



Republika e Kosovës
REPUBLIKA KOSOVA/ REPUBLIC OF KOSOVA

QEVERIA / VLADA / GOVERNMENT

MINISTRIA E FINANCEVE
MINISTARSTVO ZA FINANSIJE MINISTRY OF FINANCE

KKRF- KËSHILLI I KOSOVËS PËR RAPORTIM FINANCIAR
KCFR – KOSOVO FINANCIAL REPORTING COUNCIL
KSFI – KOSOVSKI SAVET ZA FINANCIJKO IZVEŠTAVANJE

ADMINISTRATIVE INSTRUCTION No. 03/2014

ON PROCEDURES FOR SUPERVISION AND QUALITY CONTROL OF
THE WORK OF THE LICENSED ASSOCIATIONS, AUDIT FIRMS AND STATUTORY
AUDITORS

Introduction

Law No. 04 / L-014 provides that "KCFR issues legal sub-acts to implement this law."

During the implementation of the legal provisions of Law no. 04 / L-014, Kosovar Council for Financial Reporting (KCFR) observes at the applicable international standards, guidelines and interpretations, and approximates the practices in Kosovo with the relevant Directives 6, 7 and 8 of the European Law on Companies and Declaration of membership obligations - DDA 1, 3 and 4.

This instruction defines the supervision process and quality control procedures of the work of the licensed associations, audit companies and statutory auditors that **KCFR** and the Commission for professional standards and Quality Assurance (hereinafter: **the Commission**) shall apply to ensure transparency and regularity in the decision making process as well as information to interested parties in the financial reporting system.

Scope

KCFR, respectively the Committee on Professional Standards and Quality Assurance, extends its scope of supervision and quality control on licensed associations, audit firms and statutory auditors.

The content and scope of supervision and quality control of work which **KCFR**, respectively **the Commission** implements in the work of licensed associations, audit firms and statutory auditors, the manner and the basic principles of the organization of supervision and quality control, the persons in charge for the implementation of supervision and quality control of the work, procedures for supervision and the quality control of work that must be independent in licensed associations, audit firms and statutory auditors and the persons performing the quality control of work, are regulated with special regulations. This Regulation establishes also the procedures for imposing measures to prevent irregularities and illegalities in the business of licensed associations, audit firms and statutory auditors.

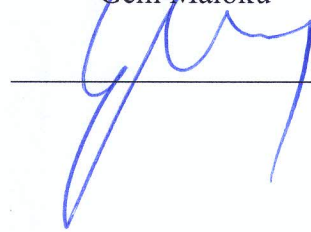
Directives for supervision and quality control of the work of associations

Commission drafts and proposes the regulation for supervision and quality control of the work of licensed associations, audit firms and statutory auditors, in the regular meeting of KCFR. KCFR adopts this regulation and becomes valid after being signed by the President of KCFR.

This Directive shall enter into force upon signature by the Chairman of the Council.
Part of this A.I. is also the Regulation.

Prishtinë, 05/11/2014

Chairman of the Council
Gem Maloku



Pursuant to Articles 15, 16, 22 and 26 of the Law on Accounting, financial reporting and auditing, Kosovo Council for Financial Reporting (**KCFR**), issues this:

REGULATION FOR SUPERVISION AND QUALITY CONTROL OF THE WORK OF LICENSED ASSOCIATIONS, AUDIT FIRMS AND STATUTORY AUDITORS

I. General provisions

Article 1.

This Regulation regulates the content and scope of supervision and quality control of work which KCFR, respectively Committee on Professional Standards and Quality Assurance (hereinafter: **the Commission**) applies to licensed associations, audit firms and statutory auditors. This act regulates the manner and basic principles of the organization for supervision and control of the work, the persons in charge of the implementation of supervision and quality control of work, oversight procedures and control of the quality of work that needs to be independent at licensed associations, audit firms and statutory auditors and the persons who carry out the verification of the quality of work. Also this act regulates the procedures of imposing measures to prevent irregularities and illegalities in the business of associations, firms and statutory auditors.

II. The content and scope of supervision and quality control of work

Article 2.

(1) The Commission implements the supervision and quality control of work at licensed associations, audit firms and statutory auditors (hereinafter: **entities of this regulation**) thus supervises and controls:

- compatibility of services provided to the membership in accordance with the law, conditions for obtaining license and the best international practices;
- compliance and respecting of the code of ethics, implementation of internal control and supervision of the membership quality of work. ;
- compliance of conducted audit in relation to the Law, International Standards on Auditing (**ISA**), meeting of the requirements under **ISOC 1** rules and other directives related to audit profession and other services for provision of security (Assurance);
- Fulfilment of the requirements for independence in relation to the audit service users (clients);
- quantity and quality of human resources and other means engaged to perform the audit (audit team composition and working hours),
- estimated compensations for audit;
- adequacy of procedures and policies to control and monitoring system of quality of work;
- Fulfilment of the conditions for granting the license to associations in accordance with the law, A.I. and the composition of the SME;
- fulfilment of the conditions for issuance of license for conducting of audit services, respectively, meeting the requirements for attaining the license of the statutory auditor;

- content and publishing of reports for transparency;
- reports, information and other data which by law and other regulations shall be submitted to KCFR, i.e. the information on specific facts and circumstances .

(2) Commission implements the supervision and quality control of the work in the scope necessary to determine the facts and arguments with a view to approval of assessments documented on the legality and regularity of the business entities **subject to this regulation**

III. The manner and principles of supervision and quality control of work

Article 3.

(1) Commission implements the supervision and quality control of the work of the **entities of this regulation**:

- through collection, analysis of information and reports which are required to be submitted to KCFR for certain cases and circumstances;

- through direct supervision;
- by imposing supervisory measures under the Law, Rules of Procedure of KCFR and this regulation.

(2) Verifying if the conditions are met for issuance of license for the operation of licensed associations, for granting a license to exercise audit services, as well as reports, information and data which the **entities of this regulation** are obliged to submit for certain cases and circumstances, is applied through systematically checking the provided documentation.

(3) Control and quality assessment of the work of the approved association, performed audit and internal control system of the quality of work to a particular **entity subject to this regulation**, is applied by direct supervision and respectively through the observation and access to audit reports, audit model and other documents in compliance with the purpose of supervision.

(4) Verifying the system of quality control of work under section 3 of this article includes the verification of admissibility and documentation of policies and total procedures for:

- taking responsibility in respect to the quality of work;
- monitoring the fulfilment of the ethical requirements;
- monitoring the fulfilment of statutory, program and professional obligations;
- Reception and assuming relationships with clients and specific engagements;
- human resource management;
- establishment of audit teams;
- performance level of engagement;
- conducting of audit (audit engagements);
- providing satisfactory monitoring and quality control of performed audit, or other provided services, right action and standards application in practice;
- Continuous monitoring of the engagement level and all commitments to **entities of this regulation**.

Article 4.

(1) Basic principles of supervision and quality control of work are:

- credibility;
 - independence;
 - Professional conduct and appropriate care;
 - Public accountability.
- (2) Through continuous application of the basic principles under paragraph 1 of this Article, the conditions for independent oversight procedures and quality control of work are achieved in relation to the **entities of this regulation** and persons exercising supervision and quality control of work.
- (3) Non- applying or abstaining from applying the principles under paragraph 1 of this Article is classified as a breach of the rules of conduct of supervision and quality control of work.

IV. Carriers of supervision and quality control of work

Article 5

- (1) (1) The supervision and quality control of the work at of **entities subject to this regulations** is performed by the supervisor, in areas that meet comprehensive supervision and control, by applying of the principles and methodology of supervision and quality control of work determined by the law, rules of procedure KCFR and this regulation.
- (2) KCFR makes the Proposal for supervision in accordance with the procedures for civilian staff and in accordance with the law on civil servants.
- (3) Supervisors, as part of their daily tasks receive, review and analyse reports, announcements and other information, which **entities subject to this regulation** submit to the Commission for the purpose of monitoring and verifying the quality of the work and based on the approvals signed and issued by the KCFR President, through which is performed the supervision and quality control of the work of **entities of this regulation**.
- (4) When there is a need to take professional opinion or evaluation of certain professionals, in order to solve certain tasks, for the purposes of supervision and quality control of the work, on request of the Commission and the decision of the President of KCFR, other authorized persons may be engaged.
- (5) Persons under section 4 of this Article are obliged to carry out duties for which they are engaged and authorized, by applying the principles of supervision and quality control of work based on Article 4 of this Regulation.

V. Direct procedures of supervision and quality control of the work

Article 6.

- (1) Direct supervision with purpose of inspecting the quality of work is regularly performed at the **entities of this regulation** at least once every two years.
- (2) Interval between two regular controls may be shorter if during regular controls evaluations are unsatisfactory.
- (3) When KCFR, pursuant to Article 16, 22 and 23 of the Law requires the Commission to conduct surveillance of certain entity subject to this regulation, it shall be done as soon as possible, regardless of the schedule of regular quality control of work under point 1 of this Article.

Article 7.

- (1) Plan and program of direct supervision and quality control of the work is done each year (the general plan), while the detailed plan is made every six months (the operational plan).
- (2) Planning and program of direct supervision and quality control of the work for a year (general plan) is approved by KCFR no later than the end of November of the following year, for the next year.
- (3) Planning and program of direct supervision and quality control of the work, a detailed plan for six months (operational plan) is approved by the Commission no later than the end of December of the following year, for next year, respectively in May for the current year.
- (4) The Operating Plan under paragraph 1 of this Article contains the number of **entities of this regulation** whose work shall be subject to regular supervision and quality control of work and planned schedule for this oversight.
- (5) The supervision plan and quality control of the work has a secret character to all persons involved in the design, approval and implementation thereof, consequently any disclosure of information is considered a violation of procedures.

Article 8.

- (1) KCFR, respectively the Commission, shall notify the **entities of this regulation** for commencement of regular supervision and quality control of work at least thirty (30) days before the commencement of supervision, and that this period begins from the moment of notification, respectively, at the moment the order is given for direct supervision and quality control of the work.
- (2) If the decision is taken to start the extraordinary supervision and quality control of the work, then the deadline is shorter than specified in paragraph 1 of this Article.
- (3) The supervisor assigned to implement the direct supervision and quality control work, shall be also notified on the time limits mentioned in section 1 and 2 of this Article.
- (4) The supervisor assigned to implement the supervision is obliged within 8 (eight) days from the moment of acceptance of supervision, shall notify KCFR on any circumstance to noncompliance with the principle of independence. Supervisors are not allowed to contact the **entities of this regulation** regarding quality control of work before the official announcement of the Commission, respectively KFRC on initiation of the supervision.

Article 9.

- (1) Direct supervision and quality control of the work shall be conducted at the premises of **entities subject to this regulation** at their main office address, i.e. the reregistered address where activity is exercised, and in exceptional cases in the premises of KCFR Secretariat:

-by revising the methodology of audit, paper work, audit reports and any evidence which is considered an integral part of a engagement, other business reports compiled and submitted for the needs of associations and KCFR, internal business policy acts, the performed audits, internal system of quality control of the work, as well as inspection of other documents pertaining to

business, even in the original, in hard copy (paper) or electronic, depending on the demand of supervisor;

- with verification of potential staffing, professional, organizational and technically equipped, in accordance with the methodology of work.

- (2) Direct supervision of the **entities of this regulation** may include full or partial oversight of the business, applied sufficiently for the assessment of harmonization with law, legal sub-acts and internal acts, as well as the legality and regularity's of the businesses

Article 10.

The direct supervision procedure involves:

1. Preparation of supervision;
2. Issuing of order for direct supervision and quality control of the work;
3. notification for supervision;
4. implementation of supervision;
5. drafting of supervisory report;
6. Approval of report.

Article 11.

Preparation includes data processing and analysis as defined in Article 20 of this Regulation as well as data from the **entities of this regulation** obtained on KCFR request, respectively Commission, or other public sources that have access, in order to implement direct supervision, giving the specific case and the extent of direct supervision.

Article 12.

The president of KCFR or the authorized person by him, gives and signs order for direct supervision and quality control of the work. In addition to administrative information on KCFR, respectively Commission, as well as data on case classification, the order must also contain:

1. legal basis for supervision;
2. the case under direct supervision;
3. time period covering the supervision;
4. duration of planned direct supervision;
5. locations where direct supervision shall be conducted;

Article 13.

