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PUBLIKE**

**Improving Audit Quality in Western Balkans Countries
Through Regional Cooperation**

REPARIS for SMEs
Vienna 16-17 May 2023

**Public Oversight Board
Albania Case**

Albanian Audit Legislation

1. Law no. 10091, dated 05.03.2009 “On statutory auditing, organization of the statutory audit and certified accountant profession” amended ;
2. Decision of the Council of Ministers no.786, dated 09.11.2016 “For the selection procedures and cases of dismissal of the POB members, as well as the rules of organization and operation of the POB”;
3. Decision of the Council of Ministers no. 17, dated 16.01.2019 “For the determination of other state or private companies, important for the public interest, due to the nature of their business, size or number of employees”;

<https://bmp.al/baza-ligjore/>

2016 Audit Law - Amendment

- Albania has established the PUBLIC OVERSIGHT BOARD (POB) as the independent public audit oversight and quality assurance
 - New improvements of auditing law based on EU Audit Directive and Regulation Acquis enabled:
 - ✓ Changes in POB members and the new executive function;
 - ✓ Supporting structure for quality assurance;
 - ✓ POB - funding mechanisms;
 - ✓ Design and approval of main regulations;
 - ✓ Quality assurance inspection performance;
 - ✓ Investigation and enforcement;
 - ✓ Regulation on certified accountant profession.

POB – Main regulations

- Since 2017 have been approved:
 - Regulation No. 1 of 26.07.2017 “On Revenue Collection for Public Oversight Board”, amended;
 - Regulation No. 2 of 22.02.2018 “For the functioning of the Commission of Professional Capacity Examination and supervision of the candidate examination for statutory auditors and certified accountants of POB”, amended;
 - Regulation No. 4 of 29.03.2018 “For Investigation and procedures on enforcement”, amended;
 - Regulation No. 5 of 29.03.2018 “Regulation on the functioning of the supporting structure of POB”, amended;
 - IFAC Code of Ethics of 31.05.2018;
 - Regulation No.6, 31.05.2018 “Examination procedures and evaluation system for the professional capacities examination”, amended

POB – Main regulations

- Since 2017 have been approved:
 - Regulation No.7 of 02.10.2018 “Procedures and methodology for quality control of statutory audit”, amended
 - Regulation No.8 of 17.01.2019 “For Protection, Preservation Processing and Confidential Information Security”
 - Regulation no. 9 of 27.02.2019 “On regulating and supervising the functioning of the profession of the Certified Accountant and their professional organizations”, amended
 - Regulation No. 10 of 11.06.2019 “On the organization and functioning of Registration Committee and on the update of public register”, amended
 - Regulation No 12 of 02.07.2020 of the POB "On appropriate vigilance measures and extended by the subjects of the law on prevention of money laundering and terrorist financing"

Changes in Board members structure and selection criteria

Defined a new Board members structure and selection criteria



Chairman and Board members appointment

March 2017



POB statute approval,

July 2017



POB legal status registration,

October 2017

POB – Board Composition

Public Oversight Board is composed of five non-practitioner members, who are knowledgeable in the areas relevant to statutory audit.

Board members are appointed by the Minister of Finance and have a 4 year mandate, with the right to be re-elected not more than twice as follow:

- the chairman and three members are proposed by the Minister of Finance, one of whom is selected by the higher education institutions;
- one member is proposed by the Parliamentary Commission responsible for Economy and Finance.

POB – Board Member Eligibility Criteria

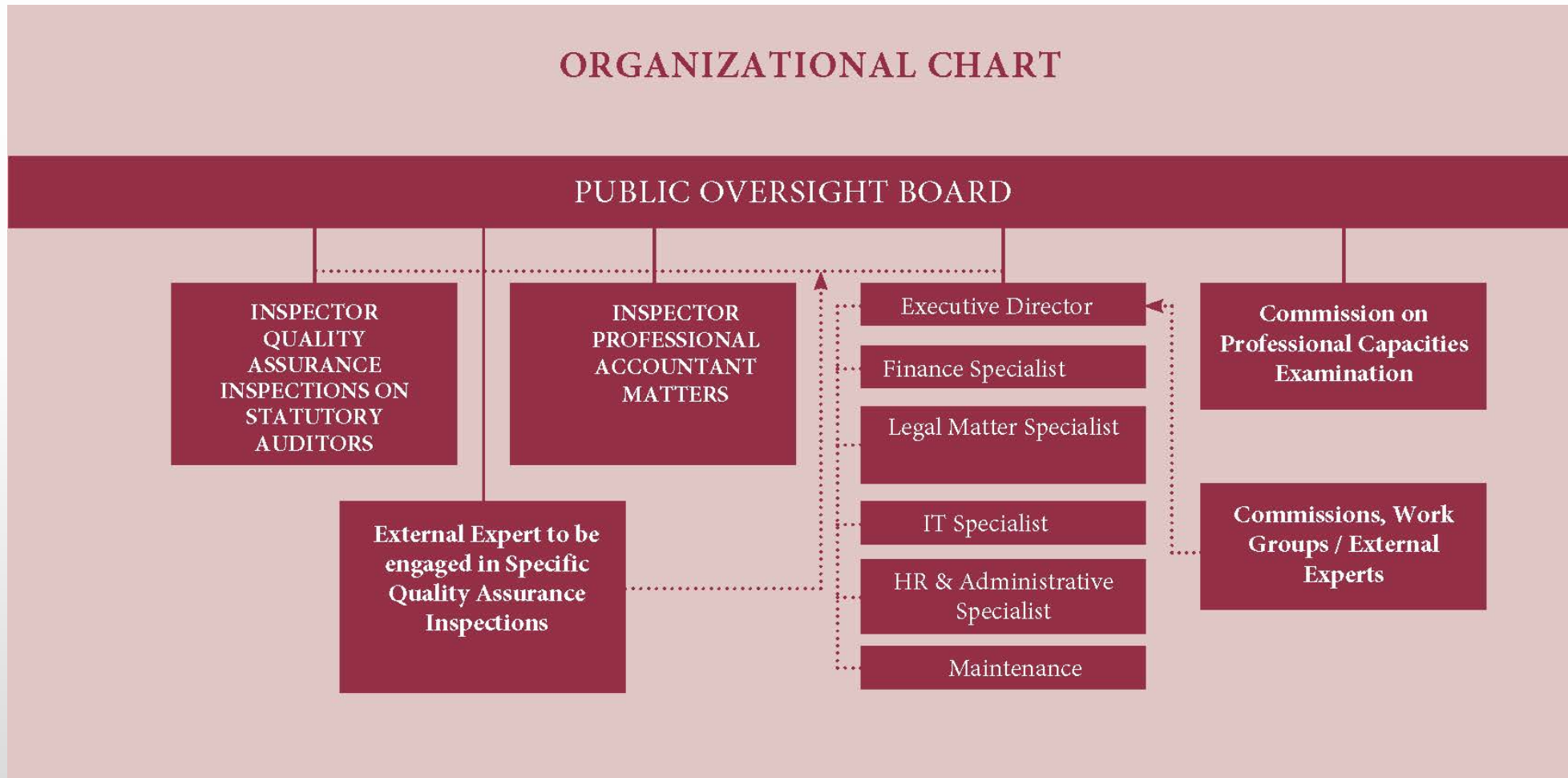
Board members are selected according to a transparent procedure and must meet the following criteria:

- to have Albanian citizenship;
- have moral and professional integrity;
- have not a definitive conviction;
- possess, at least, a "Master of Science" or equivalent diploma with them under the Higher Education Legislation and 10 years of experience or a degree or title and 7 years of experience in legal and accounting audit matters ;
- Do not have close connections, to the second degree, with persons in the elected bodies of the professional organization of legal auditors.

