

**NEWSLETTER 13 / 2017****DECEMBER 11, 2017****Internal Auditing: news, obligations and sanctions.**

Following the approval of the 162/2017 Law, that redefines and reassigns certain functions of the bodies authorized to verify the quality of the statutory auditing carried by third parties, there have been also defined and clarified the applicable sanctions for failure to perform the internal auditing.

Please keep in mind that the obligation to perform internal auditing was already established by the in-force legislation, but without having the implementing rules, compliance with this provision was discretionary.

The normative act 162/2017 requires that **all companies whose annual financial statements are subject, according to the law, to the statutory audit, have the obligation to request, execute and obtain the internal audit report**, issued by authorized entities.

We remind you that in order to be subject to the mandatory statutory auditing, and so to the internal auditing as well, the companies must exceed two of the following three cumulative conditions for two consecutive years:

- Total Assets : 16.000.000 Lei (circa 3.5 mil. Euro)
- Total Turnover : 32.000.000 Lei (circa 7 milioane Euro)
- The Annual average number of employees : 50

**The fines** set in case of failure to fulfil the obligation to request and obtain the internal auditing report are quite elevated, between a minimum of 50.000 Lei (circa 11.000 Euro) and a maximum 100.000 Lei (circa 22.000 Euro).

The current legislation (according to L75 / 1999) also establishes that **only the entities holding the title of active financial auditor (CAFR)**, can sign the legally binding internal audit report, and it cannot be taken into account the internal auditing carried out by a potential parent company.

The obligation to enforce the provisions of this new normative act begins with the balance sheet on **31.12.2017** and has a deadline of 150 days from the end of the year (May 30, 2018).

We strongly advise you to contact our office as soon as possible for further information, if you find yourself in the category of those affected by these new legal developments.

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