

LAW OF THE REPUBLIC OF ARMENIA

On Organizing and Carrying Out Inspections in the Organizations on the Territory of the Republic of Armenia

Article 1. The Scope of Effectiveness and the Subject Matter of the Law

1. This law regulates the relationships related to organizing and carrying out inspections of the activities of commercial or non-commercial organizations, institutions established thereby, as well as individual entrepreneurs (hereinafter, economic actors) registered in the Republic of Armenia or in foreign countries and carrying out activities in the territory of the Republic of Armenia, as well as defines the uniform procedure for carrying them out.

2. Inspection is a procedure implemented based on law, by which the credibility of the reports provided by economic actors and the consistency of the actual activities of the latter with the requirements of laws and other legal acts is revealed.

3. Examination is an internal procedure within the inspecting body implemented by the body carrying out inspection, with the purposes of clarifying the state of the financial and actual activities of the economic actor, on the basis of the balance sheet, financial and other reports defined by the legislation of the Republic of Armenia provided by the latter.

4. Inspections can be thematic, directed to clarifying the actual state of individual elements related to the activities of an economic actor, or complex, directed to clarifying the actual state of the whole of the financial-economic activities of an economic actor. Inspections directed to clarifying the accuracy of the calculation and payment of tax, customs, compulsory social security, use of natural resources, environmental protection and other compulsory payments defined by law, inspections of the accuracy of the interrelations with the state budget, inspections of activities carried out based on a license for carrying out certain type of activities, inspection of the state of observance of the defined economic norms, administration of the securities register and the transactions carried out thereby, inspection of currency transactions, inspections of the state of observance of sanitary hygienic and fire-prevention rules and other similar inspections shall be considered to be thematic.

5. Inspection of financial-economic activities shall be considered complex, if it is carried out through clarifying the accuracy of the completion (preparation) of accounting and financial reports, balance sheet, initial accounting documentation, and aims at revealing the final or intermediate results of the financial-economic activities of the economic sector undergoing inspection, related to the purposefulness and efficiency of using its own and borrowed cash and commodity assets. The exclusive right of demanding complex inspection of financial economic activities belongs to the shareholders, stockholders, founders or members of an economic actor, within the scope of authority reserved to them by law.

6. This law does not extend to inspections carried out by a state body as a party to a transaction within the scope of the contract entered into between the state body and the economic sector based on civil-legal transactions entered into between the state body and the economic actor.

7. This law does not regulate the relationships related to re-inspections carried out by the Central Bank of the Republic of Armenia over the activities of banks, oversight carried out by the Oversight Office of the National Assembly of the Republic of Armenia, assignment and carrying out of inspections implemented in compliance with the Criminal Procedure Code of the Republic of Armenia, oversight by the shareholders, stockholders, founders or members over the executive body of an economic actor, as well as the relationships related to the oversight implemented by the executive body of an economic sector over the territorial and structural subdivisions of the economic actor.

Article 2. The State Bodies Carrying Out Inspections

1. The following bodies are authorized to carry out inspections in the territory of the Republic of Armenia within the scope of their jurisdiction:

- The Ministry of Justice of the Republic of Armenia,
- The Ministry of Transport and Communications of the Republic of Armenia,
- The Ministry of Agriculture and Natural Resource Utilization of the Republic of Armenia,
- The Ministry of Energy of the Republic of Armenia,
- The Ministry of Coordination of the Territorial Administration and Urban Development Activities of the Republic of Armenia,
- The Ministry of State Revenues of the Republic of Armenia,
- The Securities Market Inspectorate of the Republic of Armenia,
- The Department of Standardization, Measurement and Certification under the Government of the Republic of Armenia,
- The Department of State Nuclear Control under the Government of the Republic of Armenia,
- The Department of Work Safety in Industry and Mountain Control under the Government of the Republic of Armenia,
- The bodies of state fire control of the Republic of Armenia,
- The Service of State Hygienic and Anti-epidemic Control of the Republic of Armenia,
- The State Social Security Fund of the Republic of Armenia,

- The Ministry of Finance and Economics of the Republic of Armenia,
- The State Inspectorate of Language of the Republic of Armenia,
- The National Service of Statistics of the Republic of Armenia,
- The state licensing bodies.