POB – Our staff

- POB ensures that all oversight activities are carried out through the Support Structure
 - Quality assurance inspectors;
 - Administrative staff ;
 - External independent experts engagements ;

POB – Organizational Chart



POB - Staff Profile & Experience

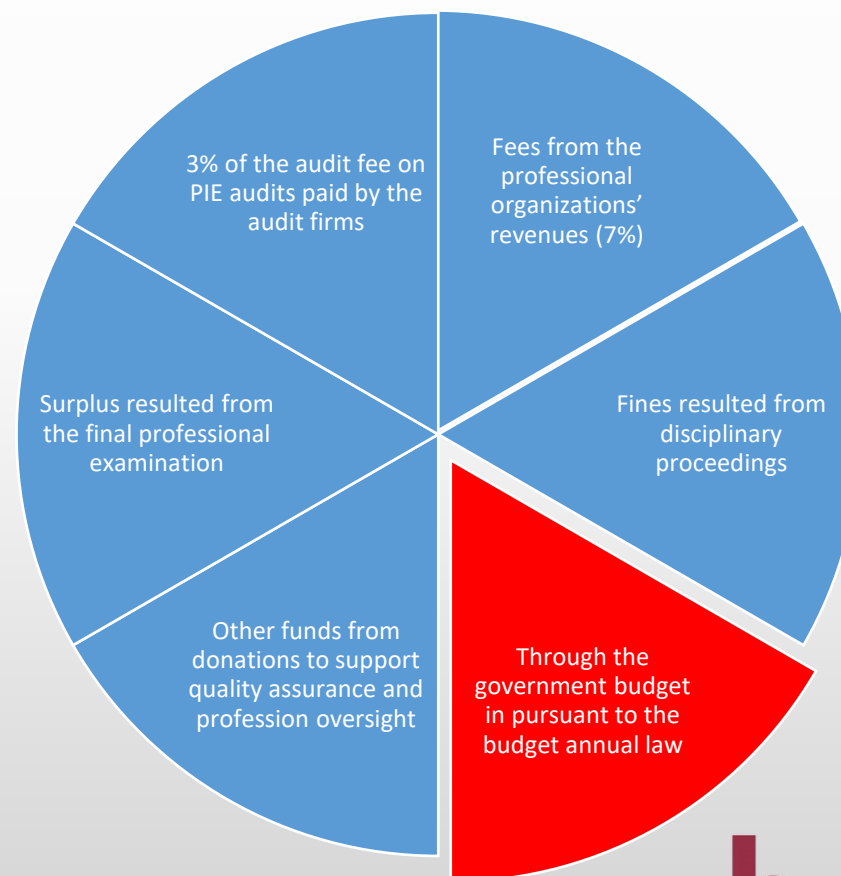
- Administrative staff is composed by experienced :
 - Lawyer specialist
 - Finance specialist
 - HR specialist
 - IT Specialist

POB - Staff Profile & Experience

- Quality assurance inspectors:
 - Inspector 1 – 25 Years experience in financial management and reporting (4 Years with POB)
 - Inspector 2 – 10 Years experience in accounting and financial reporting, and auditing
- Executive Director - 20 years experience in accounting and financial reporting, statutory auditor and (ACCA candidate)
- Commissions and Committees with relevant criteria;
 - Investigative and Discipline Commission;
 - Legal Commission.

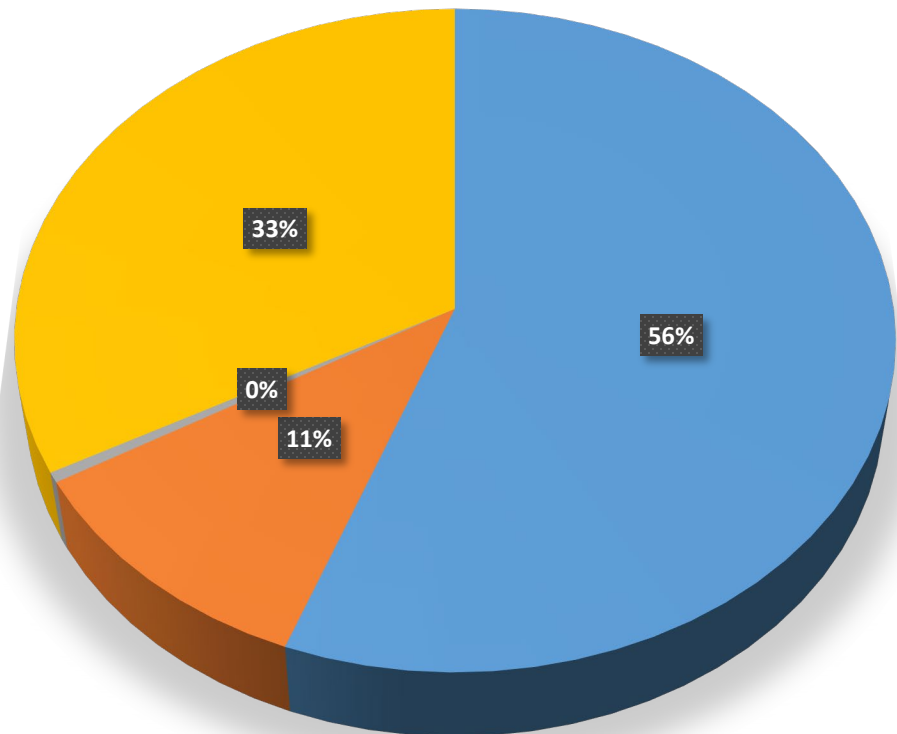
POB - Funding the public oversight system

Article 4/1 of the Audit Law and POB revenue collection provides the funding mechanisms:



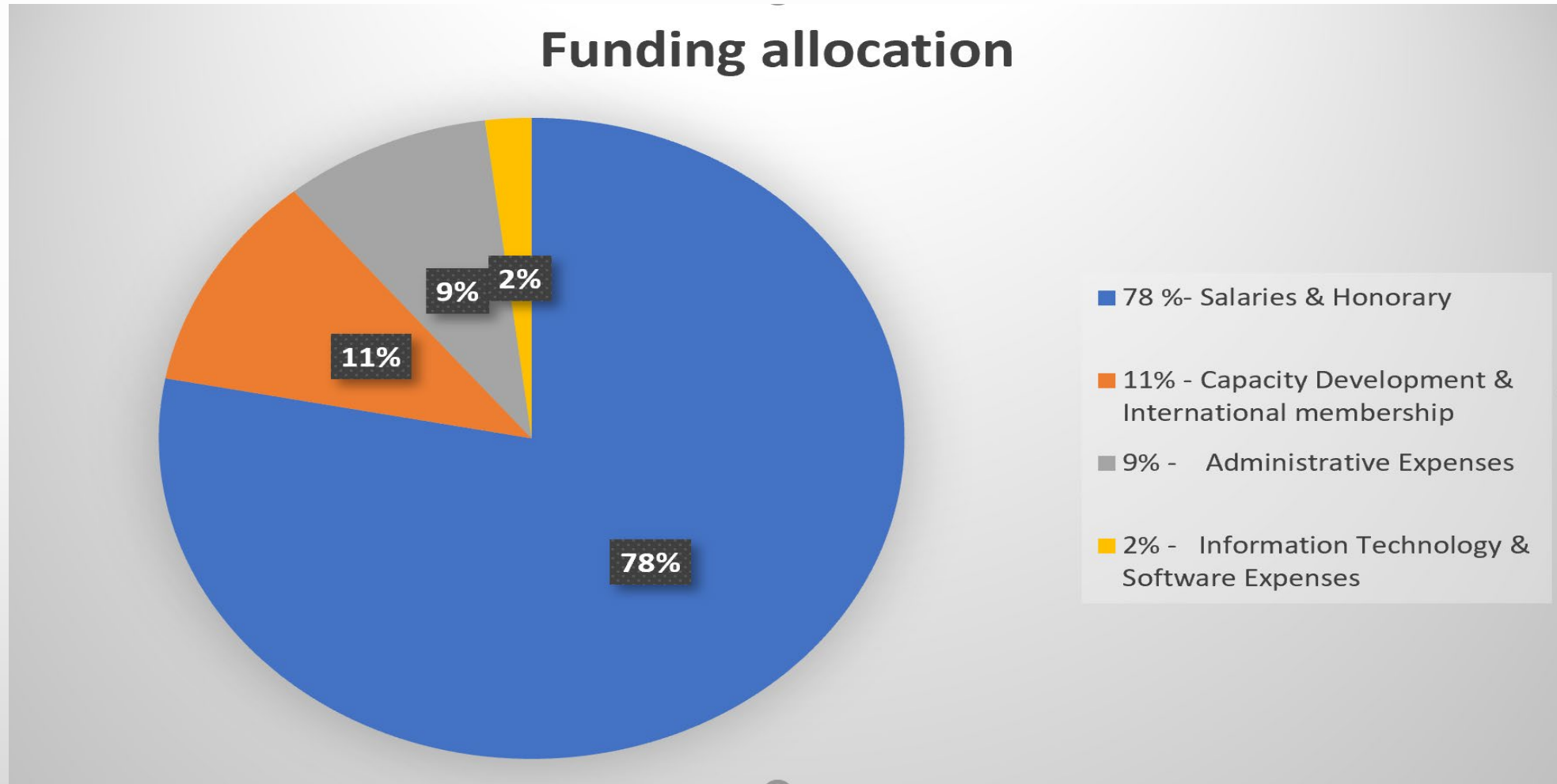
POB - Funding the public oversight system

Funding structure



- ✓ **56%** from 3% of the audit fee on PIE audits paid by the audit firms;
- ✓ **33%** professional examination funding reallocation process
- ✓ **11%** Fees from the professional organizations' revenues (7%)
- ✓ **0.48%** other revenues from administrative processes

POB - Funding the public oversight system ..



Public Interest Entities (PIEs)

Article 2(23) – Albanian Audit law 10091/2009:

“Public Interest Entities” are:

- a) All entities whose transferable securities are admitted to trading on a regulated market;
- b) Banks and non-bank institutions supervised by Bank of Albania;
- c) Insurance and reinsurance companies, companies managing investment funds and pension funds, as well as investment funds and pension funds;
- d) Other state or private companies, which are important to public interest, because of the nature of the activity, business size or number of the employees, according to the criteria set forth by the decision of Council of Ministers.

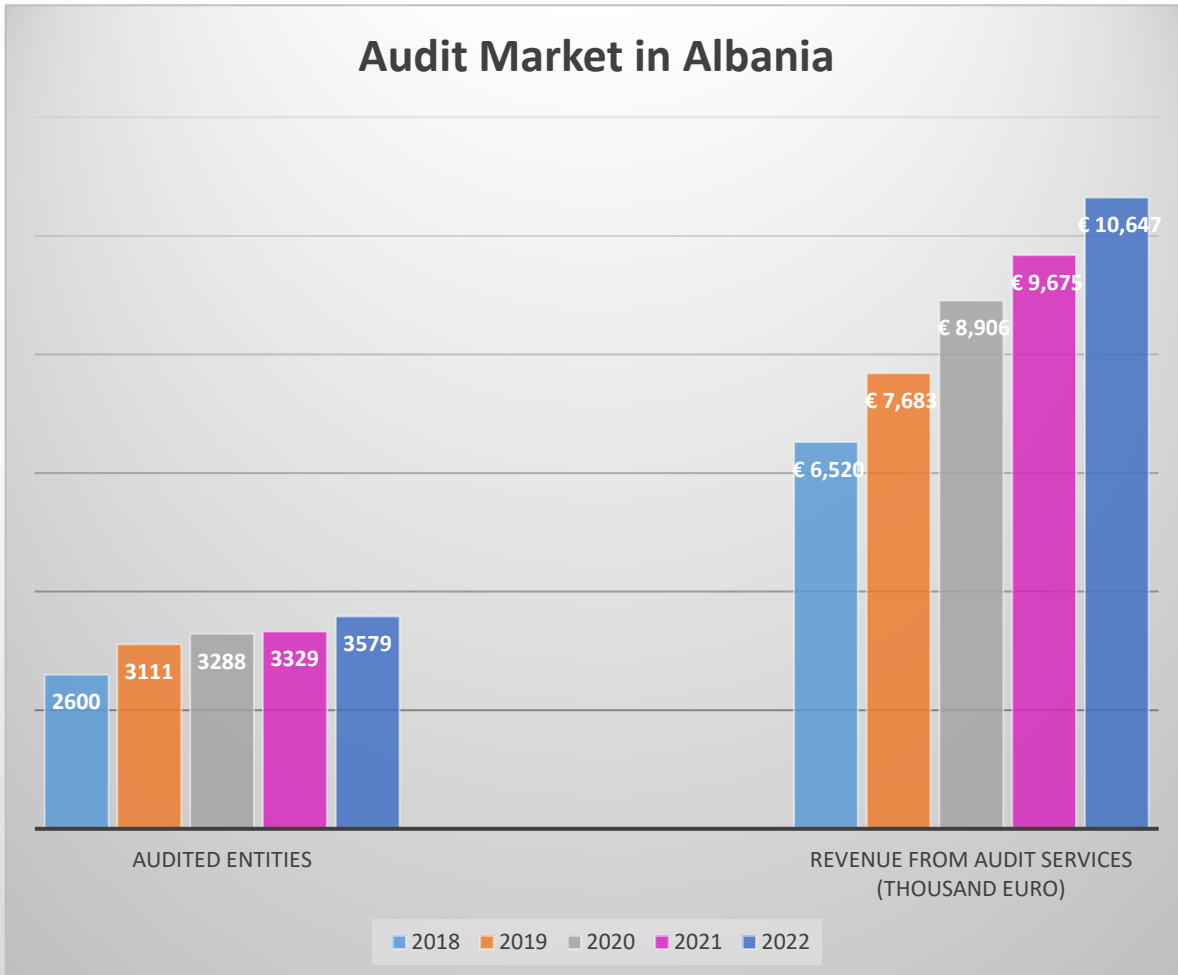
Public Interest Entities (PIEs) - entities designated

