of the company.

(2) The decision referred to in paragraph 1 of this Article is final in an administrative procedure, and an administrative proceeding may be initiated against it.

Auditing process

Article 39

- (1) Audit of financial statements shall be carried out for each business year individually.
- (2) The competent body in legal entity shall decide on the selection of a company for auditing in accordance with law.
- (3) Audit of financial statements shall be carried out on the basis of a contract concluded between the legal entity whose financial statements are subject to auditing and audit company, no later than 30 September of the business year for which the financial statements are being audited.
- (4) The contract on audit of financial statements, in addition to the elements regulated by contractual relations regulations, must also contain:
 - 1) structure of the audit team, specifying the professional qualifications of the members of the audit team,
 - 2) information on the planned number of hours for performing auditing by members of the audit team;
 - 3) obligation to compile information regarding hours spent on auditing by each member of the audit team.
- (5) audit company shall have the right to remuneration for performed audit, and the amount of fee shall be determined by the contract on audit.
- (6) Audit companies shall be obliged to submit to the Ministry, no later than December

31 of the current year, the photocopies of the contracts on audit concluded during that year.

Article 40

(1) Audit of financial statements of a single legal entity may be carried out by the same auditing company for a maximum of seven years consecutively.

(2) Exceptionally, an audit with the same legal entity may be carried out by the auditing company for additional three years after expiration of the deadline referred to in paragraph 1 of this Article, provided that it ensures that the audit is performed by a different auditor.

(3) The deadline referred to in paragraph 1 of this Article shall start to run from the date of conclusion of the first contract on the audit of financial statements.

Article 41

(1) Report on audit of financial statements shall deliver an opinion whether the financial statements have been prepared and presented in a true and fair manner, in accordance with IAS, IFRS, IFRS for SMEs and other relevant regulations.

(2) The opinion of an authorized auditor must be delivered in accordance with the International Standards on Auditing and may be positive, an opinion with a reserve, negative or in a form where the auditor refrains from giving opinion.

Article 42

(1) Auditing company shall keep the audit-based documentation for at least five years, starting from the business year to which the audit relates.

(2) Work documentation on the basis of which the audit report has been made, the audit contract and the audit report shall be drawn up in a language that is in official use in the Republic.

Article 43

Upon the invitation of the management of a legal entity or on a personal request, an authorized auditor shall have the right to attend the assembly of the management body of the legal entity that reviews the audit report of that legal entity.

Article 44

(1) An auditing company shall be obliged to ensure itself against the risk of liability for damages that may be caused by an incorrectly expressed auditing opinion.

(2) For a damage that may be caused by an auditing company through performing audit,

the minimum amount of risk coverage per adverse event shall be BAM 50,000.

(3) For a damage that may be caused by an auditing company through performing audit with banks, leasing companies, investment and pension funds and insurance companies, the minimum amount of risk coverage per adverse event shall be BAM 500,000.

(4) Auditing companies, in terms of liability for damage caused by incorrectly expressed auditing opinion, shall be obliged to conclude insurance policies, separately for each legal entity whose financial statements are being audited.

(5) The Minister shall issue a rulebook prescribing minimum sums for risk coverage per individual adverse event.

(6) An auditing company shall submit to the Ministry a photocopy of the insurance policy, concluded in line with the provisions of this Article, within 30 days from the date of its conclusion.

Article 45

(1) An auditing company that performs an audit of the entities of public interest specified in Article 6 of this Law shall, within four months from the expiration of a business year, publish the annual transparency report on its website or the Ministry's website, and such published reports shall be available for five years from the date of publication.