When determining the case of direct supervision and quality control of the work, it is initiated from the data previously collected from **entities of this regulation** for the purposes of supervision, information and knowledge from other sources, quality control methodology guidelines applicable to the **entities of this regulation**, which were approved by KCFR, as a minimum extent necessary, taking into consideration the type of works of the **entities of this regulation**, the number and structure of the membership, structure and number of employees, type of clients, as well as changes in financial position and success of **entities of this regulation**.

Article 14.

- (1) The authorized supervisor, within the given order, with purpose of determine the real situation, may work without restriction on controlling the source business documentation

of **entities of this regulation**, in the field of audit services performed and complementary activities that are conducted by **entities of this regulation** within its registered activity.

- (2) In case of necessity to expand the supervision order, the authorized supervisor may propose its expansion and require an additional authorization from the chairman of KCFR.

Article 15.

- (1) **Entities of this regulation** are obliged to provide to authorized supervisors the conditions for unhindered implementation of direct supervision and quality control of the work, and on his request to provide access and inspection of their source documents, inspection of audit reports and working papers on the basis of which are produced audit reports, inspection of documents and other evidence described.
- (2) At the request of Supervisor, **entities of this regulation** are required to provide professional and technical assistance, as well as explanations necessary to enable the implementation of direct supervision at premises where the registered business is exercised, and in exceptional cases, at the request of supervisors, at the premises of KCFR. Optimal time to perform the control is 15 days.
- (3) The authorized supervisor and other persons, who are acquainted with the procedures of direct supervision and quality control of work, are required to preserve the Information and supervision data as business confidentiality. Any unauthorized disclosure is considered a violation of procedures. Exceptions are circumstances that require disclosure before the relevant order bodies, in case of reasonable suspicion of a criminal offense for the **entities of this regulation**. In these cases, the supervisor should immediately inform the supervisory team leader and quality assurance committee, while the chairman of the committee shall inform the President of KCFR. KCFR President makes application form to the competent body.

Article 16.

- (1) Upon completion of direct supervision, report is drafted asserting the findings with a detailed description of the facts found in supervisory proceedings and recommendations and measures that should be taken to improve the ascertained deficiencies, within certain time limits. It should also include corrective measures in accordance with the law and this regulation.
- (2) The report on the performance of direct supervision and quality control of the work is the official document drafted and signed by an authorized supervisor, in accordance with the provisions of this Regulation.

Article 17.

- (1) The authorized supervisor shall prepare a report within 15 (fifteen) days after the official completion of direct supervision and quality control of the work. The final day of direct supervision and control of the quality of work is the last day of conducting supervision at the premises of **entities of this regulation**. Exception, the official completion date of Direct supervision, is the last day of additional data verification at KCFR premises, but it can not last longer than 15 (fifteen) days from the last day of directly supervision at the premises of **entities of this regulation**.

- (2) **The entity of this regulation**, where the direct supervision and quality control of the work has been carried out, may forward complain against the report within 15 (fifteen) days from the receipt of the report.
- (3) Regarding the complaint, under point 2 of this Article, it is the authorized supervisor that makes decision within 15 (fifteen) days from the receipt of the complaint.

Article 18.

- (1) If the authorized supervisor determines that the claims are based and sufficient to change the findings in the process, then additional report is compiled. On the contrary, written information on the reasons for rejection of the appeal is submitted to the complainant.
- (2) Deadline for preparation of the additional report or written information, under section 1 of this article, is 8 (eight) days from the date of the decision, based on Article 17 paragraph 3 of the Regulation.
- (3) The provisions of Article 16 and 17 of this Regulation shall be responsibly applied in the additional report.
- (4) **The preliminary report and supplementary report, with the aim of providing a unique system of assessment categories supervision and quality control of the regulation of entities, defines in a specific part one of the following categories:**
 - **Very Good;**
 - **Good;**
 - **Sufficient, and**
 - **Insufficient.**
- (5) **The Entities of the regulation** cannot appeal against the additional report.

VI. Supervision through collection and analysis of reports and notifications

Article 19.

Supervision through collection and analysis of reports and notifications is a continuous procedure of following the business and changes in the business of **entities to this regulation** and includes:

1. collection and analysis of reports, notifications and other data which are defined by law and the law sub-acts,
2. collection and analysis of reports, notices, statements and other data that are submitted at the request of KCFR,
3. collection and analysis of reports and information obtained from other sources, but related to the services of the associations approved to exercise the audit.

KCFR, respectively the Commission, at least twice a year makes a written report on the above mentioned issues.

Article 20

(1) **Entities of this regulation**, for the needs of supervision are obliged to provide to KCFR, once a year and no later than 30 June of the following year, for the previous year, at least the following information:

- ownership structure (owner's shares / business reports) purchases or changes in qualifying shares;
- Governance structure;

- Existing investments and investments upon which the **entities of this regulation** have benefited directly or indirectly owned shares of another legal entity, and any follow-up investment in this legal entity;
 - Amendments on establishment acts and other statutory acts;
 - Amendment of contracts for cooperation with other **entities of this regulation** or decision for entering into new contracts with other **entities of this regulation**,
 - Agreement for the policies of professional liability insurance (coverage quotes and specification of the object of insurance);
 - The number of membership (total number, number of certified auditors, statutory auditors, certified accountants, lecturers number, fund of classes, continuous education, organizing of exams and passing rate, etc);
 - Employees (total number, including the number of statutory auditors, the number of assistants, the number of administrative personnel, the status of employees for each category of employees);
 - The total number of contracts subject to financial audit, statements reviews and other services (assurance), which are concluded with client in the prior year period, which should separately reflect the total number of contracts with entities of public interest, the total number of entered contracts for other types of audit services;
 - total number of audit reports for the previous calendar year that are signed by authorized auditors for signing the audit (reporting for each auditor separately) along with the specification of clients who are dealing with audit reports;
 - The total amount of financial compensation for services performed of financial audit, statements reviews and other services (assurance), (specified by customer type), the total value of compensation for other audit work carried out (specified by customer type) as well as the total value of compensation from other activities (specified by category of activity);
 - Financial compensation for the value of services performed by professional associates committed to training, lectures, continuous education, etc.
 - The value of membership dues, training fees, exams.
- (2) In addition to data from paragraph 1 of this Article, the **entities of this regulation**, on KCFR request are obliged to provide data and information for all other issues relevant to supervision and verification of the quality of work.
- (3) KCFR determines the detailed content and form of reporting for the purposes of supervision and the manner and timelines of preparation and submission

Article 21.

- (1) Supervision through collection and analysis of reports and notices on the business of **the entities of this regulation**, that is submitted under this Law and Regulation, is performed by the supervisor
- (2) Supervisor through the analysis of reports and notifications:
 - Determines that reports (described or on the request) and other required data, are submitted on time, are substantial and are acceptable;
 - Estimates the harmonization with legal requirements and regulations of the profession;
 - Estimates the risks that **entities of this regulation** are exposed or may be exposed;
 - Estimates of risk profile (dangerous behaviour) of the auditor
- (3) The supervisor prepares and signs the process on the specified illegalities and irregularities in the business of **entities of this regulation** that require undertaking of supervisory measures,.

- (4) In the process of finding irregularities and legalities identified during the collection of analysis and notices, the provisions of this Regulation in relation to the process of direct supervision and quality control of work, shall be implemented with responsibility.

Article 22.

- (1) If during the collection and analysis of reports and notifications, illegalities, irregularities or deficiencies are found in business of **entities of this regulation**, the supervisor proposes the enforcement of direct supervision or supervisory measures.
- (2) Supervisory measures are imposed in the same manner as direct supervision procedures and quality control of the work.
- (3) The supervisor prepares and reports to the Commission on its activity every three months.

VII. Supervisory Measures

Article 23.

- (1) Whether during the implementation of the supervision and quality control of the work of the **entity of the regulation**, are established actions that are not in accordance with the provisions of the Law and other regulations of the audit profession, KCFR shall take measures envisaged by law and sub-act laws:
 - - Issues an order to avoid irregularities;
 - - specifies additional measures for avoiding irregularities in accordance with Article 21 and 23 of the Law;
 - - Initiates disciplinary proceedings.
- (2) KCFR approves the measures from point 1 of this Article within 30 (thirty) days from the expiration date of the appeal against the process, i.e. from the date of submission of additional process.
- (3) The exception to paragraph 2 of this article, supervisory measures can be imposed during the direct supervision when the supervisor concludes that due to extenuating circumstances, thus he proposes the president of KCFR to issue an order, to take immediate action in order to avoid irregularities immediately without any delay.

Article 24.

- (1) KCFR issues an order in the form of a decision to **entity of this regulation**, to eliminate the revealed irregularities, ordering the actions and obligations that produce legitimacy and harmonization with the law, rules of audit profession and other provisions
- (2) The order from paragraph 1 of this Article shall contain the components outlined by law with deadlines for enforcement of actions ordered and submit the report with evidence for correction of irregularities, no longer than 30 (thirty) days.
- (3) Against the order for eliminating of irregularities the **entity of the regulation** may appeal in written within 15 (fifteen) days from receipt of order.
- (4) KCFR makes decision on the appeal within 8 (eight) days from the date of receipt. This decision is final.

Article 25.

- (1) **Entities of this regulation** are required to comply with the time limits under paragraph 2 of article 24 of this Regulation, to submit evidence report to KCFR on the

implementation of the actions set out in the order to eliminate irregularities in the business.

- (2) In case the report from paragraph 1 of this Article, together with the evidences establishes that the irregularities are avoided, KCFR shall make the decision to meet the obligations under the order issued to prevent the irregularities. Prior to to decision, KCFR can perform direct supervision as an additional verification.
- (3) If the report from paragraph 1 of this Article is not satisfactory and documented, which cannot ascertain that the irregularities are avoided, KCFR brings the decision to order the **entity of this regulation** to provide additional evidences within 15 (fifteen) days from date of receipt of the order .
- (4) The KCFR decision on reporting with additional evidences and all the actions from points 1 and 2 of this Article, shall be taken no later than within 60 (sixty) days, otherwise it is considered that irregularities are avoided

Article 26.

- (1) If during supervision, irregularities in business are established such as none application of the law and regulatory for exercise of audit services and other rules for the exercise of the auditor profession, KCFR through decision orders **entity of this regulation** for adoption and implementation of additional measures.:
 - Adoption and implementation of the internal acts- policies and procedures that define the operation of the internal control system,
 - Adoption and implementation of policies and procedures for monitoring the internal control system,
 - Drafting of an action plan which includes recommendations for improving the system of internal control and its implementation,
 - Adoption and implementation of the internal acts - policies and procedures for operations with reliable data,
 - Creating, adoption and implementation of policies and procedures that ensure proper implementation of the Law,
 - Creating, adoption and implementation of policies and procedures that ensure fully implementation of International Standards on Auditing,
 - A reference to the implementation of the Instructions issued by KCFR as recommendations of best practices,
 - Attending of additional education and training,
 - Other Additional measures.
- (2) As for the decision regarding the approval and implementation of additional measures, **entities of this regulation** are obliged to inform KCFR and provide evidence for actions carried out, within 30 (thirty) days from the date of the decision.

Article 27.

- (1) If, during supervision, the work of supervisors namely the Commission, is hindered or his reputation violated, the offense for which **entities of this regulation** are imposed with disciplinary measure, a summon is submitted to KCFR Disciplinary Committee.
- (2) The Disciplinary Commission imposes disciplinary procedure and makes the decision for disciplinary responsibility in accordance with law and regulations.

Article 28.

If during the implementation of supervision at the **entities of this regulation** it is verified that there actions are punishable by law, the chairman of KCFR submits a summon to the responsible state authority.

Article 29.

The provisions of the Law on Administrative Procedures shall be responsibly implemented during the procedures of supervision and quality control of the of work and KCFR decisions.

The Commission for quality control, namely the head of the commission, prepares regular written report on completed supervisions, every three months, a report that addressed to KCFR. Quarterly reports are included and comprise the annual report. KCFR, respectively Commission, drafts and publishes the results of supervision and quality control for the previous year, at latest by November of the following year.

VIII. Transitional and Final Provisions

Article 30.

