

Sharing results of quality assurance inspection programs: peer learning

KOSOVO CASE

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October 25, 2017



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Brief background/overview

- SCAAK established 2001, aimed to implement and promote global standards and best practices for the new profession: with its mission to serve the public interest
- Associate member IFAC – 2003
- Full member of IFAC - 2009
- Full member of FCM - 2006
- Full member of EFAA - 2016



Mentoring – our experience with Royal NIVRA

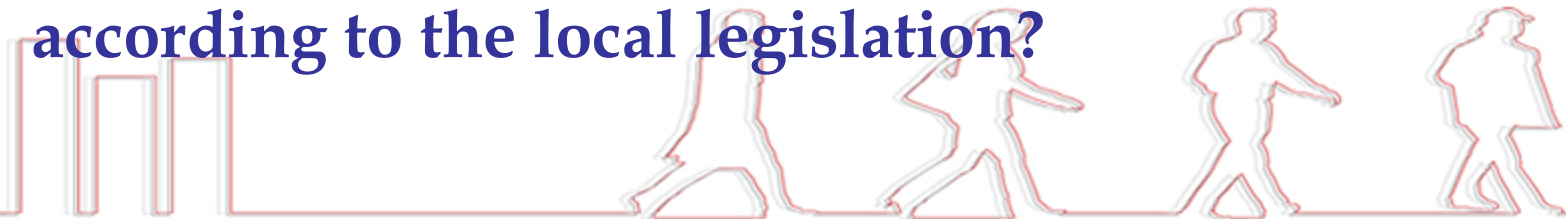
Initial Goals

- Guidance from established senior IFAC member body
- Involvement in SCAAK planning, operations and events
- Provide CPD to members, guidance to SCAAK Council and staff
- **Development of Quality Assurance system**



Background information – state of audit market

- Number of auditors: 70 (57 local, 13 foreign)
- Number of audit firm: 24 (16 local, 8 foreign)
- Number of entities, subject to statutory audit:
230– 300 entities
- Which entities are subject to statutory audit according to the local legislation?



Public Oversight Authority

- Kosovo Financial Reporting Council (KFRC) is the regulatory body in Kosovo in the field of Audit and Accounting.
- The quality review committee of KFRC is responsible for quality assurance of all statutory audit practice
- Professional bodies have no **direct** responsibility over the quality review of statutory auditors.



SCAAK activities for QA 2013-2015



SCAAK activities for QA - 2013-2015

- Developing simplified guidance for SMPs with IEKA and Royal NBA.
- Sight visits to local SMPs and sole practitioners in cooperation with PUM senior experts and Royal NBA.
- Findings from these visits were used to organize Continuous Professional Development (CPD).
- Establishment of QA department during 2015.