(2) The annual transparency report shall contain at least the following elements:

- 1) description of the organisation and structure of the ownership of the auditing company,
- 2) description of network and its legal and structural design, if the auditing company belongs to the network,
- 3) description of the management structure of the auditing company,
- 4) description of the internal control system of the auditing company, and the statement of the management of the company on the effectiveness of its functioning,
- 5) indication when the last quality control has been performed,
- 6) review of entities of public interest for which the company conducted the audit during the previous business year,
- 7) statement concerning the independence of the work of auditing company, which confirms that internal control in respect the independence request has been performed,
- 8) statement on the policy of the audit company relating to the continuous training of authorized auditors,
- 9) financial information that indicates the importance of the auditing company, such as total revenue divided into fees from the statutory audit of annual and consolidated financial statements and fees charged for other services not related to audit and
- 10) data on the base rate of salary of authorized auditors, who sign reports on performed audits of public interest entities.

(3) An annual transparency report shall be mandatorily signed by a person authorized to represent the audit company.

Article 46

(1) An audit company and an authorized auditor may not perform audit of financial reports of legal entity:

- 1) in which they are owner of share or stocks,

2) for which they keep business records or draft financial reports for reviewed period or
3) if they are related to the legal entity in any way so that the doubt in their independence and impartiality objectively persists.

(2) An auditing company and an authorized auditor may not perform audit of financial reports of legal entity to which they provide the following:

- 1) services related to value assessment, if the assessment relates to the year for which the audit is being performed,
- 2) actuary services,
- 3) services related to functioning of the internal control and internal audit system,
- 4) managerial services,
- 5) legal and expert services related to auditing process,
- 6) advisory, broker-dealer and investment services and
- 7) other services, provision of which would lead to the conflict of interest.

CHAPTER IV MONITORING

1. Monitoring over accounting activities Article 47

(1) The Tax Administration, in the manner prescribed by the regulations pertaining to the tax procedure, shall perform monitoring over legal entities and entrepreneurs, who keep their records by double entry bookkeeping system, in the part of accounting work, as well as compiling and presentation of financial statements, in order to check whether these tasks are performed in line with the provisions of this Law.

(2) Monitoring referred to in paragraph 1 of this Article shall also be performed by other institutions if they have been authorized to do so by special legislation.

Article 48

(1) The Tax Administration shall be responsible for monitoring over following activities of legal entities and entrepreneurs, who keep their records by double entry bookkeeping system:

- 1) the accuracy of the classification of legal entities in line with Article 5 of this Law,
- 2) organisation of the accounting system and internal accounting control procedures,
- 3) completeness, truthfulness and accuracy of bookkeeping documents,
- 4) keeping of business records,
- 5) application of layout of chart of accounts,
- 6) inventory of assets and liabilities,
- 7) compiling and presenting of financial statements and consolidated financial statements and their submission to the Registry,
- 8) obligations regarding audit of financial statements and consolidated financial statements and submission of financial statements audit reports in the Registry and
- 9) other activities in line with this Law.

(2) When conducting an administrative procedure for the affairs referred to in paragraph 1 of this Article, regulations governing the tax procedure shall apply.

2. Monitoring over work of legal entities and entrepreneurs registered for providing accounting and auditing services

Article 49

(1) Monitoring over legal entities and entrepreneurs registered for providing bookkeeping and accounting services, in order to verify compliance with the requirements prescribed by this Law, shall be performed by the Ministry.

(2) Legal entities and entrepreneurs registered for the provision of bookkeeping and accounting services shall be obliged to make available all documentation necessary for the implementation of monitoring to the persons authorized for monitoring.

Article 50

(1) The procedure of monitoring over the work of auditing companies, prescribed by this Law, shall be applied accordingly in the monitoring of the work of legal entities and entrepreneurs registered for the provision of bookkeeping and accounting services.

(2) If an entrepreneur registered for the provision of bookkeeping and accounting services fails to comply with the order and within the deadline set in the final decision, the Ministry shall inform the competent authority of the local self-government, which issued the license for self-employment to the persons concerned.

(3) In the case referred to in paragraph 2 of this Article, the competent authority of the local self-government shall issue a decision on termination of self-employment activity.

(4) If a legal entity registered for providing bookkeeping and accounting services fails to act in accordance with the order and within the deadline specified in the final decision, the Ministry shall file a request for initiation of a misdemeanor procedure against the person authorized for representation of that company to the competent court.