This regulation is approved by KCFR and published on the web site of KCFR.

It shall enter into force upon signature of approval respectively by the President of KCFR.

Once entered into force, at the latest within 10 days, it shall officially be disseminated to **entities of this regulation**.

Prishtinë, _____ 2014

KCFR
Chairman : _____

According to Article 15, 16, 22 and 26 of the Law on accounting, financial reporting and auditing and Article 5 paragraph 1 of the Regulation on the supervision and quality control of work of licensed associations, audit firms and statutory auditors, the Kosovo Council for Financial Reports (KCFR), issues this:

METHODOLOGY FOR SUPERVISION AND QUALITY CONTROL OF WORK OF LICENSED ASSOCIATIONS, AUDIT FIRMS AND STATUTORY AUDITORS

I.

Professional Standards Commission and quality assurance (hereinafter: the **Commission**) of licensed associations, audit firms and statutory auditors (**entities of this regulation**), in order to implement the legal provisions and regulations, each year is directed to **entities of this regulation** with a request and an annual questionnaire, which is published on the web site of KCFR, no later than 31 January of the following year. **Entities of this regulation** shall download this request and questionnaire and after having completed, it is submitted to the KCFR attached with the required documents. Deadline for completion and submission of required documentation and the questionnaire is 30 June of the following year.

I.1. Licensed Professional Associations

Licensed Professional Association (hereinafter: **Licensed Association**), KCFR, respectively the Commission, shall submit:

- Annual Report on the work of the Association (deadline 30 days from the date of approval by the Assembly of the Association);

- Annual Report for the supervision and quality control of the work of its membership;
- Annual report on the number of memberships: certified accountant, certified auditor and statutory auditor;
- Annual report on the number of registered candidates for the title of certified accountant and certified auditor and the achievability of these titles during the reporting period;
- Annual Report for the staff of lecturers with a brief CV for each;
- Annual Report on the level of membership contributions, the level of compensation for the execution of vocational trainings and passing of exams and compensations for continuous education;
- Report to statutory changes (during the reporting year);
- Annual Plan for supervision and quality control of the work;
- Report of the investigation work and disciplinary procedures (during the reporting period);
- Regulation on the form and content of the auditor's paper work documents;
- Programs under which are attained the titles: certified accountant and auditor;
- Verification Program for recognition of commercial laws of the Republic of Kosovo;
- Code of Ethics (with amendments and modifications, if occurred during the year)
- Report on how the quality program of professional association meets the audit requirements of the European Union directives ;
- A statement that the professional membership of the association acts in accordance with the code of professional conduct and code of ethics of IFAC

KCFR, respectively the Commission cooperates with licensed associations in terms of the mutual exchange of relevant information, supervision and quality control work, investigation and discipline committee and other areas in accordance with the provisions of law, regulations and administrative instruction.

KCFR, respectively the Commission, in order to implement the supervision and quality control as necessary may require more specific information on the activity of licensed associations.

If during the analysis of reports or supervisory control of the work of licensed Associations, is concluded that there is a ground suspicion of irregularities and illegality, then KCFR, respectively Commission, shall:

- Require information and other data related to these allegations;
- Propose measures in order to overcome the irregularities of illegalities (if found);
- Require the initiation of the procedure for determining the accountability of responsible persons in the professional association; on what KCFR is notified in advance;
- Notify in written the authorities of professional Association;
- Notify in written the KCFR;
- Notify in written the Minister of Finance through the Head of KCFR;
- Undertake measures in accordance with this regulation and other legal provisions.

KCFR, respectively the Committee, at least once every five (5) years, or more frequently, obliges the professional associations, to hire a professional accountant from a country that has education, exams and professional qualifications or a professional association in the field of accounting and auditing (that meet the needs defined by law and this regulation), to oversee the implementation of standards and procedures as defined by law and this regulation.

Licensed Association is obliged to notify the Commission in written, respectively the KCFR, on activities undertaken in accordance with the provisions of Article 22, paragraph 2 of the Law and this regulation.

Licensed Association, shall notify the KFRC in written for the selection made, 30 days prior to signing the contract for the hiring of the individual or the entity in line with legal provisions, KCFR within 15 days from the date of the notice, issues a written consent on this hiring, or rejects the selection, offering arguments based on legal provisions.

The time period for preparation of the supervisory report by professional accountant or professional association on the association should not be longer than 90 days from the date of signing the contract. For any excess of the prescribed period, the association must obtain permission from KCFR, giving an explanation for the delay.

Licensed Professional Association, after completion of the work of the accountant or professional association from another country, on overseeing the implementation of standards and procedures, is obliged to submit the report to KCFR on this activity, no later than 30 days from the receipt of engaged party.

I.2. Statutory auditors and audit firms

The questionnaire content:

A. Statements

If you are unable to give statement to confirm any of the positions listed below, please tick the statement and attach a written explanation

1. I confirm that, upon request by the Commission, the evidence shall be presented and will enable the access to documents to support the answers given in this Annual Questionnaire.
2. I confirm that the answers in the annual questionnaire are correct.
3. I confirm that the **entity of the regulation** operates under the principles of professional competence and continuous care (Code of Ethics).
4. I confirm that the **entity of this regulation** informed all parties on statutory changes made to the Agency for registration and relevant institutions which monitor and supervise our activity, within a time period of 30 days when such change has occurred.
5. I confirm that the entity of this regulation has notified the KCFR on data changes dealing with the entity of the regulation Registry.

Additional sheets

If you have additional information attached in additional sheets that are not part of the annual questionnaire, we ask you to note the information / separate answers in relation to the issue which is related to the annual questionnaire.

In the appendix are attached ___ (in numbers) _____ (in written) pages.

Signature

Responsible person of entity Subject to regulation	Name, Surname (in capital letters)	Date:
_____	_____	_____

Confidentiality of records:
Your business records are stored in conformity with the provisions of the Law and Regulation.

B. Permanent Records

- 1.1. Name of audit firm: _____
- 1.2. Name of statutory auditor: _____
- 1.3. Number of Registry: _____
- 1.4. Contacting Person: _____
- 1.5. Office Address: _____
- 1.6. Telephone: _____
- 1.7. Fax No.: _____
- 1.8. e-mail: _____
- 1.9. www website _____

C. Miscellaneous information

- 1.1. Ownership structure (owners / business reports) : _____

- 1..2. Acquisitions or changes in qualifying shares: _____

- 1.3 Governance Structure: _____

- 1.4. Organizational Structure / Chart; _____

1.5 Is the **entity of the regulation**, or any of the owners of the entity of the regulation, owner of any part or shares in another legal entity on 31.12. of the reported year
Yes No

If the answer is "No", then you should go (switch) in question Ç 1.1.

1.6. If the answer is "Yes", please list the name of another legal person, the total value of investments in euros and % of ownership participation in other legal entity.

Ç. The employees

1.1 The total number of employees on the day of completion of the questionnaire

1.2 The total number of employees in the last day of the financial report _____

1.3 The total number of employees involved in conducting audits on the day of completion of the questionnaire / the last day of the financial report ___ / ___

1.4. The total number of employees as legal auditor at the completion day of questionnaire / the last day of the financial report _____ / ___

1.5. Number of statutory auditors employed as part time on the day of the questionnaire / the last day of the financial report _____ / ___

D. Revenues generated

1.1 Last date of the annual financial report (dd mm yyy) _____ / _____ / _____

1.2. If the period is less than 12 months, enter the number of months _____

1.3. Total Revenues Euro _____

Please indicate revenues generated from the services listed below:

1.4. Audit Services € _____

1.5. Accounting Services € _____

1.6. Other Services € _____

1.7. Other Revenues € _____

Dh. Code of Ethics, Part A - Overall Implementation of the Codex

Is the entity of the regulation organized in a manner that ensures that all managers and employees hired in full-time and part-time, are acting in accordance with fundamental principles of the Code of Ethics, Part A, Section 100-150? Yes No

1.1. Managers as well as all full-time and part-time employees did sign the declaration which covers the principle of confidentiality and independence?
Yes No

1.3. If the answer is "No" to question 1.1. and 1.2. , then please explain how you apply protective measures by the Code of Ethics in order to ensure avoidance of threats to the principles of integrity, objectivity, independence and confidentiality..

-
-
- E. Professional Insurance
- 1.1. Number of insurance policies _____
- 1.2. Name of insurer _____
- 1.3. Contracting period of coverage (dd. mm. yy)
- From _____/_____/_____
Up to _____/_____/_____

Ë. Audits Contracted for financial reporting (shown only the number of audits)

Entities of audit	Number
1.1. Business organization with the public interest	_____
1.2. Large trade companies	_____
1.3. Medium trade companies	_____
1.4. Other business that have no legal obligation for auditing	_____
1.5. Audit of banks and financial institutions	_____
1.6. Audit of Insurance companies	_____
1.7. Investment funds and financial	_____
1.8. Pension Funds	_____
1.9. Audit projects	_____
1.10. Other audits-access to financial reports and other commitments	_____
Total:	_____

F. Audit procedures and their reconciliation

- 1.1. Is there any audit program in use (software)
- 1.2. Do you have established policies and procedures to the requirements of International Standards on Quality Control 1 (ISQC 1)?
- 1.3. If the answer is "Yes", do you have policies and procedures documented as per requests of ISQC 1?
- 1.4. Have you been subject to supervision / monitoring procedures?
- 1.5. If the answer is "NO" in paragraph 1.4. please explain reasons in the following and not to proceed with completing the questions of this section.

- 1.6. If the answer is "YES" in item 1.4. , Please indicate the date of the last monitoring. (dd.mm.yyy)
- 1.7. Is there a monitoring documentation and monitoring results? _____/_____/_____ Yes No
- 1.8. Monitoring included:

- • Assessment of the quality control system? Yes No
- Verification of at least one engagement? Yes No
- Verification of the action plan results which stemmed as a result of previous monitoring procedures. Yes No

1.9. If the answer is "No" in items 1.7 and 1.8 please explain how do you ensure the application of these requirements.

Auxiliary Guidelines are provided to facilitate work on completing the Questionnaire :

Reference	Keywords	Definition or narrator
-----------	----------	------------------------

Ç 1.1. Total number of employees

The total number of employees includes the workers employed for part-time work. For example, If there are three part-time employees work marked 3. Employees are administrative workers.

Ç 1.3. The total number of employees engaged in audit work

Total number of employees engaged in audit work includes employees who are directly involved in the audit, regardless of their professional qualification

Ç.1.4. The total number of employees as statutory auditor

The total number of employees as statutory auditor includes also the number of statutory auditors working part time.

D 1.1. The last date of annual financial reports

The last date of annual financial reports is the day, month and year for which such reports are prepared. In most cases it will be 31.12. ... but if these reports are compiled for periods that differ from the calendar year, then you have to mark as well.

D.1.3. Total revenues for the year

Subjects of this regulation show information on total revenues in the latest annual report. If these latest reports are compiled on 31.12., then total revenues presented in this questionnaire should be the same with revenues that are reflected in the financial statements 31.12. Revenues are reflected in Euros without cents..

D 1.4. Audit Services

Revenue from audit services include audit services and getting acquainted statements financial commitments for the expression of truthfulness and coherence of services..

D 1.6. Other Services

Other services include tax services and other business advices, services of analysis and financial control, services of enterprise evaluation, assets and liabilities, judicial expertise services and similar services.

D 1.7. Other revenues

Other revenues include revenues that are not realized by the provision of services to clients. for example. Financial revenues, extraordinary revenues and similar.

DH 1.1. Code of Ethics

In accordance with the law and other regulations, audit is carried out by regarding the professional Code of Ethics. Subjects of this regulation / auditors should be watchful to Section 100 - Introduction and basic principles; Objectivity 120, 140 - Credibility: 200-Introduction, 220- Conflict of Interest; Objectivity 280- for all services; 290- Independence as to the answers from this part of Questionnaire.

E 1.3. **Contracting period of coverage**

Contracting period of coverage means the date, month and year, year to year, for which the subject of this regulation has concluded a policy insurance. |Date, month and year of insurance policy that is valid in time of completion of the questionnaire, should be indicated.

Ë 1.5. **Banks and Financial Institutions**

This includes the number of engagements for the credit union, savings and credit cooperatives, savings banks and other legal entities supervised by the Central Bank of Kosovo.

