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FAOA Circular No. 1/2022

on the professional experience individuals are required to demonstrate to be licensed as audit experts and as auditors

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I. Background

- 1 The following individuals can be licensed as audit experts if they have successfully completed the professional education or courses of study and/or possess the titles described below, have acquired the associated professional experience and enjoy an unblemished reputation (Art. 4 AOA¹):
- a. Swiss Certified Public Accountants;
 - b. Swiss Certified Fiduciary Experts, Certified Tax Experts, and Accounting and Controlling Experts, with at least five years of professional experience in each case;
 - c. graduates of a Swiss university or university of applied sciences with a degree in management and business science, economics or law; financial and accounting experts with Swiss certification, and fiduciaries with Swiss certification, with at least 12 years of professional experience in each case;
 - d. individuals who have completed a course of study abroad and achieved qualifications comparable to those defined in a, b or c and can demonstrate the required professional experience and the required knowledge of Swiss law, provided a treaty with their country of origin allows for this, or that their country of origin grants reciprocal rights in this regard.
- 2 An individual may be licensed as an auditor if he or she enjoys an unblemished reputation, meets the educational requirements as defined in margin no. 1 and can demonstrate professional experience of at least one year (Art. 5 AOA).
- 3 The purpose of this FAOA Circular is to specify the quantitative and qualitative requirements regarding the professional experience individuals must demonstrate in order to be licensed as an audit expert or auditor.

II. Quantitative professional experience requirements

- 4 Instances of professional experience can be evidenced in years, months or hours. Here, it is assumed that a year consists of 1,200 productive working hours. A shorter duration of professional experience in years cannot be offset by additional productive working hours per year. The following minimum durations thus apply when presenting proof of professional experience in each case. The durations are to be confirmed by the employer (or former employer):

	<i>Minimum duration in years</i>	<i>Minimum duration in months</i>	<i>Minimum duration in hours</i>
Margin n. 1 letter a	4	48	4 800
Margin n. 1 letter b	5	60	6 000
Margin n. 1 letter c	12	144	14 400
Margin n. 2	1	12	1 200

- 5 Professional experience gained prior to the start of a recognised course of study cannot be credited to the total amount of experience acquired (Art. 4 para. 4 and Art. 5

¹ Federal Act on the Licensing and Oversight of Auditors of 16 December 2005 (AOA; SR 221.302).

para. 2 AOA). The duration of education/course of study is only credited as the duration defined in the regulations of the educational institution in question.

6 A primary focus on accounting (ACC) and financial statement auditing (FSA; Art. 4 para. 4 and Art. 5 para. 2 AOA) is deemed to exist if at least three quarters of all activity is dedicated to those two fields (Art. 7 para. 2 AOO²).

7 Supervised professional experience in the field of financial statement auditing (FSA) is absolutely mandatory for licensing as an audit expert (Art. 4 AOA) and auditor (Art. 5 AOA).

8 In the case of licensing as an audit expert, experience in financial statement auditing (FSA) must account for at least one third of total professional experience in accounting and financial statement auditing (see Margin no. 6). At least one third of FSA experience is to be gained in the area of ordinary audits (OA) or within the framework of the provision of audit services for which licensing as an audit expert is required. The following minimum durations thus apply when presenting proof of professional experience in each case. The durations are to be confirmed by the employer (or former employer):

a. in the case of professional education/course of study as defined in Art. 4 para. 2, letter a AOA (Margin no. 1 letter a)

	<i>Share of total duration</i>	<i>Duration in years</i>	<i>Duration in months</i>	<i>Duration in hours</i>
Total	100 per cent	4	48	4 800
of which $\frac{3}{4}$ ACC/FSA	75 per cent	3	36	3 600
of which $\frac{1}{3}$ FSA	25 per cent	1	12	1 200
of which $\frac{1}{3}$ OA	8.33 per cent	0.33	4	400

b. in the case of professional education/course of study as defined in Art. 4 para. 2, letter b AOA (Margin no. 1 letter b)

	<i>Share of total duration</i>	<i>Duration in years</i>	<i>Duration in months</i>	<i>Duration in hours</i>
Total	100 per cent	5	60	6 000
of which $\frac{3}{4}$ ACC/FSA	75 per cent	3.75	45	4 500
of which $\frac{1}{3}$ FSA	25 per cent	1.25	15	1 500
of which $\frac{1}{3}$ OA	8.33 per cent	0.42	5	500

c. in the case of professional education/course of study as defined in Art. 4 para. 2, letter c AOA (Margin no. 1 letter c)

	<i>Share of total duration</i>	<i>Duration in years</i>	<i>Duration in months</i>	<i>Duration in hours</i>
Total	100 per cent	12	144	14 400
of which $\frac{3}{4}$ ACC/FSA	75 per cent	9	108	10 800
of which $\frac{1}{3}$ FSA	25 per cent	3	36	3 600
of which $\frac{1}{3}$ OA	8.33 per cent	1	12	1 200

² Federal Council Ordinance on the Licensing and Oversight of Auditors of 22 August 2007 (Audit Oversight Ordinance, AOO; SR 221.302).