3. Monitoring over work of auditing companies

Article 51

(1) The Ministry shall monitor the work of an auditing company.

(2) The Ministry performs monitoring over the work of an auditing company at least once in six years, i.e. at least once in three years, in the case of auditing companies that carry out audits of entities of public interest.

(3) Authorized person of the Ministry, in the procedure of performing monitoring shall have the right and obligation to inspect general and individual acts of the company in the business premises of the company, as well as records and other documentation in order to determine the facts that are of special importance for the quality performance of monitoring, and in particular following documentation:

- 1) on the founders of the auditing company,
 - 2) on licensed authorized auditors engaged and employed for indefinite period of time for full-time and part-time working hours, as well as the total number of auditors engaged on other grounds,
 - 3) whether data on concluded audit contracts is timely submitted to the Ministry,
 - 4) whether the contracted work is insured against liability for damage,
 - 5) whether auditing regulations are applied in the performance of auditing,
 - 6) whether the auditing company has provided internal quality control in the performance of the contracted audit jobs and
 - 7) data and records of relevance for quality monitoring performance.
- (4) Minutes of the performed monitoring shall be drawn up by the person referred to in paragraph 3 of this Article.
- (5) The minutes referred to in paragraph 4 of this Article shall be submitted to the auditing company monitored.
- (6) The Minister shall issue an instruction regulating the monitoring of the business entities providing accounting and auditing services.

Article 52

- (1) If during the procedure of monitoring over the work of an auditing company, it is determined that the provisions of this Law are violated by a general or individual act or action undertaken, the person entrusted with the monitoring of the company shall be obliged and authorized to order the removal of irregularities and illegality by a decision, and determine a deadline in which they must be removed.
- (2) An appeal may be lodged against the decision referred to in paragraph 1 of this Article within 15 days from the date of receipt of the decision.
- (3) The appeal shall not postpone the execution of the decision.
- (4) If an auditing company does not act in accordance with the order and within the deadline determined in the final decision, the Minister shall issue a decision on the withdrawal of the working license of the auditing company.
- (5) The decision referred to in paragraph 4 of this Article shall be final in the administrative procedure and no appeal can be lodged against it, but an administrative dispute can be initiated.

CHAPTER V

ACCOUNTING AND AUDITING COUNCIL OF THE REPUBLIC OF SRPSKA

Article 53

- (1) The Minister shall appoint the Accounting and Auditing Council of the Republic of Srpska (hereinafter: the Council).
- (2) The competence and duties of the Council shall be to:
 - 1) monitor the process of application of the accounting and auditing standards referred to in Article 2 of this Law,

- 2) give initiatives for appropriate and timely solutions for the most effective application of the accounting and auditing standards in the Republic,
- 3) give opinions on drafts and proposals of laws and other regulations in the field of accounting and auditing,
- 4) monitor the process of application of the regulations of European Union relating to the field of accounting and auditing, and propose solutions acceptable to the Republic,
- 5) participate in preparation of a strategy and development of guidelines and Action Plan for improvement of the quality of financial reporting and accounting and auditing practice in the Republic,
- 6) cooperate with the educational institutions, foreign and local professional associations, bodies and organisations,
- 7) give opinion proposals on general acts of professional association,
- 8) reviews annual report on work and state in the field of accounting and auditing, prepared by professional association,
- 9) give opinion and proposals for the annual plan of continuous education performed by professional association and
- 10) perform other tasks within its competence, in line with this Law.

Article 54

- (1) The Council shall be responsible to the Minister for its work.
- (2) The Council shall be obliged to submit to the Minister Activity report at least once a year.

Article 55

- (1) The Council shall have nine members.
- (2) The Minister shall appoint members of the Council among the employees of the Ministry, representatives of professional bodies, Tax Administration, regulatory bodies in the field of financial system, business community, university professors and other persons who may contribute with their theoretical and practical experience in the subject area to the more efficient work of the Council, for a term of five years, with the possibility of reappointing the same persons for another term.
- (3) The Ministry shall perform expert and administrative tasks for the Council.
- (4) On the occasion of appointing of the members of the Council, equal representation of both genders shall be taken into account.
- (5) The Council shall adopt the Rules of procedure which regulate the manner of work, organisation, decision-making, deadlines for delivering opinions and other issues of importance for the work of the Council.