Ë 1.7. **Investing funds**

This includes the number of engagements for Brokerage companies and other legal persons and business operators in the capital market.

Ë 1.8. **Pension funds**

This includes the number of engagements for Pension insurance companies and management of these funds

F 1.1 **Audit Program.**

Working Methodology of entities of this regulation may consist of commercial regulations that are available with programs and standard audit procedures or internal developed systems working. Both should be continuously updated.

II.

Commission refines and updates the data from the questionnaire. Based on the analysis of these data and based on the plan program of direct oversight procedures and verification of quality of work, the Commission conducts its activities in accordance with the following methodology.

A. Decision making the and the granting of authorization

Commission takes a decision on direct supervision / monitoring and control the quality of work. Based on the decision, signed by the Chairman of KCFR, supervisor is authorized for further proceedings in accordance with law and other acts.

B. Actions upon receipt of authorization

Upon receipt of authorization the authorized Supervisor shall contact the entity of the regulation in order to harmonize scheduled appointments for oversight. After a telephone conversation about the appointment of supervision, the authorized supervisor shall require written confirmation from any person authorized by the control subject for the defined oversight appointment.

Monitoring and verification of the quality of work may begin thirty (30) days from the date of receipt of the authorization for the direct supervision and control of the quality of work.

C. Actions afore going to the residency of the entity

Authorized supervisor shall notify in written the responsible person 4 to 10 days before going to the head office of the **entity of this regulation**, for:

- appointment of commencement of the oversight process;
- list of documents and paperwork that must be prepared and presented on the day of commencement of inspection (or earlier at the request of the supervisor); with defined solutions of administrative nature.

Ç. Introductory meeting

Authorized supervisor comes to the **entity of the regulation** residency, in order to hold an introductory meeting. The purpose of this meeting is for a supervisor to gain general reflection on the entity of the regulation, regarding:

- Providing of documentation that was requested in writing (preliminary paperwork);
- Method of work of entity to the regulation;
- Access to quality audit;
- The nature of audit experience;
- which are challenging specific risks ;
- Procedures, policies and processes defined within the entity of the regulation which ensures harmonization of audit regulation.

D. Inspection on audit engagements and other services

Authorized supervisor will select that for which clients for control entity will inspect the engagements. Inspection samples and verification of audit files shall not include audit files of completed engagements under the previous oversight procedure. (Unless this is required in KCFR decision).

If in case of internal control irregularities and problems are determined, authorized supervisor will check how irregularities and problems were resolved.

Direct supervision includes verification of audit methodology and its harmonization with international auditing standards and consistent implementation of the same during the audit process, reflected through working papers and revising of other documentation such as:

documentation on continuous vocational training of human resource, human resource evaluation, annual independence statements and insurance policies.

The sample selected for inspection must have at least three engagements from clients portfolio of control subject.

The manner of selection of engagements for control should be classified based on priority:

- Engagements of enterprises with public interest;
- Public Enterprise;
- Other enterprises according to size defined by law.

In the absence of cases from item one and two, selection is made from item three. Number of inspected engagements should never be less than three cases that lack clients from the entity of the regulation are exempted.

During the investigation of audit files supervisor will analyse the key findings that emerged from the audit folders together with a responsible person in order to ensure the accuracy of these findings.

In accordance with regulations prescribed by the Commission, the authorized supervisor may observe audit folders and other documents also at the premises of KCFR.

Dh. Closing meeting

In the closing meeting, after investigation and review of audit folders, authorized supervisor will comment and discuss the findings and facts identified during supervision with persons engaged in charge of the entity of this regulation.

E. Direct supervision report

After closing meeting regarding the direct supervision and verification of the quality of work, the supervisor drafts a report in the form of the minutes and submits it to the entity of the regulation and the Commission. In the report are indicated the findings of supervision discussed with detailed descriptions of all of the facts in the oversight procedure.

The Commission, in accordance with applicable law and regulations proceeds with further actions regarding oversight procedures and quality control work.

III. Accompanying documents (Appendix 1)

Part of this Administrative Instruction are the following documents:

- A. The international standard of quality control 1 (ISQC 1) and its implementation
- B. Auxiliary instructions for supervision / monitoring work of policies and procedures to control the quality of entities of this regulation ; and
- C. Working auxiliary Instructions for the inspection of completed engagements.
- D. Final provisions.

Instruction enters into force upon approval by KCFR and upon signature by the Chairman of KCFR.

The Instruction and the following documentation will be published on a KCFR web site . This methodology with all supporting documents is an integral part of the Regulation.

In the methodology of supervision and quality control of the work, accompanying documents (Appendix 1) are included in section III:

- A. The international standard of quality control 1 (ISQC 1) and its implementation;
- B. Auxiliary instructions on the monitoring work of the policy and quality control procedures of entities of this regulation; and
- C. Auxiliary instructions for inspection of completed engagements.
- E. Final Provisions

A. Implementation of the International Standard of Quality Control 1 (ISQC 1)

1.1 Summary Information

This document is translated from the publication of a practical *Instruction for the implementing of International Standards on Quality Control 1 (GB and Iceland), published by the Institute of authorized accountants of England and Welsit (ICAEW) in the edition of the Faculty of Audit and issued in use by the Croatian Chamber of auditors that allows use even for KCFR needs (by prior arrangement).*

These instructions serve as a guide for general use. Specific advices should be conceived with specific problems. No liability or loss caused to the person who acts or fails to act as a result of using information from this comprehensive guide will not be accepted by the ICAEW or KCFR.

1.2. Quality control system

The quality control system is consisted of policies and procedures. The organization of this system will depend on the size and commercial features of the enterprise. In these cases, the adopted policies and procedures must respond to the size and organization of the enterprise, in which case it should comply with the requirements of ISQC 1.

ISQC 1 is aimed to advance the quality, while enterprises will achieve and maintain profitability in the long term only if they offer quality services.

ISQC 1 applies not only to audit engagements and access to financial statements, but also on other engagements of trust and related services.

ISQC 1 mainly deals with how the company operates when conducting of audit work. There is an important link between ISQC 1 and International Standards on Auditing (ISA) 220: Quality control audit of financial statements (ISA 220), which applies to special audits and gives responsibility to engaged partner, not the enterprise. The engaged partner has numerous specific

responsibilities set out in ISA 220 dealing with the overall quality of work in separate individual audit engagements.

Instruction of audit standards 240: quality control audit is covered by the company and the level of engagement, which is now divided between ISQC 1 and ISA 220 (as explained above). The main substantive additions compared to previous instruction of auditing standard 240, are related to the requirements under which enterprises should establish policies and procedures that provide reasonable assurance for:

- Independence of enterprise and engaged team;
- Resolving of complains and assertions for work performed adequately.

2.1. Key essentials

ISQC 1 key essentials are:

- The demands for documentation is specific somewhere, prescriptive and detailed;
- Steering Committee or executive officer of the company (or the equivalence of this) should take over responsibility for the quality control system of the enterprise;
- The importance is on content and formal details of company policies and procedures; and
- There are a number of issues which should be taken into account when reviewing the engagement quality control and requirements regarding the type, timetable and documentation of this review.

Generally, enterprises when applying the ISQC 1, according to its specifications should consider:

- The necessary level of detail;
- The type of communication needed with leading enterprise staff and employees, and
- Adequate level of required documentation.

Item 4 and 11 of ISQC 1, requires from all companies to define the system of the audit quality control and access to financial reports, designed to provide reasonable assurance that the firm and its personnel act in accordance with professional standards and applicable regulations and legal requirements and that reports which are given by the enterprise or partner involved, are samples of such circumstances. "Point 4 of SNCK 1 confirms that the type of system policies and procedures that have developed enterprises will depend on various factors such as the size and characteristics of the enterprise and whether it is part of the network. "Enterprises shall prove that they have established measures that maintain the size of their businesses. Evidence of "reasonable belief" in the context of ISQC 1 is a high level of confidence, but not absolute.

2.2. Documentation

Regarding the documentation of policies and procedures probably it would be more efficient and easier the use of concise notes, as appropriate, containing explanations or references included in the available documentation (as well as explanations of how and where those materials can be found), instead of writing whole pages on details of the procedure. Also, when possible, it would be appropriate to include references of other sources of information within the enterprise, such as

an employment handbook or standard contracts for or conditions of employment, handbook of audit procedures, guidelines on ethics and similar.

Also the fact that the issues in small and medium enterprises differ from those in large enterprises needs to be considered, for which policies and procedures may be more common. The trends of communication in small enterprises many times are shorter and when it comes to new circumstances, policies and procedures may be amended or supplemented much easier than with the large enterprises which operate in more locations and decision making on procedures comes from the centre. In addition, the number of questions / areas to be covered in large enterprises is greater than in smaller enterprises.

2.3. External service providers

Many companies require external support service providers. However, it is important to note that all enterprises are ultimately responsible for procedures they approve. Of course guidelines or reference for quality control of work of external service providers will present only partial support for the company when it decides on such matters as are its internal policies and responsibilities of leaders. However, these instructions should help work in shaping and documenting exactly these issues.

Enterprises that use external service providers shall verify:

- Is there any delay in receipt of documentation from the external services provider;
- Are the interim instructions defined which cover new areas ;
- Are any enterprise policy alterations from standard policies clearly confirmed, to each relevant employees and whether amendments are clearly visible in the main documentation;
- Is it clearly marked the date of entry into force of these changes in company policies and procedures; and
- Are the copy of all policies preserved for at least ten years.

These issues are also important for companies that do not use external service provider, for which they should be careful while updating with personal documentation..

2.3. Communication

Enterprises should consider instructions for establishing communication (if they exist) to the external reviewer, which may be involved and help with their proposals (see section 6 for key working system of quality control). If there is a conflict of interest, probably just such one source will not be sufficient. Advisor on contentious issues, for example, probably will not act as reviewer of quality control engagement.

3. *Seven key parts of the quality control system*

The common recommendation is that companies take steps that will ensure that they are acting in accordance with the requirements of ISQC 1:

- 3.1. **Documented activities of quality control system**, so that the company operates in accordance with the requirements of ISQC 1 related to documentation (the manner how they are amended and supplemented - revised, ISA 250).

- 3.2. **Assume of management responsibility from its top**, constantly conveying messages about the importance of quality control).
- 3.3. **Always act in accordance with ethical requirements**, standards and relevant publications.
- 3.4. **Focus on real clients**.
- 3.5. **Obtain skilled and competent employees**, taking in consideration to personnel policy and procedures of the enterprise;
- 3.6. **Conducting quality audits**, as necessary to consult and meet requirements relating to quality control review engagements,
- 3.7. **Assessment of the quality control system in the enterprise**, periodical verification of selected engagements of completed audits.

In the following this instruction is explained in detail for each of the seven key parts of the quality control system. The illustrate presentation of the policies and procedures found at the bottom of each part are dealing with specific aspects of each key part of the system. In order to include every point of key parts of the system, it will be required for presentation of other illustrations of policies and procedures. So, for example, in section 7, the key part of quality control system, illustrative coverage of policies and statements has to do with appeals for what there will be a need for inclusion of other policies and procedures for other aspects, including those for monitoring / supervision. Enterprises are normally responsible for developing their own policies and procedures and presented examples are only illustrative in nature. If companies use these illustrative examples they should adapt to its characteristic specifications.

3.1. Documentation

Quality control system actions to be documented in order to comply with ISQC 1 relating to the documentation.

ISQC 1 requires documentation and evidence of action of each constituent part of the quality control system. A practical opportunity is to draft file with working instructions or an internal act of ISQC 1 in which are documented various policies (what the company wants to do) and actions (in which way the company intends to achieve its objectives), that are used to meet the requirements of ISQC 1. ISA 230 revised in ISQC 1 has introduced further new requirements, which are outlined below.

Inclusion of ISQC 1 should not cause great expenses to enterprises, regardless their size, because of the drafting and printing of the updated instruction procedures. ISQC 1 states that enterprises should establish "policies and procedures" considering different fields of action. Multiple actions such as hiring procedures and keeping customer relations and special engagements should be covered by the standard documents of the audit enterprise.