DCM no.17 – 16.01.2019 A PIE shall be classified those public or private entities which meet at the same time the conditions of the article 41 of Audit Law (must appoint a statutory auditor) and one of the following :

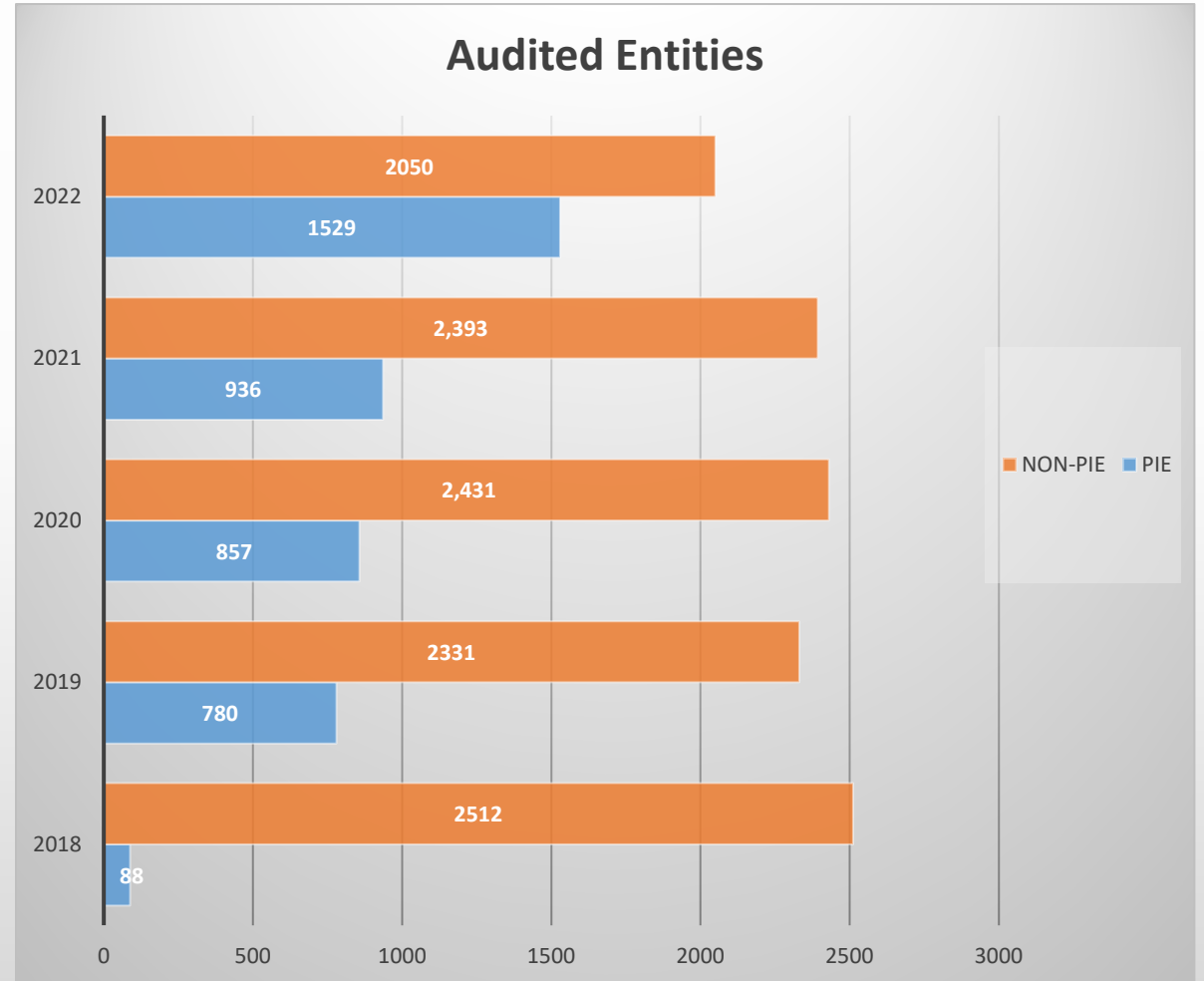
- ✓ **Classification due to the nature of the entity (regulated entities, subsidiaries of stock exchange companies;**
- ✓ **Classification due to the size of the entity (large and medium companies defined in the accounting law);**
- ✓ **Classification due to the number of their employees (>250)**