- 9 In the case of licensing as an auditor, experience in financial statement auditing (FSA) must account for at least one half of total professional experience in accounting and financial statement auditing (see Margin no. 6). The following minimum durations thus apply when presenting proof of professional experience in each case. The durations are to be confirmed by the employer (or former employer):

	<i>Share of total duration</i>	<i>Duration in years</i>	<i>Duration in months</i>	<i>Duration in hours</i>
Total	100 per cent	1	12	1 200
of which $\frac{3}{4}$ ACC/FSA	75 per cent	0.75	9	900
of which $\frac{1}{3}$ FSA	37.5 per cent	0.375	4.5	450

III. Qualitative professional experience requirements

1. Accounting

- 10 Professional experience in the field of accounting is not absolutely mandatory if professional experience in the area of financial statement auditing fully meets the requirements defined in this FAOA Circular.
- 11 Professional experience in the field of accounting relates to external accounting or internal accounting. Activities relating to business statistics and planning and budgetary calculations cannot be recognised as professional experience in the field of accounting.
- 12 External accounting (i.e. financial accounting) presents a company's financial situation for publication and an external audience. Here, a company's assets, financial position, earnings results and other financial information are disclosed in balance sheet statements, income statements and annexes. Maintaining a company's general ledger and preparing interim reports and statutory and consolidated financial statements are examples of professional experience in the field of accounting. On the other hand, experience limited to specific secondary areas of financial accounting (e.g. managing accounts receivable, accounts payable, inventory, etc.) cannot be considered to constitute professional experience as such activities do not establish a comprehensive understanding of the nature of financial accounting.
- 13 Internal accounting (i.e. management accounting) particularly involves the planning, controlling and coordination of internal company processes with the aim of maximising a company's success. The information gained through management accounting is used as a basis for management decision making. To this end, the sources of success at a company are analysed, in particular with the help of cost accounting, performance calculation, and capital budgeting and investment appraisal instruments, whereby this approach is frequently expanded into a comprehensive controlling system. Management accounting activities are considered to constitute professional experience if they establish a comprehensive understanding of the nature of financial accounting. Here as well, experience limited to specific secondary areas does not lead to a comprehensive understanding of the nature of financial accounting.

2. *Financial statement auditing*

- 14 Professional experience in the field of financial statement auditing relates to practical experience that at least largely involves the management of, or work on, associated audit assignments. Purely theoretical knowledge of financial statement auditing is not sufficient to meet the requirements. The required theoretical knowledge is to be demonstrated by the successful completion of a legally recognised professional education/course of study as defined in Art. 4 para. 2 AOA.
- 15 Activities conducted within the framework of internal auditing operations can only be considered to constitute professional experience if the audit procedures used are to a large extent comparable with those employed by an external auditor. This is the case if such an external auditor utilises comparable auditing standards³.
- 16 The provision of audit services not required by law, and the performance of “voluntary” audits for companies not required to undergo audits (e.g. following an opting-out in accordance with Art. 727a para. 2 CO⁴), can be considered to constitute professional experience if such services/audits were provided/conducted in accordance with the Swiss Auditing Standards (SAS) and/or the Swiss Standard on Limited Statutory Examination (SLSE).
- 17 Tax auditing activities, regulatory audits in accordance with the AMLA⁵, and IT audit and controlling activities cannot be considered to constitute professional experience in the field of financial statement auditing.

IV. Requirements for demonstrating supervised professional experience (oversight)

- 18 Professional Experience shall be deemed to have been acquired under oversight if:
- a. the applicant was formally subordinate to a specialist who satisfies the legal requirements and was bound by instructions when he or she carried out the activity in question (Art. 7 para. 4 AOO).
 - b. The supervision has been carried to at least the extent of 50 percent of a full-time position and for at least three months without significant interruptions out due to its education and controlling function; in the case of supervision by the same person for more than two years, 20 percent of a full-time position is sufficient.
- 19 A specialist meets the relevant statutory requirements regarding oversight of professional experience for the licensing of audit experts (Margin no. 1), if he/she:
- a. is licensed in Switzerland as an audit expert or possesses a comparable qualification from abroad (Art. 4 para. 4 AOA); or

³ E.g., standards such as those of the Institute of Internal Auditing Switzerland (IIAS) or the Institute of Internal Auditors.

⁴ Federal Act on the Amendment of the Swiss Civil Code (Part Five: The Code of Obligations) of 30 March 2013 (CO; SR 220).

⁵ Federal Act on Combating Money Laundering and Terrorist Financing (Anti-Money Laundering Act, AMLA; SR 955.0).

