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МБИКËQYRJA E VEPRIMTARISË SË AUDITIMIT NË SHQIPËRI

НАДЗОР НАД РЕВИЗОРСКАТА АКТИВНОСТ ВО АЛБАНИЈА

SUPERVISION OF AUDIT ACTIVITY IN ALBANIA

Abstract

The purpose of this paper is to provide an overview on the supervision of audit activity in Albania.

The paper has a particular focus on the activity carried out by the bodies responsible for the exercise of the supervisory function and their structure.

External auditors play a critical role in validating a company's finances. Potential lenders and investors often require externally audited financial statements before extending credit or providing funds for business. If it is discovered that an auditor failed to detect material misstatements, it reflects poorly on the firm and the profession in general.

For that reason, various accounting bodies release auditing standards and expectations to define the role of external audit firms.

So, the oversight activity of their work is very important and here I will try to make a clear framework of this in Albania.

Key Words: Audit Activity, Supervision, Public Interest

1. Introduction

Accounting and auditing professionals play an important role in society. With the professional services they provide to business entities, besides increasing the value of businesses, they indirectly contribute to a sustainable economic development of the country. Increasing confidence in financial reporting is closely related to prepared professionals

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with quality technical standards and irreplaceable component, ethical and professional behavior. These are the features that differentiate and easily differentiate between audit professionals and other occupational categories. A quality audit can only be achieved if the engagement team respects values and maintains ethical attitudes, has the right knowledge, possesses professional skills, experience and appropriately allocates audit time and resources among its members, implements a rigorous audit process and quality control procedures based on applicable rules and standards as well as properly reporting and communicating with stakeholders. In addition to the competence, auditors are required to respect the basic requirements for apparent independence and to act throughout their professional activities. After two decades, from the moment of creation in Albania of this profession, the self-regulatory role of the profession has decreased and many aspects of regulating the profession of auditors have been transferred to third-party actors with oversight responsibilities and external arrangements. Given that the distinctive feature of the profession of a statutory auditor is the responsibility to act in the public interest, it is envisaged that their activity is supervised, and in particular the actors that perform the role of oversight activity in Albania are IEKA, Institute of Registered Auditors, and Public Oversight Board.

2. Legal Audit in Albania

Law No. 10091, dated 05.03.2009 "On Legal Audit, Organization of the Occupation of Legal Auditor and Accountant Approved" amended by Law 47/2016, regulates the statutory audit of annual, individual and consolidated financial statements.

According to this law, the statutory audit is an independent audit of the annual, individual and / or consolidated financial statements, which:

- a) is required by this law;
- b) required by other laws;

and c) is conducted voluntarily at the request of partners / shareholders of business entities or other interested parties when legal standards and regulatory requirements are applied to the statutory audit, similar to those required for a statutory audit.

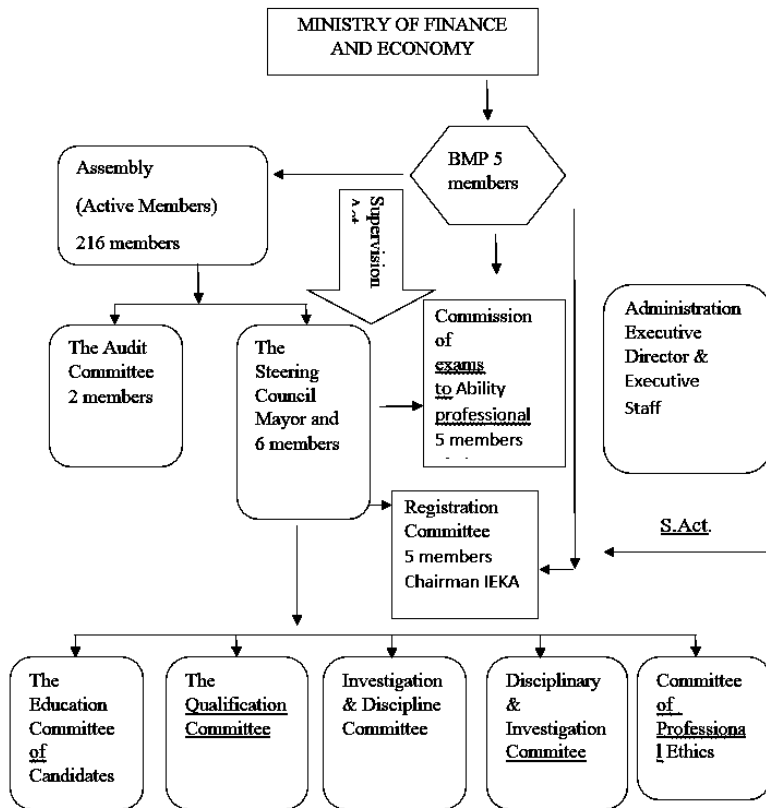
According to the (amended) Law on Auditing, the exercise of the profession of statutory auditor in public practice is done in one of the following forms:

- a) individually;
- b) as a partner / shareholder participating in the capital of an audit firm.
- c) employed to another registered legal auditor.

3. Supervision of the profession of legal auditor

The Legal Oversight profession is supervised by the Public Oversight Board as a direct supervising all legal auditors and audit firms, as well as overseeing the activity of the Professional Organization of Legal Auditors (IEKA). The purpose of the public oversight system of statutory auditors and audit firms is to increase the assurance that legal audits are conducted in a transparent, controlled and prudent environment and that they are always in the service of public interest. Thus, oversight serves as a guarantee for the quality and reliability of entity and business financial reporting.

Table 1: SKEMATIC PRESENTATION OF FUNCTIONING



Source: www.ieka.al

3.1 Public Oversight Board

BMP is a collegial body composed of five (5) non-executive members, appointed by the Minister of Finance with a 4-year mandate, with the right of reelection no more than twice a year. The Public Oversight Board has both regulatory and supervisory functions. The organization of this profession is based on a complete set of rules that have been drafted in accordance with EU directives and regulations, and in particular in accordance with the EU Legal and Audit Directives and Professional and Ethical Technical Standards published by the Independent Boards of IFAC. In addition to the legal and sub-legal acts drafted by the national legal and regulatory bodies, in the internal regulations is included another complete series of necessary self-regulatory acts prepared by the professional body itself, which may include the Code of Ethics; the rules and procedures for quality control of engagements, the regulation of investigation and discipline, the regulation of continuing education and training, etc. The mission of this body is to increase the security of legal audits that are carried out in a transparent, controlled and prudent environment and in the service of the public interest as well as improving the quality of financial reporting.

As far as the strategic objectives of the BMP are concerned, the atom should not be detailed as follows:

- increasing public confidence in the quality of financial reporting and creating a transparent and well-supervised environment in relation to services provided by accounting professionals and the role of professional organizations subject to supervision.
- Coordination of activities with all institutions and regulators or other authorities in order to protect the public interest.
- Coordination of activities with other regional and international counterpart institutions focusing on improving practices and oversight system. "

Specifically, the Board has these rights and duties:

a) drafts the rules of operation of the Professional Examination Commission and the Audit Committee of Legal Auditors and Audit Firms, which are submitted for approval to the authorities provided for in this Law;

b) supervises, monitors and evaluates the implementation of the testing and registration procedures of statutory auditors and audit firms;

c) Approves the public register format of statutory auditors and audit firms, registered by the Census Committee, and supervises compliance

with the rules regarding the number of identifications of legal auditors in the register;

ç) Adopts the Code of Ethics of Legal Auditors and Audit Firms, prepared and proposed by the Professional Organization of Legal Auditors and supervises the implementation of the standards of this Code;

d) oversees the quality control carried out by professional organizations of legal auditors;

f) oversees the programs and continuous professional qualification of legal auditors

e) Adopts investigative regulations and procedures for taking disciplinary measures;

ë) when it deems it necessary, carries out additional investigations for the statutory auditors and audit societies;

f) Review and make decisions on the complaints made by the candidates, regarding their registration;

g) approves and publishes annual work programs and reports of its activities;

gj) reviews and makes decisions on cases of disciplinary violations that are its competence;

h) review and make decisions on other aspects or issues provided by this law that are within the scope of its activity.

