1. A mandatory QA review system is in place in Estonia for all audits of financial statements.

2. The legal foundation for the QA review system in Estonia is the Auditors’ Activities Act [link](https://www.rigiteataja.ee/en/eli/504022016002/consolide).

3. The management board of the EAA has legal mandate for conducting QA reviews pursuant to the procedure approved by and under the direction and supervision of the Auditors Activities Oversight Council (AAOC).

4. There are no overlaps in terms of responsibilities of the abovementioned bodies.

5. The QA review system is in compliance with the requirements of SMO 1. The Board of EAA continuously supports its further development.

6. **Overview of past and planned actions undertaken by Member or Associate in accordance with the Applicability Framework:**

   The Estonian audit quality assurance review system is functional and effective. By June 2017 all Estonian auditing companies that have been operating for more than 2 years, have went through the regular quality control.

   There is a sufficient number of QA reviewers who are receiving necessary additional training.

   The consistency and effectiveness of QA system is under the continuous monitoring and review in the co-operation with AAOC. At the end of the first full quality control cycle (after June 2017) there is a plan to review and update the Quality control standards and guidelines, possibly as a part of multi-national co-operation project.

   The Board of EAA continues to ensure that the audit quality assurance review system is operating effectively and continues to be in line with the revised SMO 1 requirements. This includes periodic review of the operation of the quality review system and updating the Action Plan for future activities where necessary.

**Appendix**

<table>
<thead>
<tr>
<th>Scope of the System</th>
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</thead>
<tbody>
<tr>
<td>1. At a minimum, mandatory QA reviews are required for all audits of financial statements.</td>
<td>Yes</td>
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</table>

<table>
<thead>
<tr>
<th>Quality Control Standards and Other Quality Control Guidance</th>
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<tbody>
<tr>
<td>2. Firms are required to implement a system of quality control in accordance with the quality control standards.</td>
<td>Yes</td>
</tr>
<tr>
<td>3. Most up to date versions of ISQC 1 and other relevant ISA are adopted as the quality control standards.</td>
<td>Yes</td>
</tr>
</tbody>
</table>
4. Member Body assists firms in understanding the objectives of quality control and in implementing and maintaining appropriate systems of quality control. | Yes |

**Review Cycle**
5. A cycle-based, risk-based, or a mixed approach for selecting firms for QA review is used. | Yes | Mixed approach |

6. For cycle-based approach, quality control reviews are required to take place at least every six years (and every three years for audits of public interest entities) | Yes |

**QA Review Team**
7. Independence of the QA Team is assessed and documented. | Yes |

8. QA Team possesses appropriate levels of expertise. | Yes |

**Reporting**
9. Documentation of evidence supporting the quality control review report is required. | Yes |

10. A written report is issued upon conclusion of the QA review and provided to the firm/partner reviewed. | Yes |

**Corrective and Disciplinary Actions**
11. Reviewed firms/partners are required to make timely adjustments to meet recommendations from the review report. | Yes |

12. QA review system is linked to the Investigation and Discipline system | Yes |

**Consideration of Public Oversight**
13. The body responsible for QA reviews cooperates with its oversight body and shares information on the functioning of the QA review system, as needed. | Yes |

**Regular Review of Implementation and Effectiveness**
14. Regular reviews of implementation and effectiveness of the system are performed | Yes | Ongoing monitoring, first major review to be completed within 6 months |
Action plan subject: SMO 2–International Education Standards for Professional Accountants and Other Pronouncements issued by the IAESB

1. A professional examination for auditors is organised by the Ministry of Finance (MoF) which is responsible for developing examination process and all questions for the sworn auditors’ examination, therefore establishing the framework the initial professional development (IPD) is based on. EAA supports MoF with creating the questions as well as with the continuous monitoring and feedback of the examination process. EAA is also responsible for organizing and monitoring continuous professional development (CPD) of auditors in Estonia.

2. Law/regulation that defines IPD and CPD requirements for professional accountants in the jurisdiction, is the Auditors’ Activities Act https://www.riigiteataja.ee/en/eli/504022016002/consolide.