Audit Market

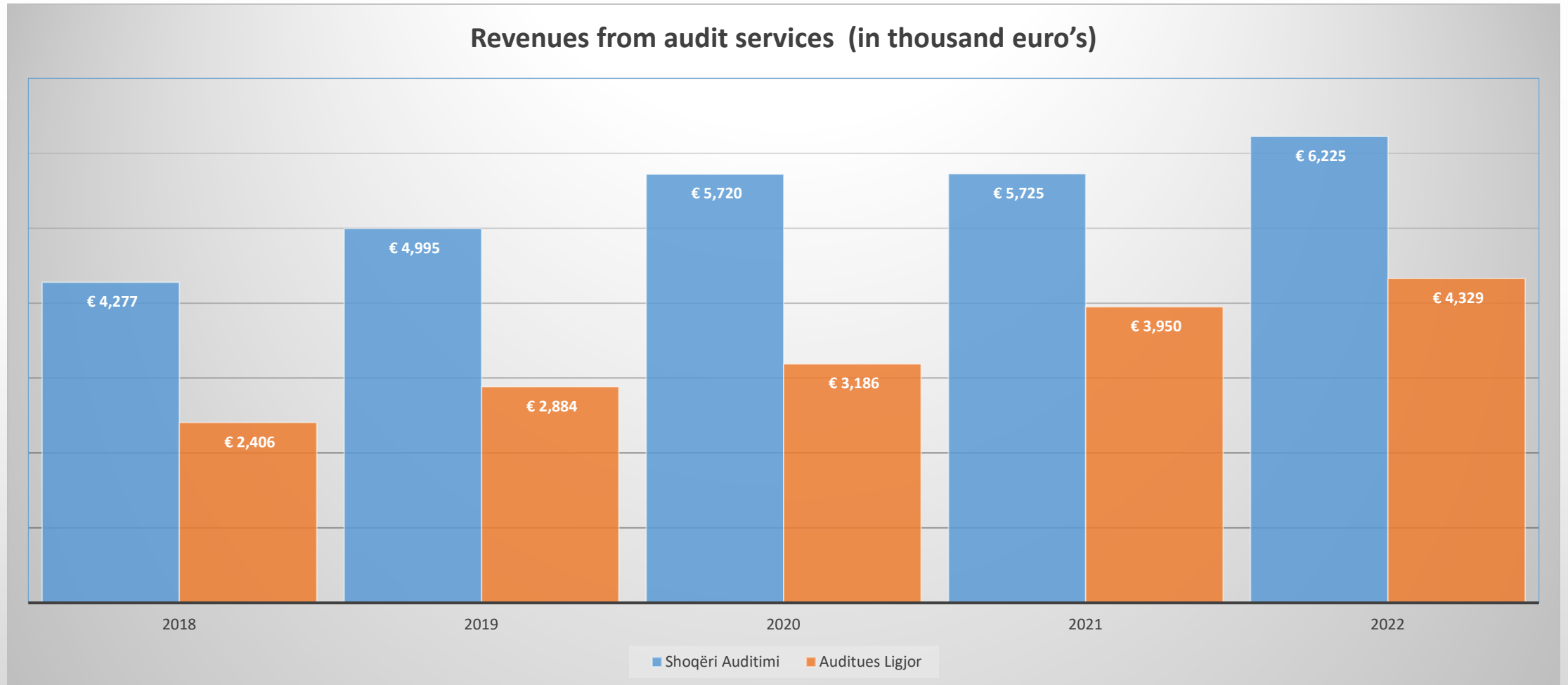
Audit Market in Albania



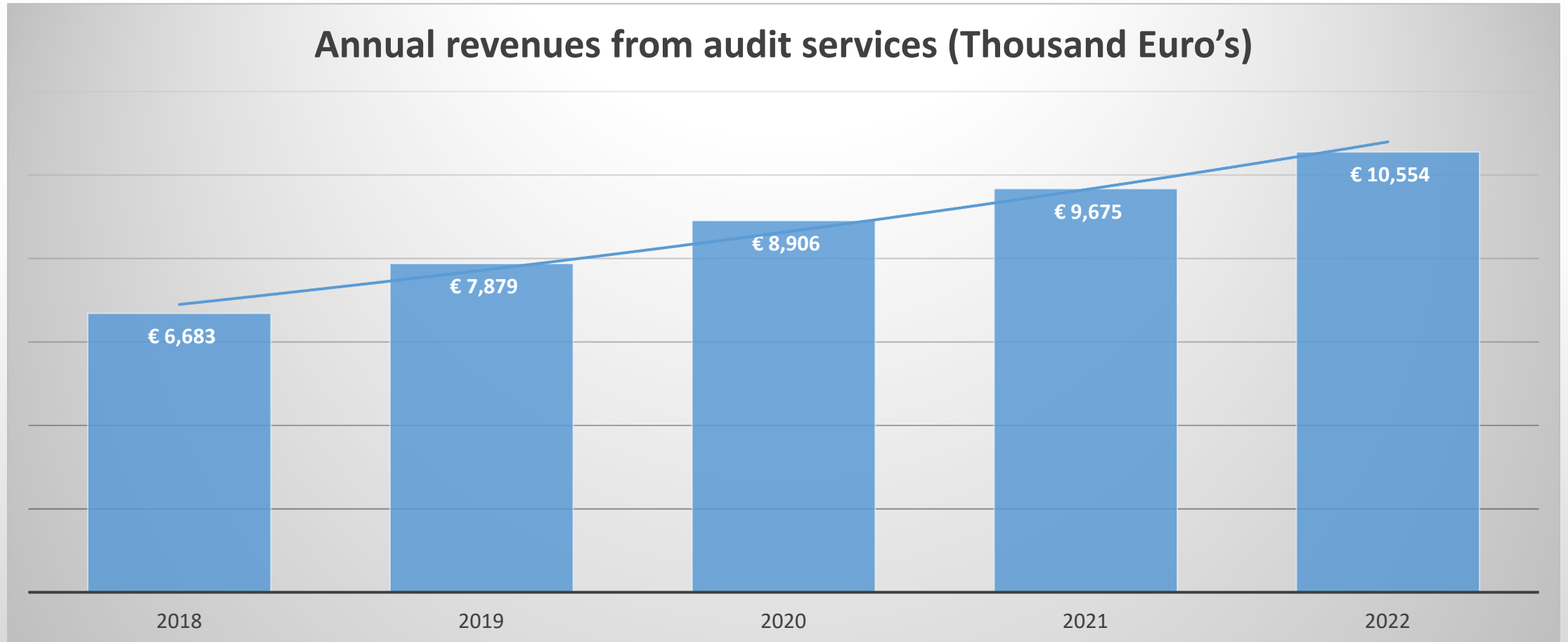
Audited Entities



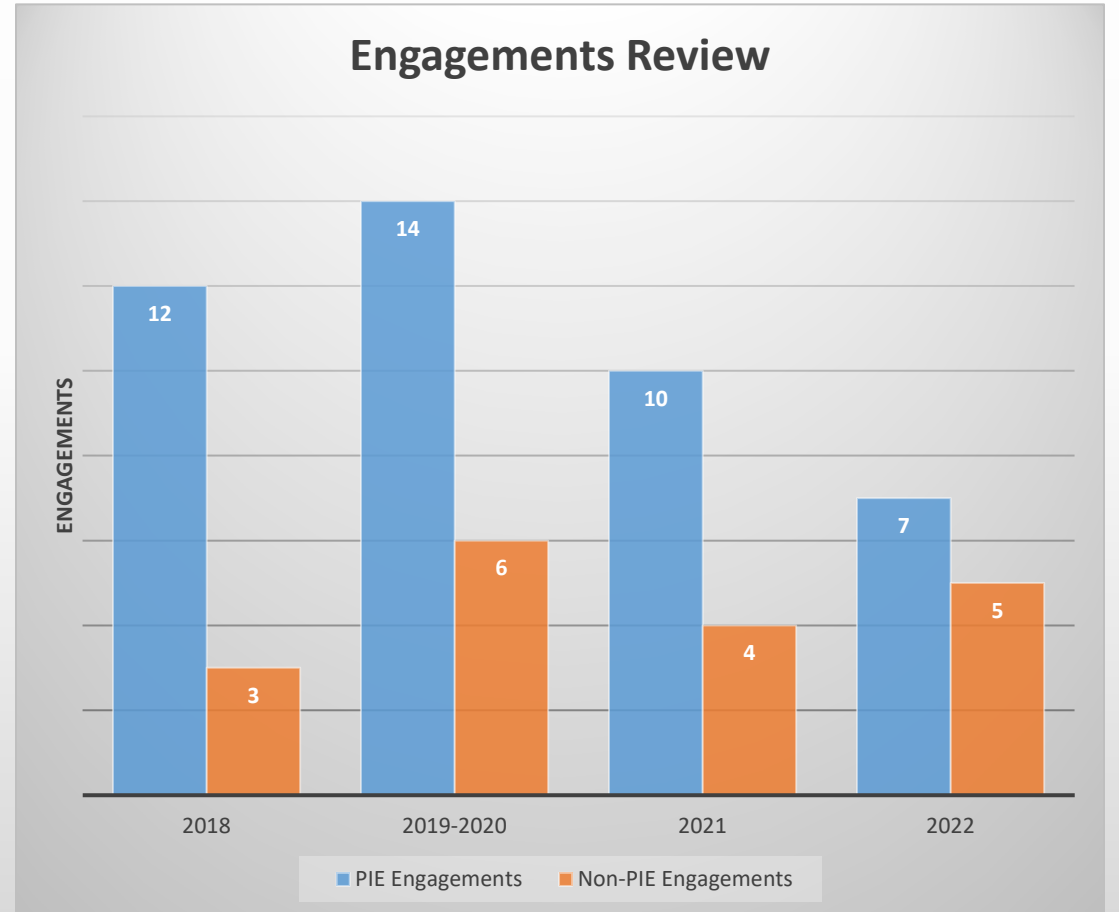
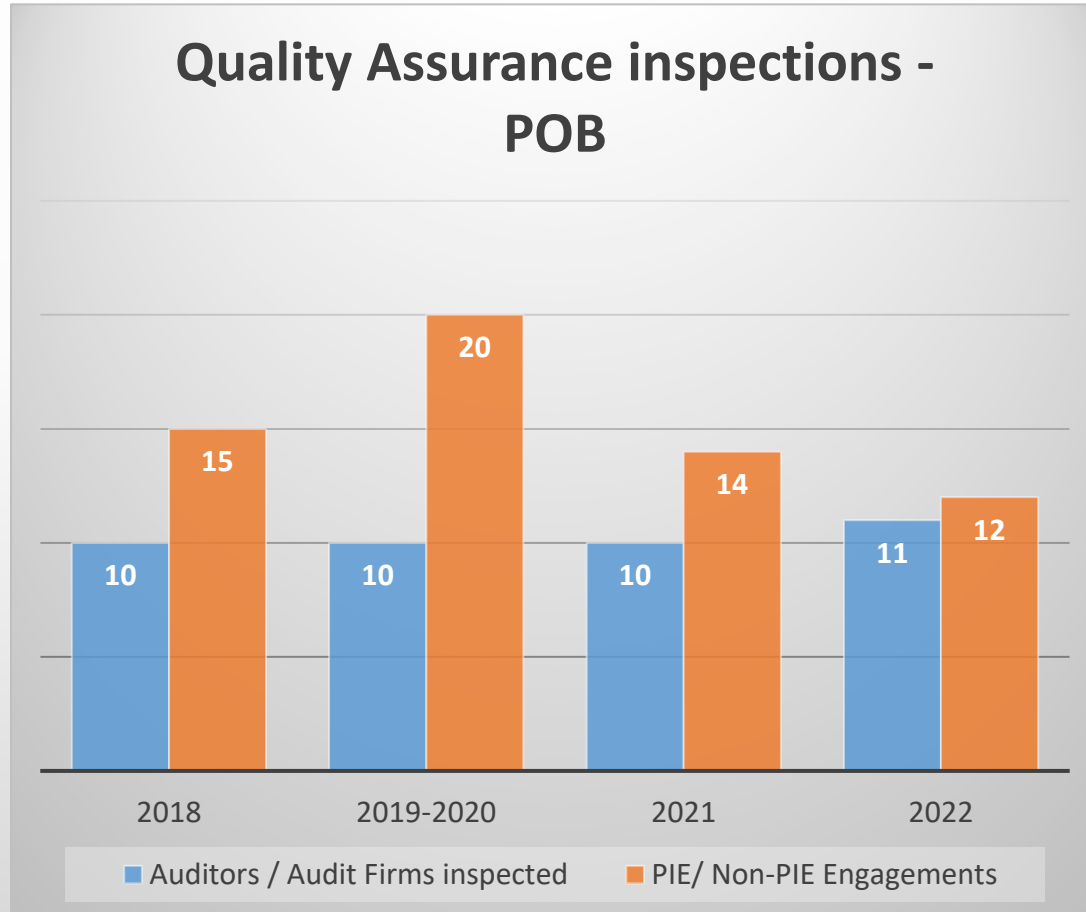
Audit Market (continues)