CHAPTER VI TITLES, TESTING, CERTIFICATION AND LICENSING

Article 56

(1) A professional association defined by this Law, in accordance with international educational standards, implements a unique program for acquiring qualifications and titles in the accounting and auditing profession, as well as other related titles in the Republic.

(2) A professional association shall be obliged to adopt and implement regulations defining conditions, method and fees for acquiring titles in accounting and auditing profession, qualification and professional development of accountants and authorized auditors, continual education, quality control of work of its members, and issuing of certificates for all titles in the profession, as well as licenses for titles in the field of accounting.

(3) Upon obtained opinion from the Ministry, the Government shall issue its approval to the regulations referred to in paragraph 2 of this Article.

(4) A professional association shall be obliged to, in cooperation with the Ministry, provide on a continuous basis, a translation of the regulations referred to in Article 2, paragraph 1, item 15 of this Law.

(5) The Minister shall issue a rulebook regulating matters of importance for the translation of the regulations referred to in paragraph 4 of this Article.

Article 57

(1) A professional association shall submit to the Government a report on its activities and state of affairs in the field of accounting and auditing at least once a year, and at the latest by the end of March of the current year for the previous year.

(2) The report referred to in paragraph 1 of this Article shall mandatorily contain: performance of the tasks and given competencies entrusted to this association, the number and structure of the issued certificates, information on conducted education, information on the quality control of the members of the professional association, financial reports of the professional association and other information about state in the field of accounting and auditing profession.

Article 58

(1) In accounting and auditing profession in the Republic, three titles as follows shall be established:

- 1) certified accounting technician
- 2) certified accountant and
- 3) authorized auditor.

(2) Besides titles in accounting and auditing profession, by this Law shall be also established other similar titles in similar professions, as follows:

- 1) an authorized internal auditor,
- 2) an authorized appraiser and
- 3) an authorized forensic accountant.

(3) Testing of candidates for titles referred to in paragraph 1 of this Article, the issuance of certificates and licenses shall be carried out as follows:

- 1) testing of candidates for all titles is carried out through a professional association,

2) issuance of certificates for all titles is performed by a professional association established by this Law,

3) licensing for a certified accounting technician and a certified accountant is performed by a professional association established by this Law and

4) licensing of authorized auditors is performed by the Ministry, in line with this Law.

(4) There shall be no obligation of licensing for persons with the title of certified accounting technician and certified accountant performing accounting tasks for the internal needs of companies and other legal entities in which they are employed, except for qualified persons.

(5) Persons who have obtained licenses in the Federation of BiH and Brčko District of BiH, in line with regulations, may obtain the appropriate licenses in the Republic from the Ministry or professional association in the Republic.

Article 59

It shall be forbidden to use titles referred to in Article 58 of this Law by persons who have not been certified and licensed, as well as offering or performing independent accounting or auditing services to third parties from persons who have not been licensed in accordance with this Law and registered for the provision of accounting and auditing services.

Article 60

(1) Persons holding a certificate issued by professional entities outside BiH, after providing evidence that they meet IFAC training requirements in the country in which they have earned qualification, as well as conditions regarding professional qualifications, work experience and knowledge of regulations and taxation system in the Republic and BiH, may apply for the nostrification of the acquired title and qualifications.

(2) A professional association established by this Law shall perform the nostrification of the acquired titles and qualifications for the persons referred to in paragraph 1 of this Article, in the manner and conditions prescribed by the joint body in the field of accounting and auditing at the level of BiH.