Given as an example, the procedures described above, for receiving and maintaining relationships with customers and specific commitments (see section 4 key part of the quality control system), the policy of the enterprise may be to initiate and continue with engagements if the conditions mentioned in paragraph 26 ISQC 1, from (a) to (c) are met. (Note: companies may decide to further set out the criteria). Procedures necessary to comply with the policy will require

the fulfilling of relevant part of the standard methodology of work of the enterprise. Policy needed, maybe for large undertaking will be of course wider and for example, will be highlighted in the instruction of professional standards. Regarding the small enterprises, before the policy was not formally written yet it existed, but in order to comply with ISQC 1, this description of the policy can be summarized in a concise form, perhaps it would be well enough on a page.

The same procedure should be repeated for each part of ISQC 1. It is thought that for small undertakings, the needed policies to be listed in a few pages, with mutual referrals to places where you can find details or supporting documents, such as contracts and letters of obtaining engagement, standard methodology of work, employment contracts, etc. The large enterprise policies and procedures will certainly be larger, but constantly seeking documentation.

When once the company has developed policies and procedures for quality control, must act in accordance with them and shall produce satisfactory documentation in order to provide evidence for the operation of its quality control system. This will facilitate self-monitoring of quality control system that is required by ISQC 1 (see section 7 key part of the quality control system). In this regard, auxiliary instructions for work can also help (Appendix C Auxiliary Instructions for work and inspection of completed engagements). Alternatively could be used ISQC 1 document itself, but referrals to places where the relevant work instructions can be found at own documentation of the enterprise, shall be included .

ISA 230: Audit Documentation is followed with some changes and additions to ISQC 1 that is relevant to policies and control procedures of engagement documentation. Enterprises should take relevant activities in order to verify whether they are making all the necessary changes, which leadership and good governance will help to achieve these changes.

Items 45, 46. and 47 of ISQC 1 remarks the requirements about documentation engagement. The definition itself "engagement documentation" is found in section 12 (ISQC 1). Enterprises need to complete the audit files entirely in "time", in which case the optimal time for completion of the audit file is usually not longer than 60 days after the audit report.

ISQC 1 and ISA 230 requires that the company maintain audit documentation during the time period prescribed by law or regulation. According to the law, Article 12, audit working paperwork shall be retained for as long as deadline is prescribed for maintaining of the accounting documentation. Within these time limits, any deletion or removal of documents after the closure of the file, are prohibited by auditors.

The enterprise should develop policies for the type of documents that can be disposed of before the expiring of 60 days for completion of the file, such as changing the draft financial reports, revised resource plans or perhaps items upon which review is undertaken.

For all deviations from the ISA 230 requirements of Audit documentation, should be marked on how and why Auditors have avoided auditor's demand, also alternative procedures are used to fulfil the purposes of the audit, should be noted.

These are practical instructions for the procedure at the level of engagement involved with ISA 230. However, as summary, (see item 8 of the ISA 230), audit documentation should be sufficient that an experienced auditor, who was not familiar with the audit, to be able the comprehending of:

- Work performed;
- Results and evidence obtained; and
- Important issues that are presented and conclusions generated for them.

This will help an experienced auditor to conduct quality control review by ISQC 1, on monitoring and other legal and regulatory requirements.

Auditors shall advise on necessity of documenting everything that is related to the auditor's opinion, even if it is only about indirect connection (not directly). In addition to recording the auditor's judgment, attention should be paid to documenting the evaluation issues. Oral explanations of the auditor, to its own, does not pose any adequate evidence, but can be used for explanation and clarification of information contained in the audit documentation. The presentation will illustrate the policies and procedures regarding documentation of engagement:

The illustrative presentation of the policies and procedures regarding the documentation of engagement:

Documentation – closure on time with the final dossier of engagement and retention of documents over the time.

Policy: Completion and maintaining documentation for audit engagement shall be in accordance with the requirements set out in section 45, 46 and 47 of the ISQC 1.

Procedure²: All files are concluded in accordance with our audit system. Usually summarized in the auditor's reporting date, depending on practical or submitted requirements, but in each case within 60 days from that date. Audit files are retained in a period of 10 years, beginning from the business year for what financial report was and that has been subject to audit..

3.2. Responsibilities of leadership

Assuming of responsibility for leadership from its top, by constantly conveying messages about the importance of quality control.

Key importance is that the steering or executive body of the company (or its equivalence) must take ultimate responsibility for the quality control system of the company.

The leadership of the company and the model it sets ("the top attitude") should significantly affect the internal culture of the enterprise taking into account quality control. Whether through internal communication, then in meetings, educational courses, or through the awards and

recognitions for partners and employees, constantly transmit messages about the importance of quality control, will certainly impact and help in meeting the requirements for cultural level.

Enterprise policies and procedures should promote the culture which is based on accepting quality as essential element in performing the engagement. Separately, the emphasize should lay on the need for safety:

- Commercial reviews to not affect the quality of work performed;
- Evaluation of the work performed, reward and improvement show the commitment of the enterprise to quality; and
- Sufficient resources to be dedicated to the development, documentation and support policies and procedures of the control the quality of enterprise.

The areas mentioned above will certainly be verified by monitoring in which case the internal and external scrutiny is required. For this reason, these areas may require attention from the beginning. When conducting monitoring, special care will be given to the awarding system of acknowledgments and rewards to partners and employees.

Enterprise operational responsibility for its policy of quality control, may for example, be trusted to the partner for quality control or someone else, in which case we shall pay attention that such person has the necessary backgrounds and authorized for assuming of such responsibility.

The illustrative presentation of the policies and procedures in relation to leadership of the enterprise, taking into account particularly the aspect of leadership responsibility:

Leadership responsibility - the comprehensive responsibility for the audit work

Policy: Steering Committee of the company bears ultimate responsibility for the quality of the audit.

Procedures: In the meeting held (indicate the date), the steering committee agreed to take the responsibility for what the operational responsibility for this function gave (indicate the person in charge) of / who / will inform the steering committee as appropriate at least once per year.

For Statutory Auditors:

Policy: (name and surname of Statutory Auditor) has the ultimate responsibility for quality of work.

Procedures: All changes to audit procedures should allow (name and surname of Statutory Auditor).

3.3. Ethical requirements

Always act in accordance with ethical requirements and relevant standards and publications. Enterprises need reasonable belief that they and their staff shall comply with relevant ethical requirements. ISQC 1 offer specific instructions dealing with independence.

All employees in auditing are required a written statements for independence. The most common way to achieve this is precisely the use of a standard form. However, it is normal that the company leaders and staff occasionally to inform on all new situations that may pose a threat to independence.

Illustrative rendering of policies and procedures related to ethical requirements for non-audit services:

Providing of non-audit services to "auditing clients."

Policy: The Enterprise may provide non-audit services to audit clients, only in cases where this is not contrary to the principles of the Code of Professional Ethics for accountants, as well as professional requirements.

Procedures¹: All partners, except the partners engaged, which are intended for carrying out any work for "audit clients", shall notify the engaged partner before they initiate this work, so that he / she can assess the overall impact requirements to complete the audit engagement.

3.4. Receiving and maintaining relationships with client

Focus on real clients

Item 24 of ISQC 1 emphasizes the requirement under which enterprises should determine policies and procedures for receiving and maintaining relationships with clients and specific engagements. More precisely, when scrutinizing for receipt and maintaining relationships with clients and specific engagements, companies should consider the following factors:

- Honesty of the client;
- Competence for performing enterprise engagement;
- Is it possible to comply with relevant ethical requirements?

ISQC 1 highlights the type of factors that should be considered, such as business management authority and client owner. Enterprise in the case of maintaining relationships with client shall have more and more knowledge and access to these issues and factors. While on one hand there is a requirement to collect the necessary information that will support the company's decision to accept the reports respectively performing of audit engagement, on the other hand the demand for documentation exists only when complex or sensitive issues and problems are identified, which along with the company decides to accept or keep the engagements. Reasons for acceptance of engagement in these circumstances will have to be documented.

Most enterprises certainly when solving this task will tend to incline towards the control list. However, enterprises should, as always, be aware of the danger that presents a simple fulfilment of the mechanical control list, which in this case issues and problems can be dealt and reviewed with no regularity.

¹ Available shall be other actions, including those relating to the participation of enterprise partners to ethics issues, so that engaged partners may be informed on the manner of action in situations where independence issues can arise from the provision of services that are not related to the audit.

Any of the enterprises might have to be questioned whether their partners and employees have adequate competencies to carry out the audit. Enterprises should consider the profile and competencies of partners and existing employees, match them, and if possible, to distribute partners and employees for performing certain tasks according to the requirements of existing and prospective clients. If there are gaps, relevant activities are needed to be undertaken, for example, the competence of partners and employees are needed to improve.

Illustrative overview of policy and procedures, regarding the acceptance and maintaining client relations, especially taking into account the terms of the engagement acceptance:

Policy: Enterprise receives or performs engagement only if concluded that the client does not lack the integrity, that we are competent to perform the services required, and that we can comply with ethical requirements.

Procedures²: Partner engaged in auditing, completes the documentation for acceptance/maintaining relationships with the client before making the decision for accepting and maintaining relationships with the client, and also fulfils and completes the relevant parts of the enterprise standard actions during the planning phase of the audit.

3.5. Human Resources

To provide skilled and competent employees paying constant attention to company policies and procedures related to human resources.

Part of ISQC 1 regarding the human resources contains auxiliary instructions in details compared with those included in the Auditing Standard Instruction 240. Enterprises should review the policies and procedures for the matter of employment, obtaining references, the inclusion of new staff at work and career development, as well as assessing the effectiveness of its systems, evaluation of completed works and rewards. However, all requirements of ISQC 1 can be understood as actions reasonable for enterprises that want to motivate and develop their employees (and partners).

The Enterprise shall communicate its policies and procedures for quality control to employees so that they get more and more feedback on their attitudes to quality control in terms of related topics and same use for changes.

Policies and procedures are needed for Enterprise in order to show:

- that have adequate number of skilled workers who will be dealing with multiple and complex issues during the audit engagement; and
- Minimum standards required by the audit staff at various levels of responsibility within the enterprise as well as the expected measures to inform employees regarding innovations in the field of audit provisions and practices related to the enterprise and its clients. This should be an

² Shënim: në dispozicion do të jenë veprimet tjera, të lidhura me ekipin e caktuar kompetent, përmes të cilave mund tu sigurohet që edhe ndërmarrja por edhe ekipi t'i përmbushin kërkesat të cilat kanë t

integral part of the permanent professional training and other forms of professional counselling (education).

The enterprise must verify if it possess appropriate employment policies and whether evaluates fairly the skills and works performed adequately. The evaluation system must deal with issues related to employees, their personal development and their career development.

Through audit planning process the audit work is distributed to the partners and employees engaged, who should have the appropriate skills and necessary competencies to be engaged. Enterprise shall verify that those who have been distributed the work whether they have relevant power and sufficient time for performing their duties responsibly. In order that tasks are performed adequately, the enterprise shall establish relevant policies and procedures. Job description and time planning available to partners and employees will certainly be part of the process.

The Partner engaged bears full responsibility for the engagement, the identity and his/her role should be communicated to the client's management and those in charge with governance reforms, if dealing with different people. Whether this could be done through written communication, and then organize a meeting with the staff of the client, this would be the best way of getting to know it, also it will help a lot when making decision for receipt and maintaining relationships with clients and specific engagements.

The illustrative presentation of the policies and procedures relating to human resources, especially taking into account aspects of the requests submitted to the employees.

Policy: The Company shall hire for audit works only employees who show honesty and relevant competence.

A procedure to this policy³: Enterprise implements an annual assessment of all employees who perform audit work (including experts) by completing the survey. We consider that education needs constitute part of the process of reflecting the success of the work performed and evaluation (including evaluation of continuous professional training), which under this, draw appropriate decisions regarding vocational training programs.

3.6. Conducting of engagement

Conducting of quality audits and consultations as needed to meet the requirements related to the review of the engagement quality control.

Enterprises should establish procedures that enable regular conduct of audit engagements. This, as is common, involves the use of instructions, control lists and other tools. Particularly, holding of consultations is encouraged whenever possible.

³ Available will be the other procedures pertaining to human resources and enabling decisions to use certain policies, for example, those who are on employment and the manner in which the company decides that which persons are suitable to perform duties that must be shared.