In the event of the change of state bodies or their respective authorities, their successors or bodies enjoying respective authorities shall exercise the authorities of the mentioned bodies carrying out inspection.

2. The state bodies carrying out inspection shall carry out inspections only according to the laws of the Republic of Armenia and within the authority reserved to them on the basis thereof.

3. Interference in the current economic activities of the economic sector during inspections shall be prohibited.

Article 3. The Purpose and Procedure of Carrying Out Inspections

1. The purpose of inspection is to clarify the credibility of the reports published or provided to the state bodies on the basis of law and other legal acts in the field of activities of an economic actor, to implement state oversight over performance of the requirements of the laws and other legal acts of the Republic of Armenia and to protect the property interests of an economic actor.

2. Before commencing the inspection the head (substituting official) of the respective state body shall issue an order or instruction on performing the inspection, which states the name of the body carrying out inspection, the full name of the economic sector undergoing inspection, the position, first and last names of the official (officials) performing the inspection, the issues of inspection, the time period covered by the inspection, the purpose and period of the inspection, the legal grounds for inspection. If the official performing the inspection is substituted on the grounds of impossibility to perform his/her official duties, substitution shall be made by an order about which the economic sector shall be informed according to the procedure stipulated by this article.

3. Two copies of the order or the instruction, at least 3 (three) business days prior to commencing the inspection, except for the cases of inspection by the tax bodies of the accuracy of using the excise stamps and control cash machines, shall be given to the director of the economic sector or the official substituting him. The latter is obligated to sign on one of the copies, certifying that he/she is notified about the inspection. The signed copy shall be returned to the official of the state inspecting body.

4. The official (officials) performing the inspection has (have) no right to go beyond the limits of the purpose stated in the order or instruction on carrying out the inspection.

5. In case during the inspection new circumstances and necessity have emerged, the purposes and the scopes of inspection may be altered by the respective state body, based on the written substantiation of the official (officials) performing the inspection. The director of the economic sector or the person substituting him shall be informed in writing about the alteration, by submitting to him the new order or instruction attached to the previous order or instruction.

Article 4. Terms of the inspection

1. The term of the inspection may be defined no more than 15 calendar days per annum, where the first day of inspection is considered the day of the actual commencement of the inspection. The day of actual commencement of the inspection shall be considered the day of filing a relevant record in the inspection register kept at the economic sector undergoing inspection.

2. The inspection register of an economic sector shall contain information on the inspections carried out during the year, the respective state body performing inspection, the composition of the inspectors, and the issues, purpose and terms of inspection.

3. The term of the inspection shall not exceed the time period specified in the order or instruction of the head of the respective state body on performing the inspection. In case of necessity, by the written substantiation of the official performing the inspection, based on the order or instruction of the head of the respective state body, the term specified by the first paragraph of this Article can be extended up to 10 calendar days. The director of an economic sector undergoing inspection or the person substituting him shall be informed about that. If during the inspection necessity arises to clarify certain information or if the documents related to the inspection are confiscated based on an investigation, preliminary investigation or court verdict or as a result of a natural disaster or due to other unforeseen circumstances making the carrying out of inspection impossible, by the order of the official issuing an order on carrying out an inspection, based on the written report of the official (officials) performing the inspection, the process of the inspection shall be suspended until the elimination of the basis for the suspension. The overall period of the actual term of the inspection shall not exceed 30 calendar days.

4. Inspection by the same state body in the same economic sector shall be carried out no more than once per annum.

In case of the existence of legal bases for carrying out re-inspections, the inspecting body has a right to perform a repeat inspection during one year. If for the given time period an act or a memorandum exists drawn up by the inspecting body, the given inspecting body has no right to inspect the activities of the given economic sector for the same time period, except for the cases where one of the grounds stipulated by Article 5, points "b-e" of this law is present.

Article 5. Legal Grounds for Carrying Out Re-inspections

The re-inspection is the second (repeat) inspection within one year carried out in the same economic sector by the body performing inspection.