3. The local CPD requirements for auditors are in line with those of IESs. With regards of IPD – due to the small size of the Estonian economy, there are no bachelor level educational program for the future auditors. At the same time, the whole Estonian education system, including university education is very competitive and on a high level, which means that several curricula provide necessary technical competence, professional skills and practical experience for the entry level position in auditing firms. EAA has supported the recent creation and introduction of Master’s degree curricula for financial audit. EAA therefore recognizes the partial non-compliance with IES 1-6 and continues monitoring the demand of auditing firms for the new recruits as well as development plans of universities with faculties of economy, keeping an open eye on opportunities.

4. The IESs are not adopted by law.

5. The AAOC oversees the certification process, see § 15 and 18 of the Act.

6. The IESs have not been translated into Estonian.

7. Overview of past and planned actions undertaken by Member in accordance with the Applicability Framework to either (1) incorporate the requirements of IESs in the jurisdiction; support the adoption of IESs; (3) support the implementation of IESs; and (4) support Member’s members in understanding and implementing the requirements.

For IES 1-6 see p.3

With regards of IES 7-8, EAA is continuously evaluating and updating its training program for the auditors to reflect the changing requirements of IES as well as local regulations and expectations of the society. EAA has also planned to initiate the process of updating the internal CPD regulations for the local auditors in the co-operation with the MoF.
Action Plan Subject: SMO 3 International Standards and other Pronouncements Issued by the IAASB


2. All public limited companies and larger limited liability companies are required to have their financial statements audited.

3. There are no additional/separate requirements for specific types of companies (e.g. banks, financial institutions, listed companies, insurance undertakings, etc.).

4. The AAOC has legal mandate for setting auditing standards in the jurisdiction

5. For having legal effect in Estonia, any regulation (incl. international standards) has to be translated into Estonian. Formerly the translation of standards has been the responsibility of MoF and all effective IAASB standards (ISA, ISQC, ISRE, ISAE and ISRS) were translated into Estonian in 2010 (as well as modifications of and additions to the standards in later years. In 2016 EAA took over the role of being contracting party to the IFAC with regards of translations, assessed the situation and commissioned translation of some 20 new or changed standards (translation is currently in process). The EAA’s aim is to continue with the practice of translating all relevant IAASB standards.

6. In case of modification of the standards, IAASB Modification Policy has been followed.

7. For the translations of ISAs into national language, see p. 5. The IFAC Policy on Translations has been followed.

8. All effective IAASB standards have either been translated or in the process of translation.

9. If not adopted, plans to adopt ISAs for application in the jurisdiction: N/A

10. For the adoption of other pronouncements issued by the IAASB such as International Standards on Review Engagements (ISREs), International Standards on Assurance Engagements (ISAEs), International Standards on Related Services (ISRSs), and International Standards on Quality Control (ISQCs) see p 5.

11. Overview of past and planned actions undertaken by Member in accordance with the Applicability Framework to either (1) adopt ISAs in the jurisdiction; (2) support the adoption of ISAs; (3) support the implementation of ISAs; and (4) support Member’s members in understanding and implementing existing auditing standards in the jurisdiction.

EAA is committed to adopt all relevant ISAs. EAA continues to support its members in understanding and implementing existing auditing standards through training programs, lectures and written communications.
**Action Plan Subject:** SMO 4 IESBA Code of Ethics for Professional Accountants


3. The translation is based on July 2009 version of the Code.

4. **For Partial Adoption, what approach Member or Associate is pursuing to adopt/achieve compliance with the IESBA Code.** N/A

5. There is an ongoing process in place to incorporate amendments to the IESBA Code. The Methodology Committee and the Board of EAA keep an eye on developments and decide the necessary amendments to be made in the Estonian translation of the Code.

6. **If not adopted, plans to adopt the IESBA Code.** N/A

   
   The IFAC Policy on Translations has been followed.

8. **Version of the IESBA Code that has been translated and is currently being applied – see p**
   
   3. The translation of the latest version of the Code has been commissioned in accordance with the IFAC Policy on Translations and is due to be completed within 6 months.

9. **Overview of past and planned actions undertaken by Member or Associate in accordance with the Applicability Framework to either (1) adopt the IESBA Code in the jurisdiction; (2) support the adoption of the IESBA Code; (3) support the implementation of the IESBA Code; and (4) support Member’s or Associate’s members in understanding and implementing accounting standards in the jurisdiction.**

   The trainings on Code of Ethics have been incorporated into CPD program from 2011.