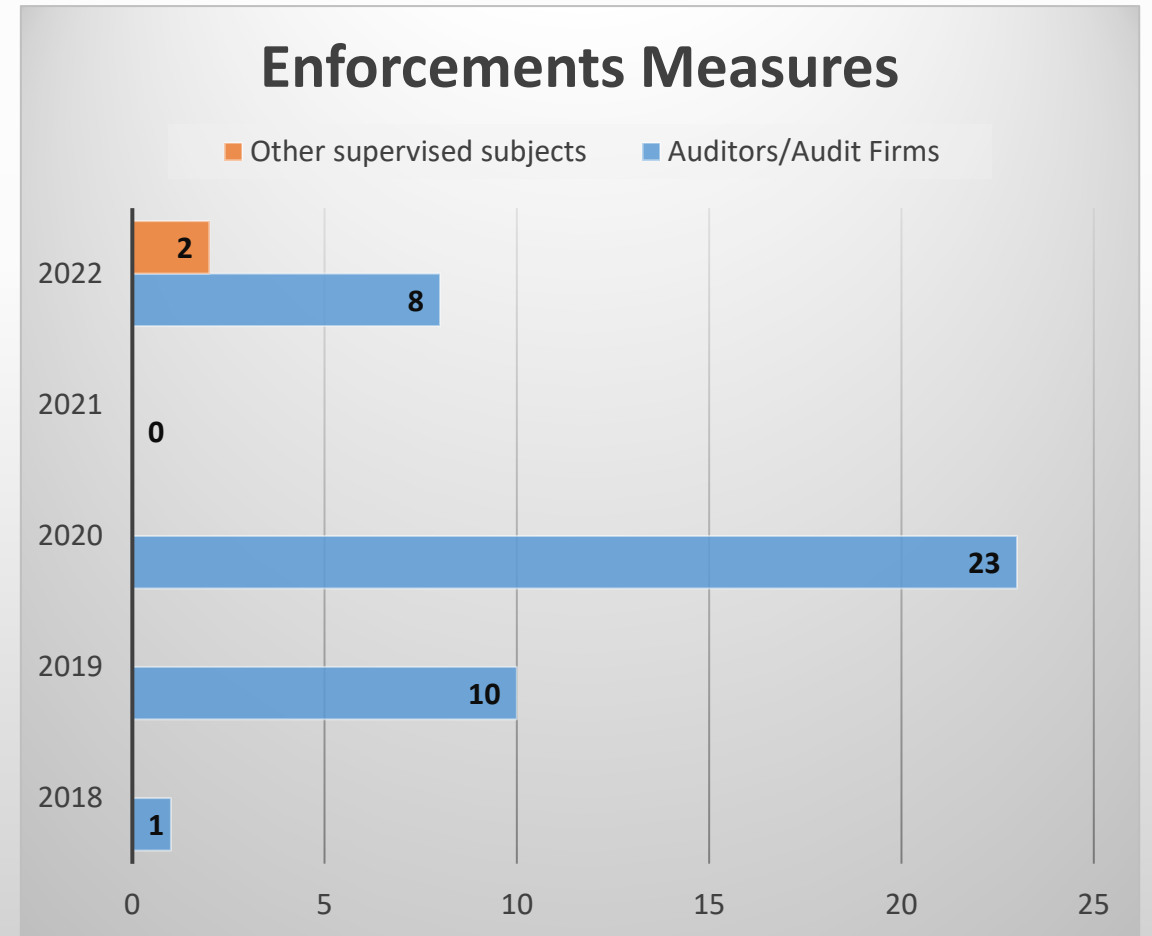
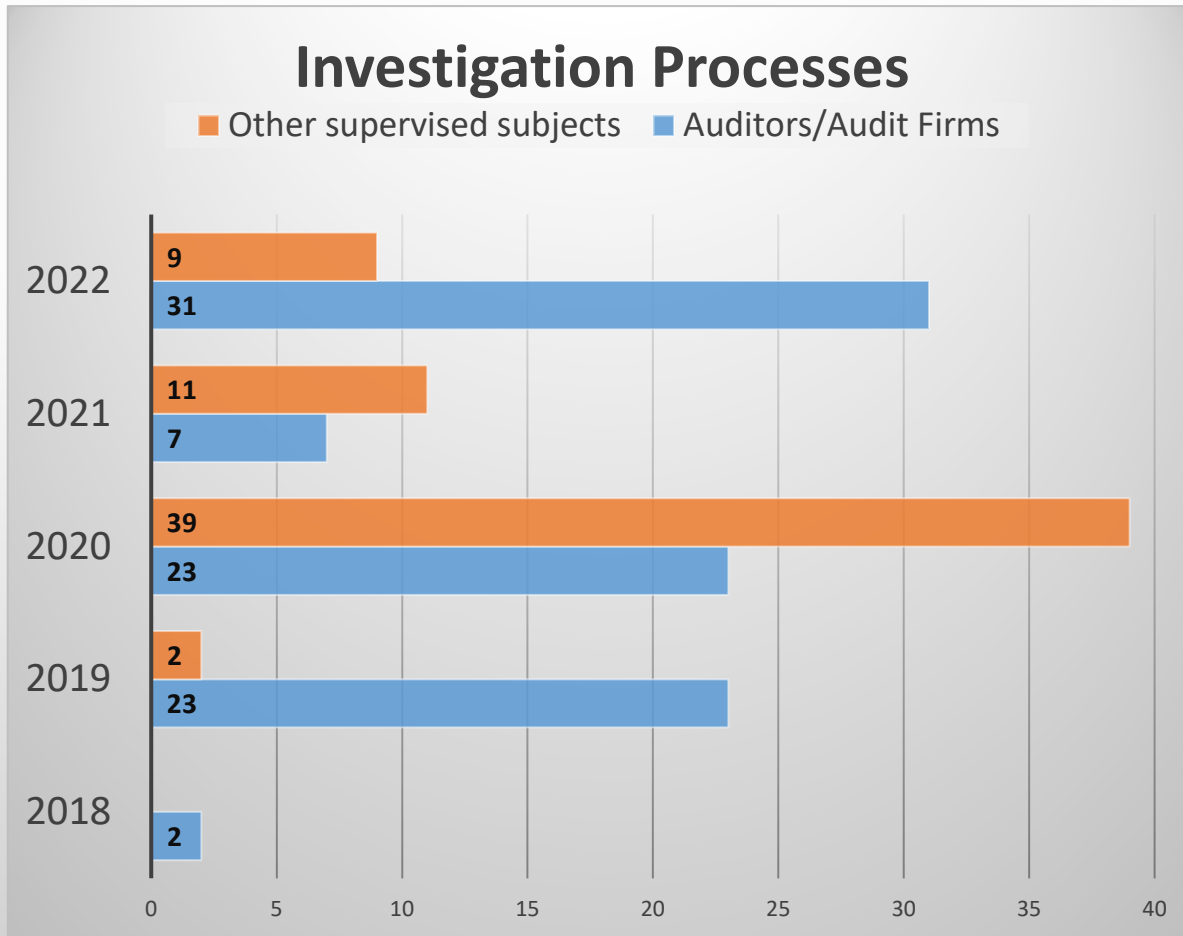
Audit Market Trends (continues)