Re-inspections can be carried out in case of the existence of any one of the following grounds:

- a) In case of the dissolution of the economic actor;
- b) By the request of the director of the economic actor;
- c) By the written recommendation of the Prime Minister of the Republic of Armenia;
- d) If a sentence entered into legal force confirms the criminal actions of the previous inspector that he performed while carrying out the inspection;
- e) By the request of the state authorized body of privatization of state property, if the necessity of the inspection is explained by the implementation of preparations for the privatization of the state economic sector or one with more than 51 percent state participation;
- f) In the cases defined by paragraph "h" of Article 7 of this law.

Article 6. Summarization of the results of the inspection

1. Based on the results of the inspection a statement shall be drawn up in two copies, in three copies if the economic sector has a state share, in case of failure to reveal violations and defects a memorandum shall be drawn up which shall contain the place and the date of its drawing up, the names of the relevant state body carrying out the inspection and of the economic actor, the staff of inspecting officials, the purpose of the inspection, the term, the results, in the case of a statement the explanations (special opinion) of the representatives of the economic actor, the number of copies, and the consecutive number.

The inspection statement shall contain the description of the recorded violations, those legal norms the requirements of which have not been observed, the reasons for allowing violations, the exact time of the violation, a reference to relevant documents, necessary actions for the elimination (correction) of the violations, corresponding legal grounds for the application of liability.

2. The persons carrying out the inspection shall submit the drawn up statement to the director of the economic sector or the official substituting him/her within three days. The officials carrying out the inspection and the director of the economic sector or the official substituting him/her shall sign the drawn up statement. In case of disagreement, the positions of the parties shall be recorded in the statement. In case of refusal to sign the statement a corresponding note thereof shall be made in the statement. The time period for the economic sector to sign the statement or to submit a disagreement cannot exceed 3 working days. One copy of the statement is delivered to the economic actor. If the latter is a state organization or one with a state share, one copy of the statement shall be sent to the superior body of public administration.

3. The hearing of cases on violations revealed as a result of the inspection is conducted by the procedure defined by the legislation of the Republic of Armenia.

Article 7. Rights of Persons Carrying Out the Inspection

While exercising their authorities the persons carrying out inspections have the right:

- a) To freely enter the economic actor's subdivisions being inspected, accompanied by the representative of the economic actor;
- b) To require documents, data and other information, explanations, memoranda, that directly relate to the purposes of the inspection carried out within the scope of their authority;
- c) If necessary, to involve the specialists of the economic sector in the inspection process, with the consent of the director of the economic sector or the person substituting him/her;
- d) To set down time periods for the elimination of those revealed defects and violations that do not result in criminal or administrative liability;
- e) To submit to the management of the state body assigning the inspections recommendations to take corresponding measures in connection with the revealed abuses and other violations resulting in administrative or criminal liability;
- f) To take copies of documents, things, experimental samples and other necessary materials which directly relate to the purposes of the inspection;
- g) To carry out measurements associated with the purpose of the inspection, inspections to check the accuracy of the use of weighing, measuring and other similar devices and equipment;
- h) For the purpose of grounding the accuracy of the performance of monetary operations and the drawing up of reports and accounts by the economic sector being inspected, to carry out counter inspections in the other party to transactions only for checking the legality of performing the transaction;
- i) Within the scope of issues noted in the order for inspection to demand from the director of the economic sector or the person substituting him/her to inventory fixed assets, commodity-material values, monetary assets and settlements, and to involve corresponding employees and specialists of the economic sector in the process of inventorying.
- j) If necessary, to require memoranda, copies of documents on the movement of the transactions accounts of the economic sector being inspected from the state bodies of registration of property rights, tax and customs and other state bodies, organizations, according to the procedure defined by the legislation of the Republic of Armenia.

Article 8. The obligations of the persons carrying out the inspection

1. The person (persons) carrying out the inspection is (are) obliged:

- a) To observe the requirements of the laws and other legal acts of the Republic of Armenia related to the inspection;

- b) Without the written permission of an official of the economic actor, not to publish information that has become known to him (them) in the process of inspection on the transactions of the economic actor, information on any activity plan or a draft, an invention, a useful model, an industrial sample and any other relevant information that the economic sector intended to keep secret, and the person (persons) carrying out the inspection is (are) aware or may be aware of that intention, as well as information that is considered a commercial secret (hereinafter, information).