Article 61

In line with the Accounting and Auditing Law of BiH, all persons being issued with a certificate in the other entity or Brčko District, providing that the entity and Brčko District have adopted the law and by-laws ensuring identical acknowledgment of certificates issued in the Republic in the territory of the other entity and Brčko District, shall have acknowledged the acquired title in profession in the Republic and shall not be requested to provide nostrification.

CHAPTER VII
ADMINISTRATIVE SUPERVISION AND MONITORING, DISCOVERING AND
REPORTING CRIMINAL OFFENSES IN RELATION TO MONEY LAUNDERING AND
FINANCING OF TERRORIST ACTIVITIES

Article 62

Administrative and expert supervision over the implementation of this Law shall be performed by the Ministry.

Article 63

(1) Persons performing accounting, auditing and supervision activities in connection with the provisions of this Law shall be obliged to constantly monitor and detect phenomena and actions that have characteristics of criminal offenses related to money laundering and financing of terrorist activities.

(2) In the case of establishing facts and actions indicating the criminal offenses referred to in paragraph 1 of this Article, the competent authority for the prevention of money laundering and financing of terrorist activities shall be mandatorily informed in writing, without delay.

(3) Entities involved in the activities prescribed by this Law shall be obliged to provide continuous support and cooperation to all prosecuting authorities in relation to their requests in regards to detection, reporting and processing of activities which have features of money laundering and financing of terrorist activities.

CHAPTER VIII
PENALTY CLAUSES

Article 64

(1) A fine in the amount of BAM 3,000 to BAM 15,000 shall be imposed on a legal entity if:

- 1) it fails to perform the classification in accordance with this Law (Article 5),
- 2) it fails to arrange organisation of accountancy in prescribed manner (Article 7)
- 3) it uses computerized data processing methods, and fails to provide an accounting software enabling functioning of the internal accounting control system (Article 7, paragraph 5),
- 4) it fails to compose, control and keep business records, i.e. fails to keep books and other reports in line with the provisions of this Law (Article 8,9,10,11,12 and 22),
- 5) it fails to appoint with a general act a person entrusted with keeping of business records (Article 13),
- 6) it fails to register in the Registry of companies providing bookkeeping and accounting services (Article 15),
- 7) it fails to create inventory of assets and liabilities within prescribed period (Article 17),

8) it fails to perform balance of claims and liabilities, fails to respond to the request from an authorized auditor or fails to publish in the notes the information on imbalanced receivables and liabilities (Article 18),

9) it fails to compose or present financial statements (Article 19, 20,21 and 23),

10) it fails to perform audit of financial statements and consolidated financial statements (Article 28),

11) it fails to submit financial statements, consolidated financial statements, audit report and business report to the Registry of financial statements (Article 25 and 25),

12) it provides auditing services in the territory of the Republic without previously fulfilled or contrary to the requirements prescribed by this Law (29, 33, 37, 44 and 46),

13) it fails to report within prescribed period any changes in the data registered in the Registry of auditing companies (Article 35),

14) it fails to conclude auditing contract within prescribed deadline (Article 39, paragraph 3),

15) it fails to submit within prescribed deadline photocopies of auditing contracts concluded within the previous year (Article 39, paragraph 6),

16) it fails to perform auditing services in a prescribed manner (Article 40),

17) it fails to publish transparency report within a prescribed deadline (Article 45) and

18) it fails to enable the authorized person to perform monitoring or fails to remove irregularities established during the monitoring (Article 49. 51 and 52).

(2) For the actions referred to in paragraph 1 of this Article, a fine of BAM 300 to BAM 1,500 shall be imposed on a responsible person in a legal entity for a misdemeanor.

(3) For the actions referred to in paragraph 1 of this Article, an entrepreneur registered for the independent provision of bookkeeping and accounting services shall be fined for a misdemeanor with a fine from BAM 500 to BAM 2,500.

Article 65

A professional association shall be fined for a misdemeanor with a fine from BAM 3,000 to BAM 15,000 for non-submission of reports referred to in Article 57 of this Law.

Article 66

(1) A fine of BAM 300 to BAM 1,500 for a misdemeanor shall be imposed on a natural person who uses the data obtained from the Registry of financial statements in a manner that is contrary to the provisions of this Law.

