

**Regulation on financial statements and audit for other purposes of Banks, approved by the
Decision of the Executive Board of the National Bank of Moldova no.118 from May 24, 2018**

Note: The translation is unofficial, for information purpose only

**EXECUTIVE BOARD
OF THE NATIONAL BANK OF MOLDOVA**

**DECISION
no. 118 from may 24, 2018
on the approval of the Regulation on financial statements and audit for other purposes of Banks**

Pursuant to article 5 par. (1) letter d), art. 11 par. (1), art. 27 par. (1) letter c), art. 44 letter a) of the Law on the National Bank of Moldova no.548-XIII of 21 July 1995 (republished in the Official Monitor of the Republic of Moldova, 2015, no. 297-300, art.544), with subsequent modifications and completions, as well as art. 85 par. (2), art.87-90 of the Law on banking activity no.202 of 6 October 2017, with ulterior modifications and completions, the Executive Board of the National Bank of Moldova.

DECIDES:

1. The Regulation on financial statements and audit for other purposes of banks, in accordance with the Annex, is approved.
2. The Regulation on the method of preparing and presentation of audit results, approved by the Administrative Council of the National Bank of Moldova, minutes no. 24 from August 08, 1997 (Official Monitor of the Republic of Moldova, 1997, No. 64-65, art.104), with subsequent modifications and completions is repealed.
3. Application and documents regarding obtaining approval of audit firm by the National Bank of Moldova which are unsolved by the date of entry into force of this Decision shall be examined and solved in accordance with the provisions of the Regulation mentioned in item 1, provided they are filled in within 20 work days as of the date of entry into force.

The application and the documents shall be examined within 30 work days as of the date of filling in the set of documents by the bank. In case the application and the documents are not filled in within the indicated term, they shall be returned to the bank.

4. The first audit for the purpose of verification and assessment of adequacy and implementation of bank's internal policies and procedures in the field of prevention and combating money laundering and terrorist financing stipulated in item 21 of the Regulation referred to in item 1 shall be initiated on the 1st of September 2018, for the period September 01, 2017 – September 01, 2018, by presentation of auditor's report no later than 3 months as of the date of finalization of the audited reporting period.

**Chairman
Of the Executive Board**

Sergiu CIOCLEA

**Regulation
on financial statements and audit for other purposes of Banks**

**Chapter I.
GENERAL PROVISIONS**

1. This Regulation establishes the normative framework for performing audit of bank's financial statements and of audit for other purposes, requirements for the audit company, the method of approval and withdrawal of approval of the audit firm, method of communication and documentation between the audit company, the National Bank of Moldova and the bank.

2. The terms used in this Regulation shall have the meanings stipulated in the Law on banking activity no. 202 from the 06 October, 2017, as well as the following notions mean:

- 1) **audit firm** - the audit entity as defined in Law no. 271/2017 on the audit of financial statements;
- 2) **CISA** - certified auditor in the field of information systems, audit certification in information systems as defined in the Regulation on outsourcing the activities and operations of the bank, approved by the Decision of the Executive Board of the National Bank of Moldova no. 46/2020.

For the purpose of this Regulation, the term „bank” includes the bank-legal entity from the Republic of Moldova and the subsidiary of a bank of another state, which is licensed by the National Bank of Moldova.

3. The audit company which will perform the audit of a bank shall be approved by the National Bank of Moldova before signing an audit contract with the bank.

4. The audit company performs audit of the bank's financial statements in accordance with the legislation in the field of auditing and with the provisions of the legal framework related to the activity of banks.