Enterprises and engaged teams that perform audits must comply with ISA, including requirements that have to do with risk and fraud.

There are also numerous requests which relate to the engagement⁶ quality control, as will be seen below.

Consultation

ISQC 1, in a summary reflection, states that companies should establish policies and procedures, designed to provide reasonable assurance that:

- appropriate consultations are carried out on complex and sensitive issues;
- there are sufficient resources available that enable appropriate consultation;
- produced conclusions of consultations have been implemented.

The need for consultation with professional colleagues can occur in many situations such as, for example, interpretations of accounting standards, businesses extension and similar. Each enterprise must consider and determine when it is necessary to organize consultations and determine the documentary policies. For example, the following situation, which in some circumstances may require consultation in order to assist auditors in making decisions about whether client's policies are acceptable:

- Client proposes an accounting treatment or notice which may represent deviations from the requirements regarding accounting or notice;
- Client proposes the adoption of the accounting policy which may not be in compliance with the norms of the business;
- Excessive influence of client tax reviews, i.e. the tax aspect during the selection of accounting policies.

Enterprise shall establish such a schedule under which consultations are duly conducted. For instance, if during the audit planning meeting, engaged partner becomes aware that perhaps any contested issue could appear for which the potential person shall be notified and consulted about the matter and that probably would have the need for his/her advice.

This issue should be scrutinized and the conclusion should be taken as soon as possible. The Company also must determine what information should be provided to the consulted person. It is important that these individuals be provided with sufficient additional information which can create "comprehensive view" - unintended choices of only favourable information may lead to the wrong conclusion. Useful information will probably be included in the plan of the current financial reports, financial reports of the previous year, as well as written description of these issues, along with all samples or cross-references to all relevant technical publications / parts the financial reports of other enterprises. For enterprises with more partners, consultations with professional colleagues as necessary should not present any special difficulty. This, of course, will be more difficult for small or statutory auditors. Auxiliary instructions for work can be useful for small enterprises, when formulating the consultation procedures. It is recommended that small companies determine the frame of formal consultation, so that when there is a need for consultation, these are existing formal reports.

It can come to the potential pitfalls in the use of quality control reviewer of engagement (see below) for the purpose of consultation. (Note: where the reviewer cannot change the person

responsible for monitoring -see the 7 key part of the quality control system). Although a certain level of consultation, inevitably to some extent will happen in any engagement where there is a need to review the quality of client engagement for which no audit was conducted, participation of the reviewer shall not be such that brings into question his objectivity and independence, for example participation in decision makings on team engagement or conducting the audit. If this happens, there may be the need to involve a third partner or appointing new reviewer. **Proceedings of the consultation on specific issues should, generally speaking, be separated from those matters which pertains to the engagement of quality control.**

Quality control reviewer of engagement

ISQC 1 requires review of quality control engagement for all audited financial reports of listed entities and other entities where appropriate (specified by the company's own criteria). The enterprise shall have policies that indicate which criteria should be considered when determining the audit engagements that require this kind of reflections above those that already exist for listed entities. Criteria include, as is the rule, the amount of audit compensation, the public interest, the type of engagement and extraordinary circumstances or risks. It may be that statutory auditors or small enterprises are obliged to consider the engagement of quality control only in exceptional cases and that in this case they can exploit external qualified persons or other companies for conducting such reviews as needed. Quality control review of the engagement is not selected by engaged partner. This is supposed to maintain the independence of the quality control procedure of special audits. The appointment should follow the receipt or planning stage of the audit, when the current circumstances necessitate the need for the implementation of quality control review of the engagement. It may be that these circumstances are not immediately visible in the initial stages of the audit, but become apparent later. When this event occurs, the reviewer should be appointed immediately when the need arises. This may become more difficult in small enterprises that use external reviewers which are directly engaged. However, it is a fact that the external reviewer may be indicative of its own independence.

The reviewer considers its independence, experience and level of knowledge for action in complex or sensitive issues, where it is possible, at an early stage of planning. He or she also shall consider the important risks identified in the documents in the planning stage of the audit.

Prior to issuing the audit report, the reviewer must be satisfied in the quality of the audit work performed, the key judgments made and decisions taken, and the fact that there are no unresolved issues.

The examination procedure should be documented (see paragraph 42 of ISQC 1), and this in no way diminishes the responsibility of engaged partner.

The auditor's report cannot be issued if there are changes pending in thoughts between partners engaged and reviewer. In these moments is slightly tilted toward actions designed to advance the enterprise to resolve contested of issues.

It must be remembered that the companies where necessary are allowed to enter into contracts with appropriate external professional persons for those engagements and consulting activities, acting in accordance with the ordinary protective measures, such as credible actions or conciliation of the client. It is thought that this will help smaller enterprises.

The illustrative presentation of the policy and procedures regarding the engagements performed, particularly considering the reviewing aspect of the engagement quality control:

Review of the engagement quality control

Policy: The enterprise defines criteria⁷ for the implementation review of the Quality Control of engagement, in which case these criteria are based on audit risk, amount of audit compensation, including the issue of general interest and specialized type or regulatory audit work performed.

Procedure: For all performed audits, partner engaged audit based in the criteria which has determined the company and where it is pronounced, reports on the reviewer's involvement in the engagement of quality control. This requirement considers the responsible person respectively the company directors, who also make the appointment.⁸

3.7. Monitoring

Monitoring the quality control system of the enterprise and implementation of cyclic verification of performed selected audits engagements:

Enterprise policies and procedures should include reviewing and evaluating permanent quality control system of the enterprise, including the cyclical verification of selected audit engagements by each partner involved.

ISQC 1 requires that the enterprise at least once a year to publish the results of its monitoring system of quality control of the engaged partners and other relevant persons within the enterprise, including the executive body or manager. It is clear that enterprises should consider the urgency of all issues

that have emerged during the control and the need to introduce adequate changes and all of these to be communicated as soon as possible. This requirement for communicating the results can be the subject of the external review team for monitoring. It is important For enterprises to choose the appropriate way to achieve harmonization and provide regular performance of monitoring. auxiliary instructions for work can be helpful in reviewing and evaluating the quality control system and review the conducted engagements in the enterprise.

Complaints and claims

In the ISQC 1 that deals with monitoring, are requirements related to complaints and claims.

Enterprise should establish policies and procedures designed in a manner to provide reasonable assurance that they are operating fairly with:

- Complaints and claims that the work accomplished by the undertaking is not in accordance with professional standards and regulatory requirements of legal bodies, and that
- Claims for non-harmonization of quality control system of the enterprise.

Regardless of this, the existence of such actions represents good experience and enterprises should investigate complaints. However, the "Complaint file" and relevant actions of the enterprise represent areas that internal control and external monitoring units would also like to discuss in detail.

The illustrate presentation of the policy and procedures related to monitoring, particularly taking into account aspects of the complaints:

Complaints

Policy: The enterprise demonstrates its commitment to providing high quality services to its clients for which all complaints and allegations directed against the company, are seriously received. All the complaints and allegations shall be investigated about how the accomplished work by the company is not in accordance with the standards and requirements of regulatory and legal provisions.

Procedures: All complaints of any kind shall use company's standard form of communicating to: complaining partner, essentials in writing as soon as possible, the name of the partner, partner on damages and what is required beyond. Periodic reports on complaints shall be submitted to all partners which determines the trends of providing further advice, education, disciplinary procedures or changes in the internal system of quality control.

B. Auxiliary Instructions on Supervision of the work / Monitoring policies and quality control procedures of entities of regulation

To whom are these auxiliary instructions dedicated to for work?

To persons who apply monitoring respectively to those who review and evaluate the quality control system.

Content

These auxiliary instructions on work are composed of the control list consisting of questions that need to be taken into account when reviewing the harmonization of entire policies and procedures of the undertaking in relation to the Law. International Standards on Auditing (ISAs), International Standards on Quality Control 1 (ISQC 1) and other rules relating to the audit profession that are published by the Kosovo Financial Reporting Council (KFRC).

Auxiliary instructions on work are subject to amendments in order to be applicable to the specific circumstances of any particular enterprise, for example, when it conducts an audit of listed clients.

Introduction

ISQC 1 that is published by KFRC is required by the audit company (enterprise) and the entities of regulation to define the supervision / monitoring procedure of its policies and procedures of quality control system, including periodic verification of selected engagements of audits performed. Entities of regulation are required at least once a year to implement the monitoring procedure in order to determine the extent to which the undertaking effectively meets the requirements of ISQC

1. Annual Review of harmonization consists of two parts:

- Review of the quality control system of the enterprise;
- Review of engagements completed (see auxiliary instructions on work: C. Review of the engagements completed)

The reviewing of the enterprise control system will verify if the reviews of finished engagements are done correctly and if all activities required to comply with the results of those reviews have been implemented.

The volume of enterprise procedures and their documentation will depend on the type of the customer and the size of the enterprise. However, documentation of used procedures is required from all the enterprises including those with a statutory auditor employed respectively even when the statutory auditor acts as alone.

Responsible for implementation of reviewing is the main person in charge of the enterprise or the person who is appointed as the main person responsible for harmonization of policies and procedures of the company. The enterprise and the other users of these auxiliary instructions are responsible in general for reviewing its harmonization with the audit provisions and activities that need to be undertaken. Review is necessary to be documented, while records for the results of the review, issues raised and the activities undertaken are necessary to be saved.

Remark: Generally speaking, negative answer "No" to any of the questions from the list of control withdraws attention that the issue requires further consideration, which may result in determining and undertaking the appropriate plan of activities.

DATA OF AUDIT COMPANY/ ENTITY OF REGULATION	
Designation of Enterprise:	
Person in charge of monitoring: _____	Date of review ___/___/___
Reporting period : from : ___/___/___ to ___/___/___ -	

Total number of legal obligors for auditing, clients:		Specify type and number:
It is not 100% owned by a landlord:	
Offshore/ nonresident	
Regular or public interest:	
Other:	

Work that is not related to the audit while the report is signed by the "statutory auditor"		
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1. PROCEDURES, WORKING PAPERS AND TECHNICAL MATERIAL

The enterprise should define the procedures that include the review of the quality control system of the enterprise and individual audit engagements in order to ensure actions in accordance with the Law and ISA. These actions are usually documented in one or more instructions. Audit instruction, system and software can be purchased or the undertaking may determine its own procedures itself. In any of the two cases mentioned above, it is necessary the constant updating of all procedures and instructions.

Remark: with the aim of simple reflection, abbreviations listed in the table below have the following meaning: Yes, No, N/A = not applicable

		Yes	No	N/A	Comments
1.1.	Organization: a) Is there a partner responsible for supervision / monitoring of quality control system, as well as a partner responsible for setting this system? b) Have the roles been given to the appropriate persons?) Has sufficient time been given to these people in order to be able to fulfill their tasks according to the role they have?				
1.2.	Instruction on quality control: Published by: _____/ Own Publication <input type="checkbox"/> Satisfied? Last amendments ____/____/____ Updated?				
1.3.	Instruction on conducting the audit engagement (Audit computer program) : Published by: _____/ Own Publication <input type="checkbox"/> Satisfied? Last amendments ____/____/____ Updated?				

The enterprise is obliged to take care of updating the reference materials in relation to all its customers, including the specific engagements.

		Yes	No	N/A	Comments
1.4.	Do audit employees have appropriate access to carefully updated reference materials including: Law on commercial companies; Law on accounting, financial reporting and auditing; International audit standards; The Code of Professional Ethics of the audit; KFRC regulations; KFRC Instructions; Instructions on auditors; Innovations in the field of audit; Professional publications on audit and expression of faith; Accounting Standards (IFRS, NAS)				

1.5.	Are all staff members familiar with the amendments and supplements made to the Law and other provisions, ISA, Code of ethics and procedures of the enterprise?		
1.6.	Do actions of archiving provide a safe and reliable archive for at least the next ten years?		