For the purpose of carrying out the supervisory activity, BMP has its structure, the Investigation and Discipline Commission (KIDB).

Through this committee, it undertakes the process of investigation and discipline to the statutory auditors / audit firms, approved accountants, despite the procedures followed by professional organizations. In the framework of oversight and protection of the public interest, it also undertakes investigation and disciplinary measures against professional organizations as well as other entities that violate the law on auditing or other acts and laws in force. The KIDB is composed of 3 members, the Chairperson and two members who are selected by the inspectors of the supporting structure or external experts (in accordance with the law on auditing) by decision of BMP.

Finally, far as reporting is concerned, the Board sends to the Minister of Finance, once a year, within the first semester of the following year a written report detailing the problems encountered by legal auditors, measures received and the given solutions, while the annual report is published on the official website of the Public Oversight Board within the deadline set.

3.2 IEKA²

Ieka represents a body of private law, which has been given public attributes, in the function of protecting the public interest. Such a public function is mainly achieved through the promotion and implementation of quality professional standards and ethics, oversight and review of the quality of work of members.

The main role of the Institute of Certified Accounting Experts is to regulate the organization of the profession of "Legal Auditor" and to ensure that its members effectively carry out the statutory audit of the individual and consolidated annual financial statements of the companies.

The main objectives for realizing the IEKA mission are:

- Ensure the exercise of the profession of Legal Auditor in accordance with the law.
- To protect the honor and independence of the members.
- Ensure supervision of vocational training.
- Increase recognition and implementation of standards standards high quality in line with international developments.
- To continuously improve services in the public interest.

The members of the Institute are obliged to apply the IFAC Code of Ethics and the IEKA Code of Ethics, which basically have respect and compliance with the fundamental principles: Integrity, objectivity, professional competence and due care, confidentiality, professional conduct .

In order to carry out the oversight activity, IEKA has its own structure, the following committees:

The Quality Control Committee aims to verify and provide reasonable assurance that legal auditors and / or engagement partners and audit firms respect the legal requirements and other internal rules of the Institute, and that the organization of audit firms responds to it the needs of practicing the profession.

The Investigation and Discipline Committee is intended to implement an investigative and disciplinary regime for legal auditors, audit firms, and respect for the rights of parties during an investigative process.

² INSTITUTE OF AUTHORIZED ACCOUNTING EXPERTS

The Ethics Committee aims to ensure the implementation of the Code of Ethics, the proper exercise of the profession, the protection of honor and independence of legal auditors, the implementation of ethical requirements and professional technical standards.

The statutory auditor or audit firm is subject to a quality control system for quality assurance, intended to provide security for the quality of audit work.

The quality assurance system includes two links:

- a) quality control, organized within the audit firm;
- b) quality control that is organized by the Public Oversight Board.

The Public Oversight Board may delegate the performance of quality control to audits of non-public entities to IEKA. Quality control within the firm / audit cabinet is guaranteed through the establishment of internal review rules for quality control engagement purposes, which are based on IASC1 and the relevant guidance elaborated by IEKA.

Quality Control organized by POB / IEKA is a procedure for reviewing the professional activity of legal auditors (natural person and associates and auditing companies) based on the requirements set out in the Audit Law, the IEKA Statute and in accordance with other requirements as explained in IASC1.

Quality control is performed on the basis of a risk analysis, at least once every three years, for statutory auditors and audit firms auditing public interest entities, and once every six years, for statutory auditors and audit firms that audit other economic units. For legal auditors, with no more than five years of professional experience, this audit is carried out, at least once every two years, until the required experience is achieved.

Conclusion

The Structure of the Surveillance Activity of the Legal Auditor Profession is built in Albania in accordance with international considerations, thus basically removes all the criteria for a good functioning of this activity.

Of course, this operation is influenced by the high level of informality characterizing emerging countries such as Albania, which, by influencing the work of auditors, consequently influences those of their supervisory bodies.

From a proper search of the official website of Public Oversight Board as of the IEKA's, there was a high level of transparency as regards the structure and mode of operation. While more limited, is the information on the detailed reports on the exercise of the supervisory activity, for example about the time of the verifications made, the verified entities or the findings and the relevant measures taken.

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