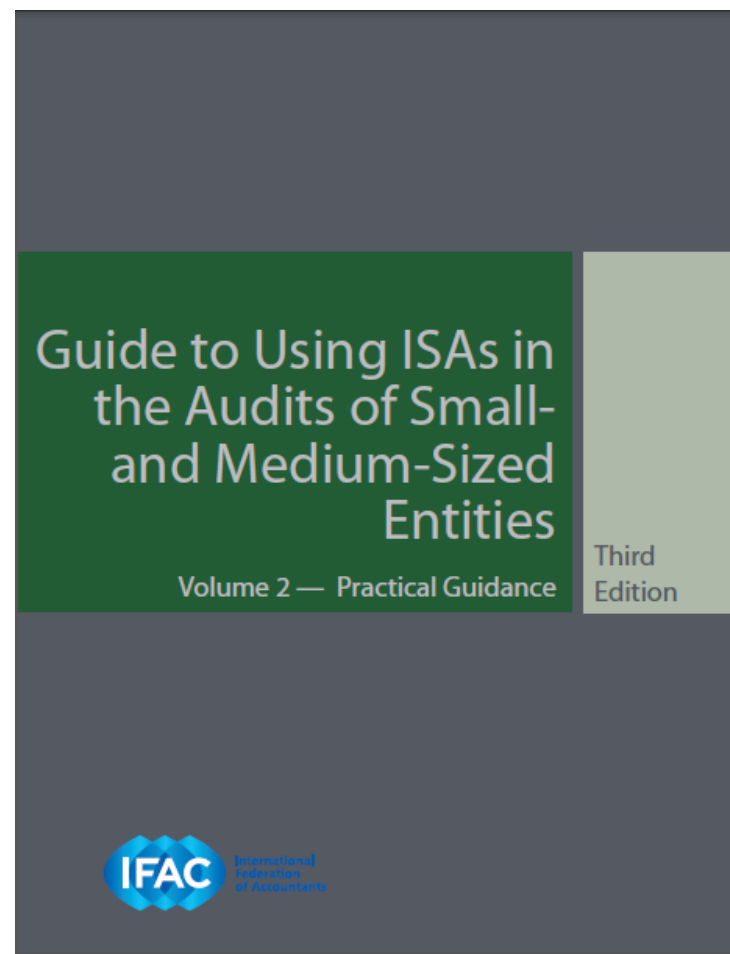
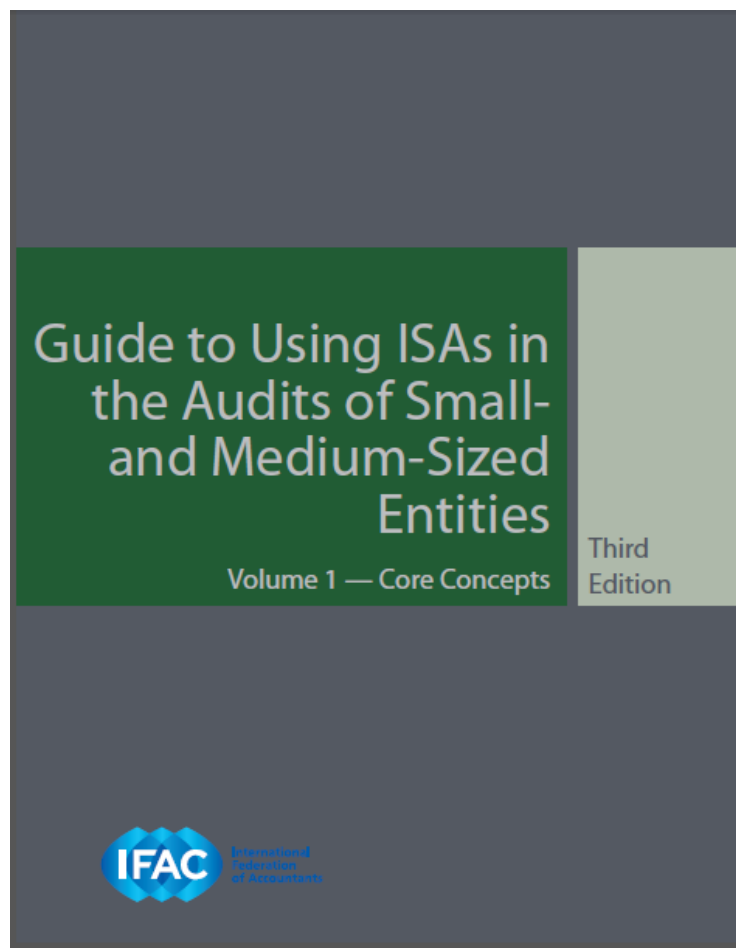


SCAAK activities for QA - 2013-2015 (...1)

- Developing simplified guidance for SMPs with IEKA and Royal NBA.
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IFAC Guides for implementation of ISAs



Guide to Using ISAs in the Audit of SMEs (ISA Guide)

- Objective: to help practitioners perform effective, efficient and economic SME audits
- Published December 13, 2007 (third edition November, 2011)
- 400 pages
- Developed by CICA with IFAC quality review
- PDF downloadable free at <http://www.ifac.org/Store/>



IEKA simplified practical guide

Projekt
Udhezues i thjeshtezuar per auditimin e EVM-ve sipas SNA-ve

Udhezues praktik i thjeshtezuar

- *Sugjeruar per auditimin e pasqyrave financiare te entiteteve te voglae te mesme*

bazuar ne zbatimin proporcional te SNA-ve

Tirane, Shtator 2013

Paraqitur nga
Hysen Cela,
Kledi Kodra

- 68 pages
- Based on ISA guide
- Based on proportionate application of ISA
- Designed in a user friendly format