2. ETHICS, INDEPENDENCE, QUALITY CONTROL AND PROFESSIONAL SAFETY

		Yes	No	N/A	Comments
2.1	Has it been made unable to persons, who are not persons in charge, to have an impact on the integrity and independence of the audit?				
2.2	Code of Professional Ethics of the auditor: a). Has a responsible person been appointed for issues of ethics whenever it was necessary? b) Have reviews been documented for ethical issues? c) Does the company have policies and procedures for all managers and employees on issues related to the independence and objectivity?				
2.3	Perennial reports with customers: a). Does the company keep records regarding the number of years and how long each person in charge has been the main auditor in engagement in every audit engagement? b) Have protective measures been put by taking into account the objectivity and independence and does a rotation of main engaged auditors exist (five years for the client listed)? c) Has the periodic duration been reviewed in which older employees in the audit have been associated with specific audits?				
2.4.	Other accounting services: a) Is there a procedure that ensures provision of non-audit services to audit clients in accordance with the Code of Ethics and was this communicated to the main auditor in the engagement? b) In cases where non-audit services were provided, have adequate protective measures been implemented?				

2.5. a) b) c)	Quality Control: Has the enterprise defined policies and procedures of quality control in accordance with ISQC 1? Has the enterprise taken an intern stance for the control and quality system and has it defined the leadership responsibilities for promotion of the quality system? Are the quality controls of the enterprise documented correctly?		
2.6. a) b)	End of financial year ; ___/___/___ Revenues generated from audit compensations: _____ € Number of audit engagements : _____ Value of insurance policy for professional liability: _____ € Has the amount of policy been estimated by the aspect of its eligibility? Is the amount of the policy in accordance with the law and regulations of insurance companies from professional liability?		
2.7.	Are all complaints and claims for non-compliance with the law or requirements related to quality control procedures adequately resolved?		

3. PERSONNEL, PERFECTION AND ABILITIES

The personnel consists of all partners and employees (i.e. professional staff members besides the partners and experts employed by the audit company) and all subcontractors. (expert and external consultant) who take part in any aspect of the audit work.

		Yes	No	N/A	Comments
3.1 a) b) c)	Level of personnel to be examined, number to be written: Leaders: _____ Persons in charge: _____ Audit Employees: _____ Subcontractor: _____ Other professional employees ____ Administrator: _____ Are there sufficient human resources? Are they on the required level and are they accountable? Has the enterprise defined the proper employment				

	method and personnel evaluation and has it define policies and procedures of keeping the personnel?		
3.2.	Have agreements with subcontractors and consultants been provided and updated correctly?		
3.3.	Statement for independency and reliability to be examined : Last amendments: ___/___/___ a) Within 12 months? b) Has the entire personnel signed them? c) Was there a correct approach in solving the registered issues?		

Independence statement must be signed each year and be updated appropriately. The issue of reliability can be settled by issuing annual statements or by inclusion of this item in the contract of employment, partnership contract, subcontracts or contracts for provision of advisory services.

It is necessary to regularly review and keep records of responsibilities and education of all members regarding the provision of audit services (see definition above for staff members).

		Yes	No	N/A	Comments
3.4.	To be confirmed whether it was executed and registered the assessment procedure: a) For all the audit personnel? b) Has the request been reviewed in regards with the education of the audit personnel? c) Has any of the planned activities been implemented?				
3.5.	The evidence for education and constant professional advancement should be examined; a) Is this evidence kept for all the audit personnel? b) Has it been acted in compliance with the request regarding the constant professional advancement? c) Has the specialized personnel for specific fields participated in the specialized education (i.e. regarding reports of pensionable funds, banks, security companies)?				

4. CONSULTATIONS, INDEPENDENCE, REVIEW OF FINISHED AND UNFINISHED ENGAGEMENTS

		Yes	No	N/A	Comments
4.1.	Consultation on technical, ethic and other issues of importance (complex and sensitive) Has the personnel been informed with the updating of the consultation of the enterprise? Are the consultations registered? Have the foreign consultants been identified? Name / Surname _____ Has the credibility, independence and the potential conflict of interests of external consultants and reviewers been reviewed?				
4.2.	Do the above actions provide sustainability of handling the process with amendments in thoughts in examining important issues between the audit staff members and the engaged partner and between the engaged partner and the independent partner?				

Independent reviews and reviews of unfinished engagements should apply in certain circumstances (e.g. listed clients, audit risk, issues related to independence, disagreement in opinions or technical issues). The enterprise should establish policies and procedures for this type of review, including the scope and timetable of examinations and requirements related to the adequacy of the engagement reviewer.

		Yes	No	N/A	Comments
4.3.	Do the policies of enterprise for reviewing the unfinished engagements identify: Circumstances in which reviews are necessary? Type, scope, timetable and reporting procedures? Requirements for the reviewer in terms of independence, When the external consultants are necessary? Which reviewers and consultants will be used? Name/ Surname; _____				
4.4.	Finished reviews for unfinished engagements :				
a)	To verify that the reviews were conducted in all the cases necessary				

b)	Are the reviews appropriately documented?		
c)	Have further necessary activities been undertaken?		

Reviews of completed engagements are implemented in order to verify the alignment of internal enterprise operations and procedures (internal act, methodology, instructions) harmonization with ISA and law. Review of completed engagements should be implemented carefully by the professionals, with experience, knowledge and authority.

		Yes	No	N/A	Comments
4.5.	Carried out review of completed engagements No.				
a)	_____ Are the reviews carried out by the responsible persons or are they carried out under his supervision, or external consultant with appropriate qualifications.				
b)	Has the review included all persons in charge and senior workers in the audit				
c)	Has the appropriate control list been used?				
4.6.	The evidence of completed reviews of engagements should be examined and proved as follows: Has the summary, report been done? Have the following activities been undertaken on the issues that are presented? Have appropriate activities been undertaken?				

5. PRESENTED ISSUES AND UNDERTAKEN ACTIVITIES

Presented issues	Necessary Activities	Yes	No	N/A	Undertaken Activity, Signature and Date
					00000
5.1.	Results to be compared with the ones of the previous year and ensure the enterprise on time with the activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Signature _____ Reviewer

Date : ____/____/____

The review is done thoroughly and encouragement is given to undertake appropriate activities.

Signature _____ Person in charge of monitoring

Date: ____/____/____

SUPPLEMENT:

REVIEW SUMMARY REGARDING ENGAGEMENT OF FULFILLED ENGAGEMENT

The purpose of this summary is to assist in planning the review of completed engagements. Summary of review of fulfilled engagement is necessary to be completed in order to verify the successful completion of the screening program and to identify issues that should be reviewed when planning the following period.

Reporting period from ____/____/____ to ____/____/____						
Number of employees		Persons in charge		Old (senior) employees in audit		
Number of reviews of completed commitments that should be done						Details:
Client	End of year	Date of Auditor's report	Persons in charge/personnel in auditing	Reviewer	Examination Date	

		Yes	No	N/A	Comments
1.	Does the selected sample of audit files cover adequately:				
a)	All persons in charge and senior employees in audit?				
b)	Risking, special, legal and qualifying audits?				
2.	Have the reviewers agreed in terms of:				
a)	Independence, reliability and potential conflict of interest?				
b)	Volume and scope of review?				
c)	Temporary control list that need to be used?				

ç)	Format of report?		
3.	Has a written agreement been reached by taking into account the external reviewer for the following issues: For issues described above in paragraph 2? For volume and limitation of responsibilities?		

Presented Issues	Necessary activities	Undertaken activities Signature/ Date

Completed planned review:
Signature _____
Date ____/____/____

C. Auxiliary Instruction on Work Regarding Examination of Fulfilled Engagements

Content

This auxiliary instruction on work consists of control list with questions that should be taken into account when applying examination on audit fulfilled engagements in accordance with the provisions for audit and instructions on statutory auditors.

The auxiliary instruction is subject to changes and amendments in order to be applicable to specific circumstances of individual enterprises of audit of financial reports of listed business entities, legal and special audit.

Introduction

International Standard of Quality Control 1 (ISQC 1) also requires the company to establish procedures for supervision / monitoring of policies and procedures related to the quality control system, including the periodic verification of selected engagements of completed audits.

Review of completed engagements presents the objective verification of audit engagements after its completion. The purpose of the review is to provide evidence that the statutory auditor has performed an audit in accordance with Standards of Ethics, International Standards on Auditing (ISA), with all the specific requirements of the law and other requirements of the audit provisions. This review verifies the compliance of financial reports with the law and other requirements. Review of completed engagement must also provide answers if the audit completed work are in accordance with company procedures and professional standards.

Review of finished engagements should be implemented properly by a qualified person, someone who is independent in relation to the audit client and that did not participate in any part of the audit. If the reviewer is an external person, it is necessary, preferably in writing, to prove its suitability in terms of professional qualifications, independence, the right experience, authority and credibility. It is also necessary to reach an agreement on the appropriate scope of its accomplished engagement and the reporting procedures that should be adopted. Furthermore, it is necessary to take into account the responsibility of the reviewer and the decision to reject the appointment for the performance of professional services to clients who are subject to review (see Appendix 1).

1). In order for the reviewer to be protected from potential complaints due to violation of reliability report with the client, the client should be advised of the possibility of using the services of an external reviewer of the engagement quality control, and as common this should be done through the contract and engagement letter for admission.

The reviewer after finishing its work should review the areas in which it has identified incompliance and ensure that the agreement reached on undertaking planned appropriate activities will be implemented.

Remark: Generally speaking, the negative answer ("NO") on any issues highlighted in this control list requires further consideration, which may result in the assignment and undertaken of adequate measures of planned activities.

ENGAGEMENT DATA
Name of client : _____
Enterprise type: _____
Reporting period (month) _____ Date of balance sheet ____/____/____
Reportig period of audit: ____/____/____ Notification with unmodified opinion : <input type="checkbox"/>
Highlighting issues (specify):
Notification with modified opinion (specify) : _____
Reasons for selection : Listed client: <input type="checkbox"/> High Risk: <input type="checkbox"/> Public Interest: <input type="checkbox"/> Others : <input type="checkbox"/> (specify)

Personnel	Accounting data:
Persons in charge:	Turnover : _____ €
Manager:	Net Profit : _____ €
Employees:	Audit compensation _____ €
	Others : _____ €
	_____ €
	_____ €

C.1. FINANCIAL REPORTING

Note: In order to make it easier, the following abbreviations will be used “Yes” “No” and “N/A”

Upon review of accomplished engagement must be certified the harmonization of financial reports with legal requirements and the requirements of the Financial Standards (NAS, IFRS) related to financial reporting publications. Checklist for publications is not mandatory, but shows evidence of harmonization with ISA 250.

		Yes	No	N/A	Comments
1.1.	Statement on leading responsibilities:				
a)	Signed in Person: date ____/____/____				
b)	Name and Surname of the Signatory ?				
1.2.	Audit Notification:				
a)	Signed in Person: date ____/____/____:				
b)	Respective signature of the person in the capacity of senior auditor / statutory auditor of the audit?				
c)	Correct reference to standards of financial reporting::				

ç)	In compliance with ISA 700?		
1.3.	Balance sheet:		
a)	Signed in person: date: ___/___/___		
b)	Name and surname of the signatory: _____		

		Yes	No	N/A	Comments
1.4.	Financial Summarized Report :				
a)	Signed in person: date: ___/___/___				
b)	Name and Surname of the Signatory?				
1.5.	Publications:				
a)	The use of adequate checklist?				
b)	Mistakes in publications are not remarks?				

C.2 PERMANENT INFORMATION

When the audit takes place it is necessary to pay attention to the specific circumstances of particular clients. ISAs require certain matters to be reviewed and documented. Since many issues do not change significantly every year, it is more effective to register this kind of information, and then update each year as necessary. It is also necessary that the client each year confirms the accuracy of this information. This information can be stored in the permanent file, can be registered in the following folder under the section for permanent data or can be included in the audit that is being conducted. Saving this information in the file of general correspondence is not a good practice, since this information can be "lost" among other documentation or access may be more difficult.

		Yes	No	N/A	Comments
2.1.	Acceptance of engagement:				ISQC 1
a)	Person in charge allowed?				
b)	Honesty of client was reviewed?				
c)	Ethical standards including independence were reviewed?				
ç)	Relative resources and competences were proved?				
d)	Is there communication with the previous auditor, where this is relevant?				