(2) A fine of BAM 300 to BAM 1,500 for a misdemeanor shall be imposed on a natural person who uses titles in the profession prescribed by this Law or offers and performs independent accounting and auditing services to third parties and is not registered for the provision of such services nor is certified and licensed in line with the provisions of this Law.

CHAPTER IX

TRANSITIONAL AND FINAL PROVISIONS

Article 67

(1) Audit companies that have obtained a work permit by the Ministry by the date of entry into force of this Law, at the latest within a period of six months from the date of entry into force of this Law, shall be obliged to harmonize their status and business with the provisions of this Law.

(2) Request for issuing of work permit to an auditing company that is submitted before entry into force of this Law shall be resolved in line with the provisions of this Law.

Article 68

(1) Notwithstanding Article 39, paragraph 3 of this Law, contracts on the audit of the financial statements for 2015 may be concluded by December 31, 2015.

(2) The obligation of insurance in line with Article 44 of this Law shall apply beginning with the audit of the financial statements for 2015.

Article 69

(1) The obligation of classifying legal entities in the category of micro legal entities, in line with the criteria referred to in Article 5, paragraph 3 of this Law, shall be applied within one year from the date of entry into force of this Law.

(2) Until the date of application of the provision of Article 5, paragraph 3 of this Law, legal entities that meet the criteria for classification in the category of micro legal entities shall be considered as small legal entities.

Article 70

(1) Companies registered for providing bookkeeping and accounting services shall be obliged to register in the Register of companies providing bookkeeping and accounting services managed by the Ministry, within six months from the date of entry into force of this Law.

(2) The competent authority of the local self-government unit shall be obliged to submit to the Ministry copies of decision for all entrepreneurs engaged in providing bookkeeping and accounting services, with the purpose of entry into the Register of entrepreneurs for provision of bookkeeping and accounting services managed by the Ministry, within six months from the date of entry into force of this Law.

Article 71

Within six months of the entry into force of this Law, the Minister shall issue:

- 1) A rulebook on establishing double-entry bookkeeping system with entrepreneurs (Article 3, paragraph 5),
- 2) A rulebook on managing Registry of auditing companies, Registry of authorized auditors, Registry of legal entities and entrepreneurs for providing bookkeeping and accounting services (Article 15, paragraph 4),
- 3) rulebooks prescribing Chart of accounts and content of accounts in Chart of accounts for all legal entities and entrepreneurs (Article 16, paragraph 2),
- 4) A rulebook on manner and deadlines for performing inventory and balancing of book value with actual value of assets and liabilities (Article 17, paragraph 5),
- 5) rulebooks on form and content of financial statements (Article 21, paragraph 1),
- 6) A rulebook prescribing form and content of publicly available reports (Article 26, paragraph 5),
- 7) A rulebook on issuance, renewal and revocation of authorized auditors licenses (Article 32, paragraph 2),
- 8) A rulebook on minimum sums for risk coverage against adverse events caused by incorrectly expressed auditing opinion (Article 44, paragraph 5),
- 9) A rulebook prescribing matters of importance for the translation of regulations (Article 56, paragraph 5),
- 10) An instruction on application of International Financial Reporting Standards for Small and Medium Entities (Article 3, paragraph 6) and
- 11) An instruction on performing monitoring of the business entities providing accounting and auditing services (Article 51, paragraph 6).

Article 72

Until the adoption of by-laws on the basis of this Law, the by-laws that were in force until the entry into force of this Law shall apply, if they are not in contradiction with it.

Article 73

On the date of entry into force of this Law, the Accounting and Auditing Law of the Republic of Srpska („Official Gazette of the Republic of Srpska“, no. 36/09 and 52/11) shall cease to apply.

Article 74

This Law shall become effective on the eighth day following its publication in the “Official Gazette of the Republic of Srpska”.

Nedeljko Cubrilovic

PROVISIONAL TRANSLATION