Within the meaning of this law, publication of information is considered the oral or written publication or distribution of the information through mass media or in another manner, making it known to a third person or persons.

- c) To observe the rights and interests of the economic sector defined by laws and other legal acts;
d) Not to impede the regular work of the economic actor;
e) To introduce their rights and obligations to the officials of the economic actor;
f) During the inspection to use exclusively as a basis the laws and other legal acts published in the Official Newsletter of the Republic of Armenia and in the Official Newsletter for Agency-Normative Acts of the Republic of Armenia, if such a publication requirement is prescribed at the moment of their entry into force;
g) To answer in writing during the inspection any written questions of the director of the economic sector or the person substituting him/her related to the inspection.

2. In case of temporarily taking documents, things, experimental samples and other necessary materials that directly relate to the purposes of the inspection a protocol on it is drawn up which defines the time limit of their return. One copy of the protocol is delivered to the director of the economic sector or the person substituting him/her.

3. The persons carrying out the inspection bear responsibility for the maintenance of the qualitative and quantitative integrity of temporarily taken documents, things, experimental samples and other necessary materials and for returning them on time.

4. It is prohibited to seal warehouses, buildings, cash vaults, energy sources, equipment, devices, etc.

Article 9. The Rights of the Officials of the Economic Sector

The officials of the economic sector have the right:

- a) To interdict the inspection (provision of documents to the persons carrying out the inspection) if the inspectors have violated the requirements of Articles 3 and 4 of this law by notifying the inspecting body thereof the same day;
b) To familiarize themselves with the statements/reports of the inspection;
c) To submit explanations, clarifications, to file motions, to contest according to the procedure defined by law the actions of the persons carrying out inspection;
d) To demand compensation for the losses caused by the unlawful actions of the persons carrying out inspection;
e) To not meet demands that do not arise from the authority of the persons carrying out inspection, as well as from the purposes and plans of the inspection;
f) To at any stage of the inspection involve specialists, experts, auditors, lawyers, for the protection of the interests of the economic sector being inspected.

Article 10. The Obligations of the Officials of the Economic Sector

The officials of the economic sector are obliged:

- a) To not impede the process of the inspection, to fulfill the lawful demands of the persons carrying out the inspection;
b) To submit the required documents, data and other information;
c) To provide necessary conditions for the activity of the persons carrying out inspection;
d) To eliminate the defects and violations noted in the report of the inspection results within the defined time period, by sending a written notification thereof to the inspecting body.

Article 11. The Liability of the Persons Carrying Out Inspections and Contesting of their Actions

1. The persons carrying out inspection in violation of the requirements of this law bear liability according to the procedure defined by the legislation of the Republic of Armenia.

2. Within the time limits defined by law the actions of the persons carrying out inspection may be contested in the state body to which the inspecting person (persons) is (are) directly subordinate, or in court. The director of the economic sector or the official substituting him/her may forbid continuation of the inspection until the answer to the complaint is received.

3. The complaints are considered in order of precedence and decisions thereon are made not later than within 15 days following the day of filing the complaint. Should there be no decision on the complaint within the defined time period the arguments brought in the complaint are considered accepted. The calculation of the time period defined by this paragraph starts on the first working day following the filing of the complaint with the relevant body.

4. In case of a disagreement on the adopted decision the director of the economic sector or the official substituting him/her has the right to appeal to the court.

Article 12. Compensation of Losses Incurred by the Economic Sector Caused by Unlawful Actions of the Inspecting Bodies

The losses incurred by the economic sector resulting from the unlawful actions of bodies implementing inspection, including lost profits, are subject to compensation according to the procedure defined by the legislation of the Republic of Armenia from the resources of the state budget within the time period defined by the Law of the Republic of Armenia on The Budget System.

Article 13. The Entry into Force of this Law

This law enters into force from July 1, 2000.

After the entry of the law into force the laws and other legal acts regulating the relations of organizing and carrying out inspections are effective to the extent they do not contradict this law.