**CHAPET II
REQUIREMENTS FOR THE AUDIT COMPANY**

5. The National Bank of Moldova shall approve the audit company for performing audit of the bank, which cumulatively meets the following criteria:

- 1) The approval of the National Bank of Moldova was not withdrawn in the context of compliance with the legal framework of the banks' activity and/or with the audit field of the bank during the last 3 years;
- 2) Has got at least 3 years of experience in the field of auditing financial statements of public interest entities;
- (3) The audit company's team designated for the respective audit mission meets the following conditions:
 - a) at least 1/3 of the audit company's team has experience in the field of auditing financial statements according to international financial reporting standards (hereinafter IFRS);
 - c) at least one auditor has got an accountant qualification certificate, issued by an independent international company;

- (d) at least one auditor in the audit company's team has an auditor certificate in CISA information systems;
 - e) at least one member of the audit company's team has at least 3 years' experience in auditing financial statements of public interest entities, including one year in the field of auditing financial statements of banks;
6. An audit company may provide audit services, irrespective of the purpose of the proposed audit, in the same management period, at the same time at several banks in the Republic of Moldova, provided that at the date of its approval by the National Bank of Moldova, the cumulative assets of the respective banks shall not exceed 50 percent of total assets of the banking system.
7. The audit contract shall be concluded in writing and shall contain at least the following:
- 1) The objective and scope of audit application;
 - 2) The obligation of the audit company to prepare the auditor report in accordance with the International Standards on Auditing (hereinafter ISA), as well as the letter addressed to the management, which the audit company is responsible to present to the bank's board and to the National Bank of Moldova;
 - 3) The management period, according to accounting legislation, for which the audit is performed;
 - 4) The obligation of the audit company to communicate to the bank about the modification of information related to the criteria specified in item 5 within 5 work days as of the date of modification;
 - 5) The obligation of the audit company to forward to the National Bank of Moldova the information obtained within the audit mission in the situations provided for in Article 89 of the Law on banking activity no. 202 from October 6, 2017 and the fact that it does not constitute a breach of obligation of respecting confidentiality of information regarding the activity of the audited bank, which is the responsibility of the audit company according to the legislation or to contractual clauses, and cannot entail liability of any kind.
8. In order to obtain the approval of the National Bank of Moldova, the bank shall submit an application by attaching the following documents and information:
- 1) In the case of financial statements audit, the extract from the minutes of the general meeting of the shareholders of the bank at which was taken the decision regarding confirmation of the audit company to perform audit of financial statements;
 - 2) In the case of audit for other purposes, the extract from the minutes of the management organ empowered by law or by statute where the decision was taken to confirm the audit company to perform audit for other purposes;
 - 3) A description of the schedule of planned activities of the audit company for the planned management period;
 - 4) A statement on own responsibility on the lack of criteria of affiliation of the audit company with the bank, signed by the responsible person / manager of the audit company;
 - 5) The approved draft of the audit contract, which will be concluded between the bank and the audit company, prepared in Romanian, which includes and the requirements specified in item 7;
 - 6) Information on the theoretical and practical experience of the audit company's team in the field of financial statements audit in accordance with the IFRS, of information systems in the financial sector and audit for other purposes, as appropriate, in accordance with item 5 and the annex to this Regulation, by attaching copies of justifying documents, confirmed by the signature of the responsible person of the bank;

7) A statement on own responsibility on independence of auditors of the audit company's team, according to audit legislation, signed by the responsible person / manager of the audit company.

(8) In the case of audit for other purposes, in addition to the documents and information specified in this item, the draft mission letter of the audit company prepared in accordance with the International Standards on Related Services shall be annexed.

9. The application, and the attached documents and information, specified in item 8, shall be prepared in Romanian and submitted to the National Bank of Moldova within 10 work days as of the confirmation of the audit company by the general meeting of shareholders of the bank; or, by case, by the management organ empowered by legislation or statute. The National Bank of Moldova shall, within 30 days from receipt of the complete set of documents and information, approve or reject the nominated audit company, by informing the bank in writing of its decision.

10. If the documents specified in item 8 are incomplete, the National Bank of Moldova shall inform the bank in writing about this fact within 5 work days as of the date of submitting the application. The Bank shall, within 10 work days from the date of receipt of the letter of the National Bank of Moldova, fill in and submit to the National Bank of Moldova the missing documents and/or information. The 30 days' term specified in item 9 begins to run as of the presentation by the bank of the complete set of documents and information.

11. In case the bank has not filled in the set of documents within the terms established in item 10, the National Bank of Moldova shall inform the bank about the termination of the administrative procedure.