   EAA is committed to adopt all relevant changes in Code and continues to support its members in understanding and implementing existing ethical standards through training programs, lectures and written communications.
Action Plan Subject: SMO 5–International Public Sector Accounting Standards and Other Pronouncements Issued by the IPSASB


2. The body responsible for adopting public sector accounting standards is the Ministry of Finance.

3. IPSAS is not adopted, but the effective guidelines are generally in compliance with its principles, although there are areas where simplified application or non-application has been opted for.

4. There is no translation of IPSAS and no plans to arrange the translation.

5. The nature of public sector accounting standards is: accrual.

6. Currently there are no plans to adopt IPSAS in Estonia.

7. **Overview of past and planned actions undertaken by Member or Associate in accordance with the Applicability Framework to either (1) adopt IPSAS in the jurisdiction; (2) support the adoption of IPSAS; (3) support the implementation of IPSAS; and (4) support Member’s or Associate’s members in understanding and implementing accounting standards in the jurisdiction**

   EAA continues to monitor both international and local developments, and is ready to make action in case the adoption of IPSAS becomes relevant for Estonia.
Action Plan Subject: SMO 6—Investigation and Discipline


2. The Estonian professional accountants’ I&D system is led by Auditors Activities Oversight Council (AAOC) and the board of the EAA, with partial involvement of the Ministry of Finance.

   AAOC is responsible for organization and oversight of I&D. They have also the authority to carry out investigations and/or disciplinary proceedings, although in majority of cases such proceedings are carried out by the Board of EAA and the decision (incl the chosen disciplinary punishment) is approved by AAOC. In case the outcome is the suspension or termination of auditing license, the MoF is the one that issues the administrative act. MoF has also the right to apply certain administrative sanctions on auditing firms in relation with I&D.

3. The I&D system is compliant with the requirements of SMO 6 (revised 2012).

4. The main requirements of SMO 6 are contained in Appendix II. It should be noted that the list is not exhaustive and it should be read in the context of the entire text of SMO 6. Areas of less than full compliance should be clearly identified.

5. Overview of past and planned actions undertaken by Member or Associate in accordance with the Applicability Framework to either (1) develop or implement an I&D system in the jurisdiction; (2) support the adoption of an I&D system; (3) support the implementation of an I&D system; and (3) support Member’s or Associate’s members in understanding and implementing its requirements.

   The regulation for the processing and investigation of complaints and the procedure for conduct of disciplinary proceedings have been effective from 2012. EAA has incorporated the relevant topics in relation with auditors’ and auditing firms’ rights and obligations into training programs, lectures and written communications and provides the necessary counselling for its members.

   The EAA monitors the efficiency and effectiveness of the system on an ongoing basis and is about to complete first major review within next 6 months.

Appendix

<table>
<thead>
<tr>
<th>Scope of the System</th>
<th>Yes</th>
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<tbody>
<tr>
<td>1. A system of investigation, discipline and appeals exists for the accountancy profession. The system is operational.</td>
<td></td>
</tr>
<tr>
<td>2. Information about the types of misconduct which may bring about investigative actions is publicly available.</td>
<td>Yes</td>
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<table>
<thead>
<tr>
<th>Initiation of Proceedings</th>
<th>Yes</th>
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<tbody>
<tr>
<td>3. Both a “complaints-based” and an “information-based” approach are adopted.</td>
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<tr>
<td>4. Link with the results of QA reviews has been established.</td>
<td>Yes</td>
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<table>
<thead>
<tr>
<th>Investigative Process</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>5. A committee or similar body exists for performing</td>
<td></td>
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<tr>
<td>Ad-hoc investigation working groups are formed when necessary.</td>
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</table>
investigations.