Audit quality inspections factsheet 2018 – 2022



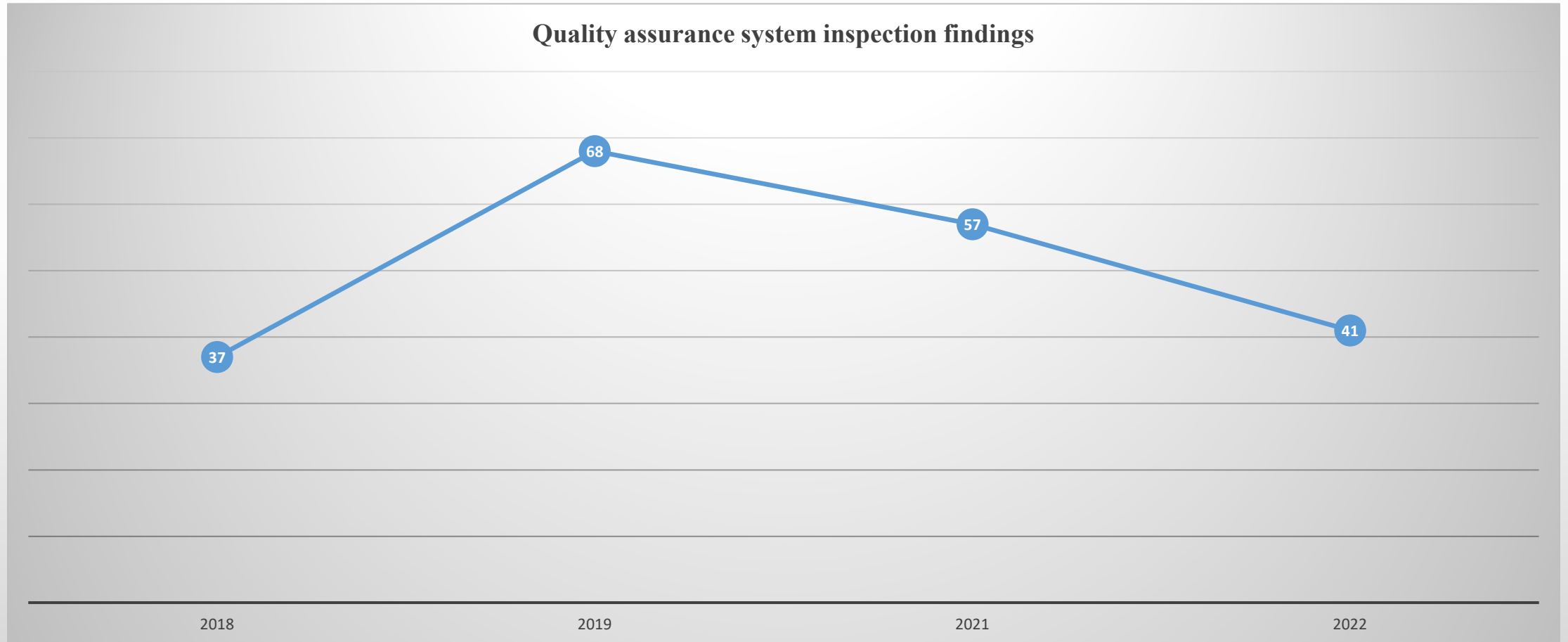
Investigation processes & Enforcement factsheet 2018 – 2022