- b. meets the requirements defined in the Ordinance on the Professional Requirements for Specially Qualified Auditors⁶ – and the applicant’s professional experience was gained prior to 31 August 2009 (Art. 43 para. 4 AOA).
- 20 A specialist meets the relevant statutory requirements regarding oversight of professional experience for the licensing of auditors (Margin no. 2), if he/she:
- a. is at a minimum licensed as an auditor in Switzerland or possesses a comparable qualification from abroad;
- b. meets the education requirements defined in Art. 4 para. 2 AOA – and the applicant’s professional experience was gained prior to 31 August 2009 (Art. 43 para. 5 AOA).
- 21 A formal supervisory relationship (Art. 7 AOO) is deemed to exist if:
- a. the individual (specialist) supervising the applicant has a higher position in the company than the applicant;
- b. the individual supervising the applicant is at the same level in the company and the latter’s obligation to follow the instructions of the former can be demonstrated in a different manner;
- c. the individual supervising the applicant has a lower position in the company than the applicant and the presumption of the oversight authority that no supervisory relationship can be deemed to have existed can be refuted through the provision of appropriate documents.
- 22 Proof of an obligation on the part of the applicant to follow the instructions of the supervising individual can be provided using the oversight authority’s professional experience form and the applicant’s employment contract, as well as all other documents that would make it possible to conclude that such an obligation exists (e.g. contractual agreements, company statutes, regulations, organisational charts, job descriptions or descriptions of social welfare contributions). The requirements for demonstrating a formal supervisory relationship in accordance with Margin no. 21 letter c are more stringent in nature.
- 23 If the applicant is a member of a legal organ of an audit firm, recognition of the existence of a supervisory relationship additionally requires that the applicant also has an employment relationship with the firm (dual relationship).
- 24 In a material sense, recognition of the existence of a supervisory relationship requires the individual supervising the applicant to have played an operational role in the supervised field and to have effectively monitored the applicant in each assignment in accordance with the provisions outlined in Margin no. 18 letter b.
- 25 To obtain a licence as an audit expert, at least two thirds of the professional experience gained in each case must have been obtained under supervision (Art. 4 para. 4 AOA). The following minimum durations thus apply when presenting proof of professional experience in each case. The durations are to be confirmed by the employer (or former employer):

⁶ Federal Council ordinance (since repealed) of 15 June 1992 (AS 1992 1210).

- a. in the case of professional education/course of study as defined in Art. 4 para. 2, letter a AOA (Margin 1, letter a)

	<i>Total duration (months)</i>	<i>Supervised (months)</i>	<i>Total duration (hours)</i>	<i>Supervised (hours)</i>
Total	48	24	4,800	2,400
of which ACC/FSA	36	24	3,600	2,400
of which FSA	12	8	1,200	800
of which OA	4	2.67	400	267

- b. in the case of professional education/course of study as defined in Art. 4 para. 2, letter b AOA (Margin 1, letter b)

	<i>Total duration (months)</i>	<i>Supervised (months)</i>	<i>Total duration (hours)</i>	<i>Supervised (hours)</i>
Total	60	30	6,000	3,000
of which ACC/FSA	45	30	4,500	3,000
of which FSA	15	10	1,500	1,000
of which OA	5	3.3	500	333

- c. in the case of professional education/course of study as defined in Art. 4 para. 2, letter c AOA (Margin 1, letter c)

	<i>Total duration (months)</i>	<i>Supervised (months)</i>	<i>Total duration (hours)</i>	<i>Supervised (hours)</i>
Total	144	72	14,400	7,200
of which ACC/FSA	108	72	10,800	7,200
of which FSA	36	24	3,600	2,400
of which OA	12	8	1,200	800

- 26 To obtain a licence as an auditor, the entire minimum duration of professional experience must have been under supervision (Art. 5 para. 2 AOA). The following minimum durations thus apply when presenting proof of professional experience in each case. The durations are to be confirmed by the employer (or former employer):

	<i>Total duration (months)</i>	<i>Supervised (months)</i>	<i>Total duration (hours)</i>	<i>Supervised (hours)</i>
Total	12	12	1,200	1,200
of which ACC/FSA	9	9	900	900
of which FSA	4.5	4.5	450	450

V. Transitional provisions

- 27 Existing licences of individuals are neither affected by the amendment to the Audit Oversight Ordinance from 23 November 2022⁷ nor by this Circular.

⁷ AS 2022 768

- 28 The requirements set out in Margin no. 9, **Fehler! Verweisquelle konnte nicht gefunden werden.** letter b and 26 shall be complied with as from 1 January 2024.
- 29 The requirements set out in Margin no. 8 letter a and b and **Fehler! Verweisquelle konnte nicht gefunden werden.** letter a and b shall be complied with as from 1 January 2024.
- 30 The requirements set out in Margin no. 8 letter c and **Fehler! Verweisquelle konnte nicht gefunden werden.** letter c shall be complied with as from 1 January 2028.

VI. Entry into force

- 31 This FAOA Circular enters into force on 1 January 2023.