Royal NBA practical guide / WP

1a. SAMPLE QC Manual 2-5 Partner Firm_ENG.docx
1b. SAMPLE QC Manual Sole Practitioner_ENG.docx
1c. Consultation Form_ENG.docx
1d. CPD Registration Form_ENG.docx
2a. Sample File Documentation_ENG.docx
2b. Example structure audit plan_ENG.doc
3a. Client Assignment Acceptance Form_ENG.docx
3b. Audit Engagement Letter (small)_ENG.doc
3c. Engagement Letter for a Compilation Engagement (small)_ENG.doc
4a. Assignment of Personnel to Engagements Form_ENG.docx
4b. Confirmation Partner and Staff Independence_ENG.docx
4c. Confirmation Partner and Staff Confidentiality_ENG.docx
5a. Understand the business template_ENG.doc
5b. Materiality_ENG.docx
5c. Template control reliance approach_ENG.doc
5d. IT-Technology Summary.doc
5e. Financial Statement Close Process Template_ENG.doc
5f. Risk Control Matrix_ENG.docx
6D. Work Program_ENG.docx
7a. Balance confirmation trade debtor (negative)_ENG.doc
7b. Balance confirmation trade debtor (positive)_ENG.doc
7c. Bank confirmation_ENG.doc
7d. Lawyers letter_ENG.doc
7e. Letter of representation_ENG.doc
8a. Closing and Wrap up Memorandum Compilation_ENG.docx

- 32 files / wp
- Based on Royal NBA best practice



SCAAK activities for QA - 2013-2015 (...2)

- Developing simplified guidance for SMPs with IEKA and Royal NBA.
- Sight visits to local SMPs and sole practitioners in cooperation with PUM senior experts and Royal NBA.
- Findings from these visits were used to organize Continuous Professional Development (CPD).
- Establishment of QA department during 2015.



Outcome of QA review inspections 2013 - 2015

	Meets require- ments	Improve- ments necessary	Does not meet requirements	Non-existent
Client Acceptance & Continuance	29 %	52 %	19 %	0 %
Materiality & Significant Accounts	4 %	39 %	53 %	4 %
Combined Risk Assessment	4%	18 %	55 %	23 %
Audit Approach	8 %	40 %	52 %	0 %
Audit Conclusions	12 %	42 %	34 %	12 %
Opinion Issued	18 %	12 %	70 %	0 %
Client Communication	17 %	57 %	22 %	4 %

Three day CPD – practical audit training



Three day CPD – practical audit training (...1)

Day 1

- Introduction
- Client acceptance and continuance
- Materiality
- Business risks and fraud risks
- Internal control



Three day CPD – practical audit training (...2)

Day 2

- Control activities
- Risk analysis and audit approach
- Impact on the audit of various risks
- Communicating deficiencies in internal control
- Concluding the assessment phase



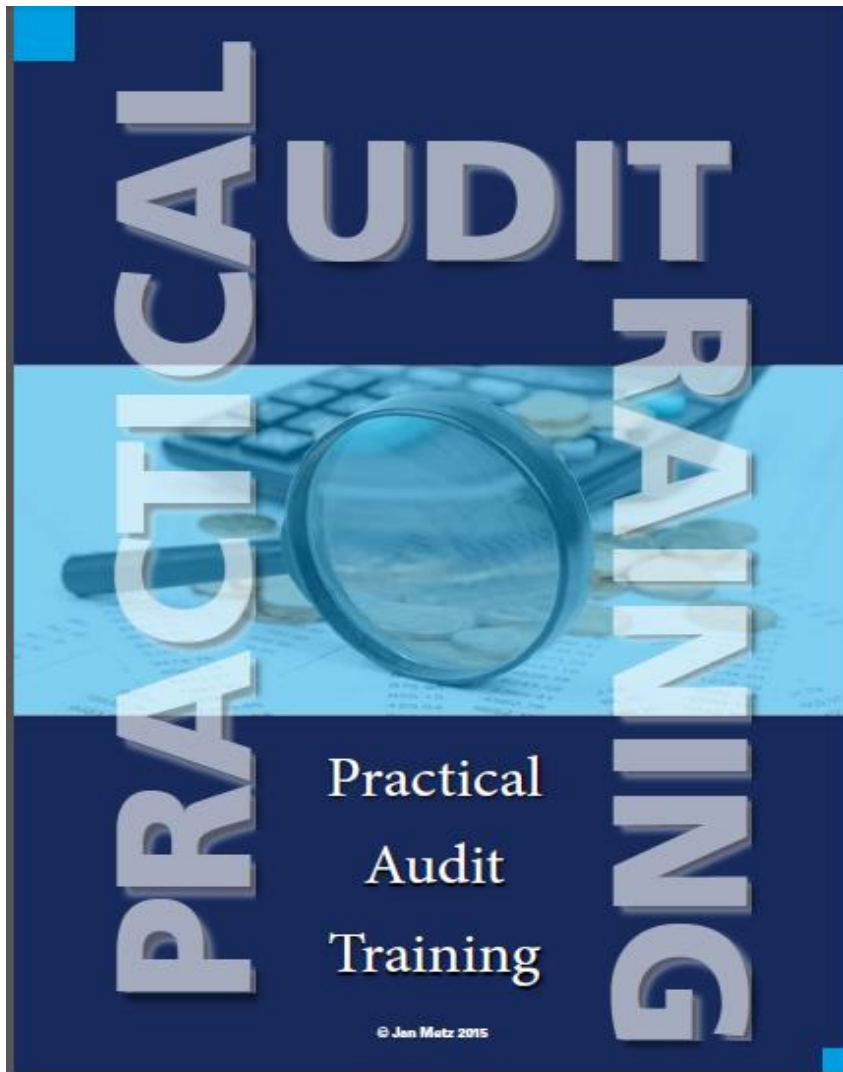
Three day CPD – practical audit training (...3)