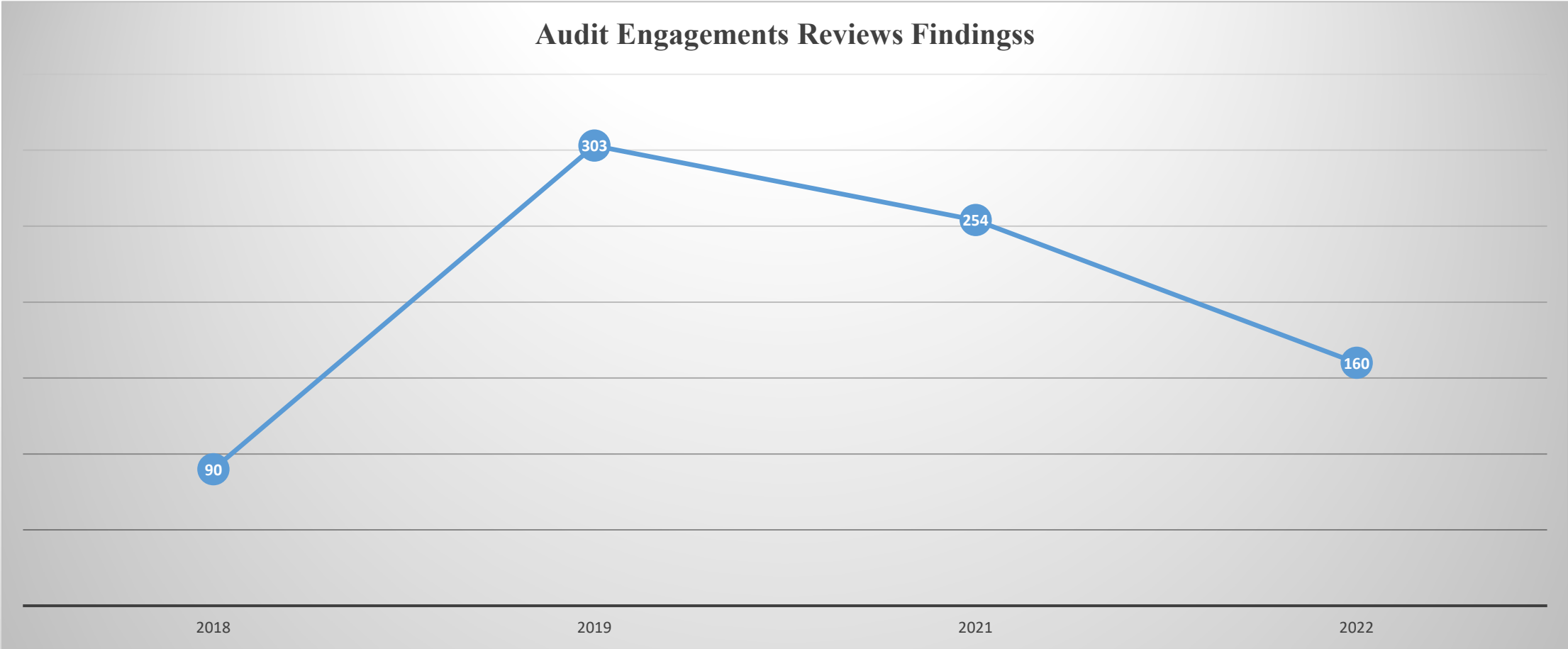
Inspection Methodology

- Manual for the oversight of quality assurance and Regulation Nr.7 of 02.10.2018 “Procedures and methodology for quality control of statutory audit”, as amended.
- POB has adopted CAIM working papers for the audit firms internal quality control assessment;
- Quality assurance inspection types
 - Comprehensive quality control
 - Limited(thematic) quality control
- Quality assurance Inspections cycle
 - Quality assurance inspection for audit firms/auditors for PIEs audit is based on a 3 year cycle inspection
 - Quality assurance inspection for audit firms/auditors for non PIEs audit are envisaged to be performed in a 6 year cycle inspection
 - For auditors with less than a 5 year experience in practice the quality assurance inspection shall be performed every two Years

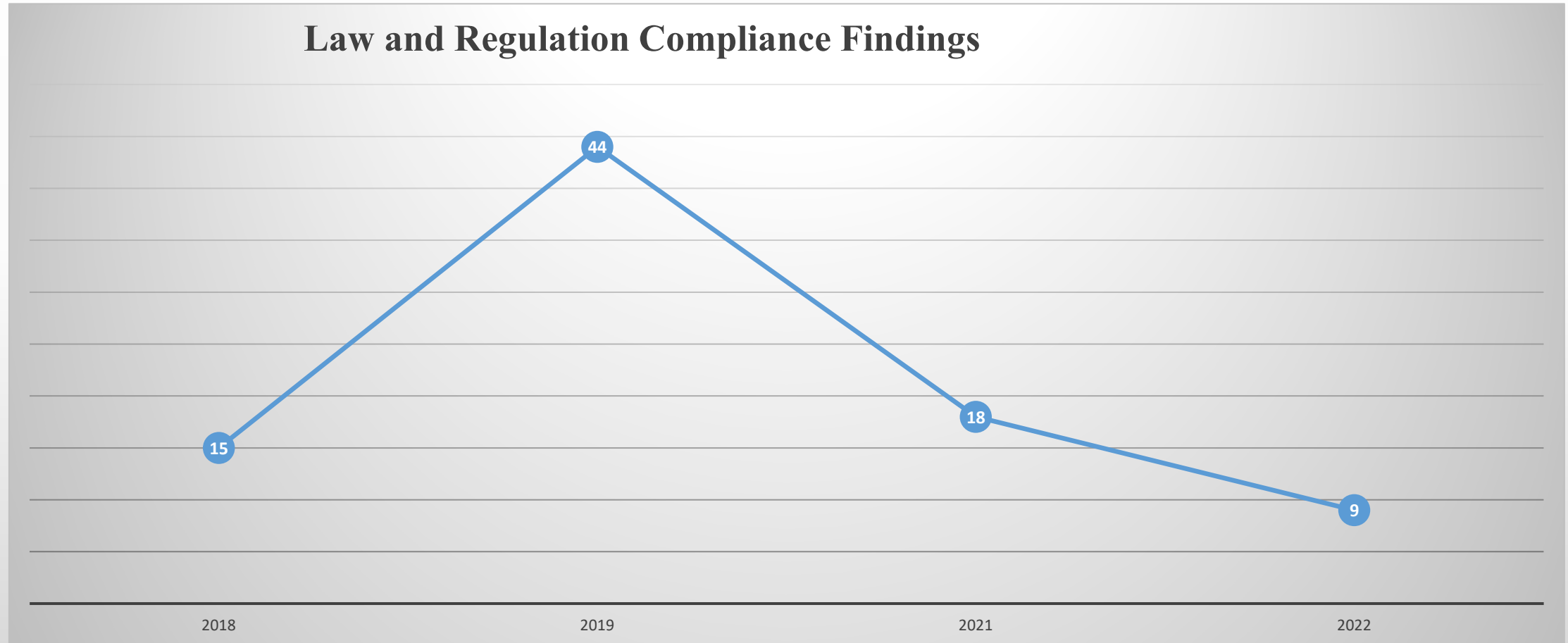
Quality Assurance Systems Findings – Statistics



Audit Engagements Findings – Statistics



Law and Regulation Compliance Findings - Statistics



POB – Cooperation

International

- IFIAR (full member)
- World Bank (regional activities)
- Other international regulators (consultations)

Local

- Ministry of Finance and Economy (regulatory framework)
- Anti-Money Laundering Department (MoU no.535, dated 22.07.2020)
- General Directorate of Taxation (MoU no. 288, dated 05.12.2022)
- Professional Organizations of accountancy profession (MoU of date 10.02.2021)
- Financial Regulators (AFSA and BoA)

Future plans (Challenges and priorities)

- *Regulatory framework amendments for further alignment with EU legislation;*
- *Strengthening institutional role of POB;*
- *Increasing and strengthening further capacities of POB, in terms of staffing and financing;*
- *Improvement of the oversight process as a necessity to achieve the highest standards in the audit profession and financial reporting;*

Future plans (Challenges and priorities)

- *Quality assurance inspections*
 - ✓ **Continue PIE quality assurance inspections and other large entities**
 - ✓ **Delegate quality assurance for Non PIE audits**
- *Improvement of the equality assurance processes regarding the professional education system:*
 - **Entering in the profession;**
 - **CPD program;**
- *Improvement of the investigation and discipline system;*
- *Increase local and international cooperation with audit and other regulators.*

THANK YOU FOR YOUR ATTENTION

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