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<tbody>
<tr>
<td>6. Members of a committee are independent of the subject of the investigation and other related parties.</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Disciplinary Process</strong></td>
<td></td>
</tr>
<tr>
<td>7. A separate disciplinary committee/entity exists to make disciplinary decisions on referrals from the investigation committee.</td>
<td>Yes</td>
</tr>
<tr>
<td>8. Members of the committee/entity include professional accountants as well as non-accountants.</td>
<td>Partly</td>
</tr>
<tr>
<td>The body of decision makers (Board of EAA) consists of sworn auditors only (6 of 7 are active practitioners), but there is a separate body who approves these decisions (AAOC) where 50% of members are non-accountants</td>
<td></td>
</tr>
<tr>
<td>9. The tribunal exhibits independence of the subject of the investigation and other related parties.</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Sanctions</strong></td>
<td></td>
</tr>
<tr>
<td>10. The disciplinary system allows imposing an extensive range of penalties. It is particularly important to include (a) loss of professional designation; (b) restriction and removal of practicing rights; and (c) exclusion from membership.</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Rights of Representation and Appeal</strong></td>
<td></td>
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<tr>
<td>11. A third appeals body exists which is separate from both the disciplinary committee and investigative committee.</td>
<td>Yes</td>
</tr>
<tr>
<td>The appeal can be made to the administrative court</td>
<td></td>
</tr>
<tr>
<td><strong>Administrative Processes</strong></td>
<td></td>
</tr>
<tr>
<td>12. Timeframe targets for disposal of all cases are set.</td>
<td>Partly</td>
</tr>
<tr>
<td>No specific targets, but as the amount of proceedings is rather small, there are no issues</td>
<td></td>
</tr>
<tr>
<td>13. Tracking mechanisms to monitor progress in investigation and discipline and related procedures are established.</td>
<td>Partly</td>
</tr>
<tr>
<td>No specific written policies, but the monitoring is effective</td>
<td></td>
</tr>
<tr>
<td>14. Records of investigations and disciplinary processes are established.</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Public Interest Considerations</strong></td>
<td></td>
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<tr>
<td>15. Activities are supported to ensure that the public is aware that an investigative and disciplinary system exists in the jurisdiction.</td>
<td>Yes</td>
</tr>
<tr>
<td>16. A process for the independent review of complaints on which there was no follow-up is established.</td>
<td>Partly</td>
</tr>
<tr>
<td>No specific written policies, but the AAOC can carry out such procedures if required</td>
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</tbody>
</table>
17. The results of the investigative and disciplinary proceedings are made available to the public. | Yes |

### Liaison with Outside Bodies
18. There is an appropriate process for liaison with outside bodies on possible involvement in serious crimes and offences. | Yes |

- No specific written policies, but the responsible body is aware of such mechanism and able to react if necessary

### Regular Review of Implementation and Effectiveness
19. Regular review of implementation and effectiveness of the system are performed and corrective actions are implemented. | Yes |

- Ongoing monitoring, first major review to be completed within 6 months


**Action Plan Subject: SMO 7–International Financial Reporting Standards and Other Pronouncements issued by the IASB**

2. There are no significant additional/separate requirements for certain types of companies (e.g. banks, financial institutions, listed companies, insurance undertakings, etc.).
3. Body with legal mandate for adopting accounting standards in Estonia is the Minister of Finance.
4. In Estonia the version of IFRS that has been adopted is the international financial reporting standard adopted by the European Commission provided for in Regulation (EC) No 1126/2008.
5. Types of companies that are required to use IFRS are listed companies, credit institutions, financial holding companies, mixed financial holding companies, investment firms and insurance undertakings.
6. The IFRS has been translated into national language.
7. For version that has been translated and is currently being applied see p. 4.
8. There is no ongoing process to incorporate new and amended standards into national requirements.
9. The companies that are not required to follow IFRS shall follow the accounting principles generally accepted in Estonia that are in most aspects based on IFRS for SMEs.
10. *If not adopted, plans to adopt IFRS for application in the jurisdiction.* N/A
11. *Overview of past and planned actions undertaken by Member or Associate in accordance with the Applicability Framework to either (1) adopt IFRS in the jurisdiction; (2) support the adoption of IFRS; (3) support the implementation of IFRS; and (4) support Member’s or Associate’s members in understanding and implementing existing accounting standards in the jurisdiction.*

   EAA continues to support its members in understanding and implementing IFRS and Estonian GAAP through training programs, lectures and written communications.
Additional information

1. EAA has 500 members, 150 member firms, and 350 sworn auditors (about 60% of them active practitioners)
2. EAA is member of IFAC and associate member of Accountancy Europe (FEE)
3. In general EU audit regulation applies, the new regulations based on requirements of Directive 2014/56/EU has been long overdue and as of current estimate is expected to be enforced by 1 July 2017.