Day 3

- The responsive audit plan
- Checklist audit plan
- Documentation considerations
- Concluding the audit
- Auditor's report
- Evaluation



PUM simplified guide



Syllabus practical audit*

I	Client acceptance and continuance	page 3
II	Materiality	page 4
III	Focus of the audit on significant accounts, disclosures and relevant assertions	page 8
IV	Overall strategy documentation	page 9
V	Business and fraud risks	page 11
VI	Significant risks	page 14
VII	Impact of business and fraud risks on financial statements and assertions	page 15
VIII	Understanding internal control	page 18
IX	Communicating deficiencies in internal control	page 19
X	Concluding the risk assessment phase	page 20
XI	The responsive audit plan	page 21
XII	Checklist Audit plan	page 24
XIII	Documentation considerations	page 25
XIV	Concluding the audit	page 26

SCAAK activities for QA 2016-2017



SCAAK activities for QA – 2016-2017

- Research on quality of audited financial statements:
 - Compliance of auditors report with ISA relevant standards
 - Compliance of FS with relevant IFRS/IAS.
 - Sample: 25%
 - Year ends: 2013 & 2014



SCAAK activities for QA – 2016-2017 (...1)

Nature of non-compliance with ISA – AUDIT OPINIONS	Number of mistakes 2013	Number of mistakes 2014
Paragraphs did not have headings	39	34
The set of financial statements audited was not specified in the first paragraph	20	19
Management responsibility for preparing FS in accordance with IFRS was missing.	17	14
Auditors responsibility to perform the audit in accordance with ISA was missing.	5	6
Auditors responsibilities part was missing.	2	4
Managements responsibilities part was missing.	0	1
Emphasis of matter was done after the signature	6	0
The opinion paragraph did not state the accordance of FS with IFRS.	22	18
The quantification of qualification was not specified	13	6

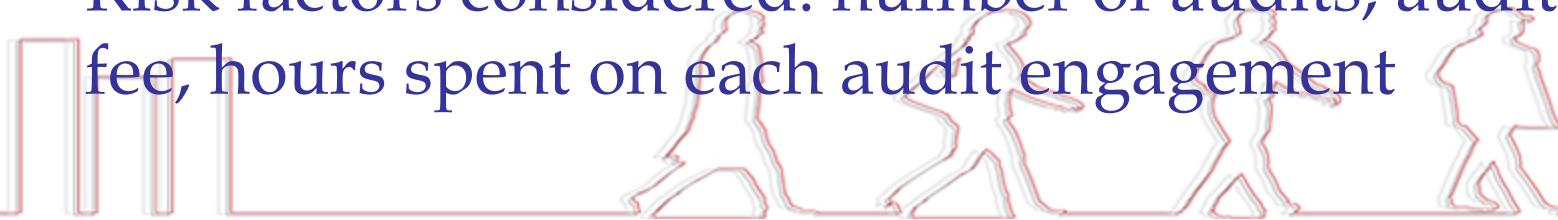
SCAAK activities for QA – 2016-2017 (...2)



Nature of non-compliance with IFRS/IAS – FINANCIAL STATEMENTS	Number of mistakes 2013	Number of mistakes 2014
FS are in compliance with IFRS	17	10
The name of the reporting entity	13	11
Complete set of FS	4	0
The reporting currency used	3	5
The level of rounding	36	20
Misclassification of PPE section	10	9
The reconciliation of equity statement for each class of equity	38	32
The list of new IFRS and not yet applicable	34	36
Policies and procedure for risk management for each FI	43	30

SCAAK activities for QA – 2016-2017 (...3)

- Approval of QA regulation for SCAAK members
 - 3 years cycle of quality inspection review
 - annual activity report
- Start of implantation of QA for statutory auditors, members of SCAAK
 - Sample: 14 auditors selected
 - Risk factors considered: number of audits, audit fee, hours spent on each audit engagement



Thank You!