12. In case the set of documents is complete but the information contained is insufficient to decide on the audit company's compliance and on taking the decision on the approval of the audit company, in case of performing certain additional investigations, the National Bank of Moldova reserves the right to solicit additional documents and information, to perform additional examinations, including consulting public authorities and other legal entities regarding the activity of the audit company and/or the members of the audit company's team. In this case, the National Bank of Moldova may set a longer deadline for issuing the decision provided in item 9, which shall not exceed 15 days, under the Administrative Code, informing the bank.

12¹. The Bank is obliged to present the additional information and documents within the term indicated by the National Bank of Moldova, the period during which the term provided in item 12 is suspended.

13. The decision of the National Bank of Moldova on the refusal of approving the audit company, shall indicate the reasons for refusal of application of the audit company submitted by the bank. As grounds for refusal, the following shall be considered:

- 1) Providing to the National Bank of Moldova of inaccurate information for taking the decision on the approval of the audit company and/or;
- 2) Non-compliance of the audit company with at least one of criteria specified in items 5 and 6 and/or;
- 3) Non-compliance with the requirements of audit contract specified in item 7;
- 4) Non-compliance with the legal framework applicable to audit of the bank of the last 3 years.

14. During the development of audit, the bank is obliged to notify in writing the National Bank of Moldova within 3 work days, whenever necessary, about modifications of the information submitted during the approval process, including modifications, which can cause non-compliance of the audit company and/or of the audit team to the criteria set out in item 5.

15. If the audit firm does not adequately fulfill its responsibilities in accordance with the law on banking activity no. 202 from 6 October 2017, including no longer meeting the conditions specified in item 5 and/or no longer complying to the requirements of ethical and professional conduct, the National Bank of Moldova shall withdraw the approval or can grant a period for remediation of non-conformities and deficiencies identified.

In case, the audit firm does not remediate the identified non-conformities and deficiencies during the period established by the National Bank of Moldova, it shall withdraw the approval granted to the audit company.

In case of withdrawal of approval of the audit company or of granting a time period for remediation of identified non-conformities and deficiencies, the National Bank of Moldova shall communicate to the bank within 2 work days about the decision taken in this respect and about the reason of applying the respective measures.

16. After informing the bank about the refusal to approve the audit company or about the withdrawal of the approval granted to the audit company specified in items 13 or 14, as appropriate, it shall convene without delay the general meeting of shareholders or, by case, the management organ authorized by law or by statute to confirm another audit company according to the requirements of this Regulation.

17. The audit of outsourced activities and/or operations of the bank shall be performed in accordance with the requirements specified in Chapter VI of the Regulation on outsourcing activities and operations of banks, approved by the Decision of the Executive Board of the National Bank of Moldova no.46/2020.

CHAPTER III

AUDIT OF FINANCIAL STATEMENTS

18. The bank is audited annually by an audit company approved by the National Bank of Moldova for performing audit of individual and consolidated financial statements, as appropriate, prepared in accordance with the IFRS.

19. As a result of the audit of financial statements, the audit company's team issues the auditor's report as well as the letter addressed to the management in accordance with audit legislation, including the ISA.

20. The letter addressed to the management is designated to the board of the bank and contains at least the following information:

- 1) Issues deriving from the audit of financial statements which are relevant to the Bank's management in supervising the financial reporting process;
- 2) Significant misstatements of information, according to the ISA or inconsistencies contained in the audited financial statements, which were corrected;
- 3) Internal control deficiencies that the audit firm has identified, taking into account the provisions established in the ISA 265 "Informing governance responsible persons and the management about internal control deficiencies", including about those identified in the methods and procedures utilized by the internal audit of the bank;
- 4) Findings of the audit company, including the vision on the qualitative aspects of accounting practices, at least, related to subjects provided in Annex no. 2 of the ISA 260 "Communication with governance responsible persons";

5) Views of the audit company on aspects related to accounting assessments for items for which assessments are essential, aspects exposed in the ISA 540 "Auditing of accounting assessments, including of fair value accounting estimates and of related disclosures";

6) Any other information considered by the audit company being important and which is necessary to be presented to the board of the bank.

CHAPTER IV

AUDIT FOR OTHER PURPOSES

21. According to art. 87 of the Law on banking activity no. 202 of 6 October 2017, the National Bank of Moldova requires banks, as appropriate, to carry out audit activities for purposes other than audit of financial statements.

The audit for other purposes stipulated in item (0) sub-item (3) shall be performed annually, starting with 1 September for the situation of the last 12 months, by an audit company approved by the National Bank of Moldova in accordance with the conditions set out in this Regulation, with presentation of the auditor's report in no more than 3 months from the end of the audited reporting period.

22. For the purpose of this Regulation, the "audit for other purposes" is a specific verification and evaluation task solicited by the National Bank of Moldova for one or more of the following issues but not limited to:

1) Compliance to the management framework of the bank's activity according to applicable normative acts of the National Bank of Moldova;

2) Veracity and plenitude of prudential reports and of FINREP submitted to the National Bank of Moldova;

3) Compliance and implementation of internal policies and procedures of the bank in the field of prevention and combating money laundering and terrorist financing;

4) Evaluation of the internal risk management framework related to information and communication technologies.

23. The external audit for other purposes can be carried out simultaneously with the external audit of the financial statements or separately from it, as well as by the same audit company or by another audit company approved by the National Bank of Moldova under the provisions set out in this regulation, which shall apply in the appropriate manner.

24. Audit for other purposes is not part of the audit of financial statements, but is a specific control over certain areas solicited to be verified and shall be done on the basis of a separate audit contract concluded between the bank and the audit company.

25. The National Bank of Moldova may solicit initiation of an audit for other purposes for each bank individually, by indicating the area of verification and evaluation.

The National Bank of Moldova may forward requirements regarding the manner, form, period, conditions for developing the verification and assessment, including requirements for the audit team, and the deadline for submission of auditor's report for other purposes.

CHAPTER V

OBLIGATIONS OF THE AUDIT COMPANY APPROVED BY THE NATIONAL BANK OF MOLDOVA

26. The audit company shall submit, in original, to the National Bank of Moldova and to the bank's board, according to accounting legislation, within 4 months from the date of finalization of the audited reporting period, the report of the auditor of the financial statements and the letter addressed to the management, by annexing the financial statements that are signed on behalf of the audit company by the manager of the audit company and by the audit team's head of the audit company.

26¹. The Bank shall facilitate the complete and timely submission by the audit firm of the documents and information required in accordance with this Regulation.

27. In case of audit for other purposes solicited by the National Bank of Moldova according to item 21, the audit company shall submit to the National Bank of Moldova and, by case, to the bank's board the report on the effective findings related to the procedures agreed under the conditions stipulated in item 25, which is signed by the manager of the audit company and the head of the audit company's team.

28. The bank shall keep in original the documents specified in item 26 and, by case, in item 27 at its premises.

29. During the audit of financial statements or audit for other purposes, the National Bank of Moldova shall, by case, communicate with the audit company and/or the audited bank to discuss certain aspects related to the activity of the audited bank.

30. The audit company shall inform the National Bank of Moldova about any fact or decision regarding the audited bank pursuant to article 89 par. (1) of the Law on banking activity no. 202 from the 6 of October 2017 and shall provide at its request any details, clarifications, explanations related to the audited management period of the bank, including after finalization of audit activity.

Information on Theoretical and Practical Experience of the Audit Company's Team

for performing the audit _____

(of financial statements and/or for other purposes ¹)

at _____ for _____

(indicate the name of the audited bank)

(indicate the audited reporting period)

No.	Name, Surname	Position held within the audit company	Scope of responsibilities within the audit company team	Information on trainings / certifications (name of institution, year, series and diploma / certificate number)	Information on experience in the field of audit of financial statements in accordance with IFRS, of information systems, by case, in the financial sector (name of the entity, year of participation in the mission, scope of responsibilities within the audit company team)

Signature of the audit company leader _____

Date _____

¹ shall be indicated requirements specified in item 22