2.2. a) b)	The letter for taking over the engagement and the contract: Date ___/___/___ Updated? Covers services provided and it is written who does them?		ISA 210
2.3.	Have all changes been entirely reviewed regarding the engagement and have the new audit engagement conditions been set up?		ISA 210
2.4. a) b) c) ç) d)	Detailed information for: The entity and its vicinity (do you know your client)? Ownership and structure? Goals, strategy and risks related to the business? Laws and regulations? Significant accounting policies?		ISA 315 ISA 250 ISA 550 ISA 315
2.5.	Internal controls and information systems: Identification of operations and transaction flows? The form and application of control? The completeness and accuracy of records and the adequacy of the control environment is evaluated?		ISA 315 ISA 500

C.3. AUDIT PLANNING

Audit Plan along with other permanent notes should be sufficient to provide explanations for the business, manner of initiation and transaction identification and their control. The audit plan should identify the important, relevant and material situations, transactions and events, audit approach, method and procedures to be adopted to solve these issues and relevant risks. Once all issues are examined within the permanent audit file the evaluated risks should clearly be aimed at programs and audit procedures that should be adopted

		Yes N/A	No	Comments
3.1. a) b)	Audit Planning: Did the person in charge allow it? Date: ___ / ___ / ___ Suitable?			ISA 300
3.2. a) b) c) ç)	Keeping relations with the clients : Did the person in charge allow it? Have the honesty of client been reviewed? Have the ethic standards been reviewed including independence? Has the previous obligation been paid (if any) and has the amount of current compensating been			ISA 300 ISA 220 ISQC 1

d)	reviewed? Have the services provided that are not part of the audit been evaluated?		
dh)	Have the resources and relevant competences been approved?		ISQC 1
e)	Has the letter for acceptance of engagement been approved as accepted and has it been updated?		ISA 210
3.3.	New engagement or financial reports for the previous year have not been revised?		ISA 510
a)	Has the reliability of initial situation been reviewed?		
b)	Has the reliability of parallel financial information been reviewed?		ISA 710
3.4.	Risk Appraisal Procedures:		
a)	Have the information from the previous year been reviewed and updated?		ISA 315
b)	Have the analytical actions been explained adequately, and have the expectations and identified issues been reviewed?		ISA 520
c)	Have the important risk of reflecting wrongly the transactions, account status and publications been reviewed?		ISA 520
ç	Has it been assessed and discussed with the client the risk of deception?		ISA 240
3.5.	Intern Controls:		ISA 315
a)	Have the control environment and control activities been identified?		

b)	Have the client procedures been reviewed for risk evaluation and relevant control for financial reporting including the ones related to deception?		
c)	Reflective form and execution of control?		
ç)	Executing of tests regarding the development and the evaluation of control?		
3.6.	Has the important level been determined and has the adequate level of this importance been determined?		ISA 320
3.7.	Laws and regulations, special or legal clients:		
a)	Has the financial reporting framework been identified?		ISA 315

b)	Has the legal and regulative framework been reviewed in details?		ISA 250
c)	Have specialized and supplementing programs of audit been acquired?		
3.8.	Has it been determined correctly the access to audit, methodology and actions that need to be approved to resolve the risks?		
3.9.	Does the audit plan correspond to the specific circumstances of the client and has it been evidenced correctly?		
3.10.	Has the audit plan been communicated and discussed?		ISA 260 ISA 300
a)	With those who govern?		
b)	With the engaged team?		
3.11.	Has it been documented entirely the meeting for audit plan by taking into account the review of the important risk of the wrong reflections and deceptions?		ISA 315

C.4. SAMPLES OF AUDIT

Samples, when used, should be based on assessments of audit risk, importance and population. The selected samples should be representative for the whole population and should cover the entire period covered by the review. Reviews on determining the positions for testing should be recorded respectively documented. Tests should be recorded in details as to enable subsequent determination of the single positions of testing.

		Yes	No	N/A	Comments
4.1	Planning and documenting of samples:				ISA 530
a)	Does the size of samples depend on the risk, importance and population?				
b)	Has the selection of samples been explained?				
c)	Are samples representatives of the type and transaction period?				
ç)	Has it been reflected in a concise manner the coverage in relation to the population?				
4.2.	Wrong reflection and mistakes:				
a)	Has it been evaluated the effect of projected mistakes in the sample of population?				ISA 530
b)	Have additional actions been undertaken since mistakes have been discovered?				
c)	Have wrong reflections been assessed by taking into account the implication of deceptions?				ISA 320
ç)	Has it been identified the pile of wrong and uncorrected reflections?				

d)	Has it been evaluated and reviewed the summary in relation to the opinion and the audit conclusions?		ISA 260
dh)	The manner of actions with reflection of uncorrected mistakes that is important, are they verified in written with the persons in charge of the client?		

C.5. AUDIT PAPERWORK

Audit evidence should be identified in a manner that is sufficient for an experienced auditor, who was not associated with the client previously, to be able to determine the volume of work performed and the manner of drawing conclusions in relation to the level of estimates from financial reporting.

		Yes N/A	No	Comments
5.3	Program of audit and conclusions			
a)	Have audit convenient programs been used?			
b)	Drafted for specific clients?			
c)	Completed and signed adequately?			
ç)	Written correctly with adequate cross- references and dated?			
d)	Monitoring the program by implementing all planned tests?			
dh)	Identified conclusions for each particular part of audit by confirming the relevant claims from the financial reporting?			
5.2.	Detailed Paper Work: Approximated and dated? Was it evidenced the purpose, method of receiving samples, volume of work, questions asked, undertaken activities and conclusions? Do work papers match financial reporting? Comparative information on work papers and detailed analysis? Work papers support all publications?			ISA 230
5.3.	Evidence for the finished review:			ISA 220
a)	Conclusions of section?			
b)	Audit programs?			
c)	Working papers?			
ç)	Detailed working papers?			
5.4.	When the results of the audit do not include			

	sufficient audit evidence for the purpose of confirmation, has the planning been reviewed and have additional tests been added?		
5.5.	Specific audit actions :		
a)	Have they been approved and have the procedures of analytical review been entirely identified?		ISA 520
b)	Have the accounting policies been reviewed and revised?		ISA 315 ISA 510 ISA 501
c)	Have initial situations been matched?		
ç)	Participating in physical calculation of stock?		
d)	Have the confirmations been received from all the banks and credit institutions?		ISA 505
dh)	Accepting external confirmation for its suitability?		ISA 505
e)	Have the records been verified on the book, harmonization and evaluation?		ISA 330
ë)	Evidence regarding assessment of failure to give a deadline for the business by the management review by the auditor?		ISA 570
f)	Proved and documented review of subsequent events?		ISA 560
g)	Confirmed and published transactions with the stakeholders?		ISA 550
gj)	Has the compliance with law and regulations been reviewed?		ISA 250
h)	Has it been reviewed and solved the usage of service organizations?		ISA 402
i)	Was it assessed with responsibility the competence, objectivity and the work of experts?		ISA 620
5.6	Audit claims were reviewed and are satisfactory to the Transaction classes and events for the audit period involved, related to: - Creation; - Completion; - Accuracy; - Limiting; - Classification		ISA 500
5.7.	Audit claims were reviewed and are satisfactory to the account balances at the end of the period, related to: - Existence; - The right and obligation; - Completeness; - Evaluation and allocation.		ISA 500
5.8.	Audit claims were reviewed and are satisfied for presentation and publication, related to: - Establishment, the right and obligation;		ISA 500

	- Completeness; - Classification and understanding; - Accuracy and evaluation.		
5.9.	Audit Evidence: Were all the important transactions a subject to adequate and suitable work of audit?		ISA 500

C.6. COMPLETION OF AUDIT

Completion of the audit should result in relevant evidence to verify, review and control the audit performed in order to prove the following conclusion:

- The opinion of audit is correct and this is proved by the adequate facts of audit documented in the file;
- Financial reports meet the relevant legal requirements and financial reporting standards related to publication of financial reports and provide true and fair reflection, and
- The audit work is performed in accordance with ISAs.

The part that deals with the completion of the audit should identify the audit work performed, the cases reviewed, decisions made as well as the conclusions.

		Yes	No	N/A	Comments
6.1.					
a)	Final Conclusion and events occurring after the balance sheet date				ISA 220
b)	Did the person in charge sign it?				
c)	Is there a conclusion that sufficient audit evidence has been provided? Date ___/___/___ Sufficient?				
ç	Updated events that occurred from the balance sheet date up to the financial reporting date?				ISA 560
6.2.	Reasoning of the auditor's report:				
a)	Is the auditor's report signed and appropriate in an unmodified way?				
b)	Modified adequate reviews of auditor's report?				
c)	Documented causes for highlighting issues and modification? Specify...				
6.3.	Review:				ISA 220
a)	Is there a proof for the review and the adequate supervision?				
b)	Unsolved and solved issues successfully?				

c)	Summary of important issues and decisions? Review of actions adjusted to non-consistent mistakes?		
6.4.	Review of financial reports: a) Documented analytic review done after auditing finished? b) Explanations and proper notes? c) Evidence offered to conduct a comprehensive review?		ISA 520
6.5.	Meetings and Consultations: a) Documented meetings with clients and debates held? b) Consultations documented? c) Independent review conducted/ review of engagement still unfinished when this was necessary?		ISA 220 ISQC 1
6.6.	Are there facts that the actions related with the keeping of relations with the clients have been reviewed and proved?		
6.7.	Statement Letter: a) Date ___/___/___ suitable? b) Written statements include: - Intern controls, risks and knowledge regarding deception ; - Laws and regulations; - Uncorrected wrong reflections - Measurement of fair values; - Transactions with related parties - Events occurred after the balance sheet date - Unlimited business timelines during 12 months - Responsibility of the director for financial reporting; - Specific issues that are presented in the file.		ISA 580 ISA 240 ISA 250 ISA 260 ISA 550 ISA 560 ISA 570 ISA 580
6.8.	Has it been communicated in written with persons who are charged with governance and issues identified during the audit have been communicated to them?		
6.9.	Have risks evaluated at the planning phase of audit been verified with the work of audit and have they been reviewed after completing the engagement?		
6.10.	Does the section for finishing the engagement		

	document sufficiently the quality control process?		
6.11.	Has the finished audit plan been done with the position of the professional spectisism?		ISA 200 and ISA 240
6.12	Other relevant audit issues (specify):.....		

C.7. CONCLUSIONS

(* the inapplicable ones many be deleted)

7.1. With respect to harmonization with the audit standards * no issue was noticed / were noticed the following issues:

Audit Standard (ISA)	Identified issues:	Proposed activities
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7.2. In financial reports * were not identified errors, omissions or levels of inappropriate details / following errors, omissions and inappropriate levels of details were identified.

Referred to (ANS/ IFRS)	Identified Issues:	Proposed Activities:
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7.3. Audit report * is/is not compiled in compliance with the requests of ISA 700 and * it is/it is not signed by the statutory auditor.

7.4. *Issues are not identified / following issues are identified which make you suspect the adequacy of the auditor's report

.....
.....

Despite the fact that this review is carried out very carefully, we can not say with certainty that the review is comprehensive and that it includes all the areas where errors can occur or all areas that require processing.

Signature..... Reviewer Date ___/___/___

Appendix 1.

DRAFT STATEMENT OF EXTERNAL REVIEWER FOR THE FULLIFLLED ENGAGEMENT

(The following text of the statement is presented for illustrative purposes only. This does not mean to be full or with legal effects).

ENGAGEMENTS THAT NEED TO BE REVIEWED

Name of client Valid Eligibility Reporting period (month) Balance sheet date

With this I testify that to the extent to which I am notified and in which I am convinced that it meets the requirement of independence (in terms of Standards of Ethics) in relation with the above entities.

I also declare that I am not aware of any matters related to the business of above mentioned entities that could have brought up to any conflict of interest as a result of my review.

I agree to act with reliably with all the information that I will obtain during the implementation of my review, with the same responsibility as this job of the business entities to be of my clients, and that such information shall not be disclosed before other people.

I also agree that neither I, nor any enterprise, in which I work or in which I may become a person in charge will not accept work orders from any of the aforementioned entities without prior written consent of the auditor in the engagement during the period from _____to _____.

I am obliged to finish my work on the basis of my convictions that the responsible people against me will not initiate any legal proceedings or press charges in terms of any of the reviewers conducted.

Signature:_____ Reviewer:_____ date ___/___/___

Ç) This appendix is part of the AI on Surveillance Methodology and Quality Control of Work and enters into force on the date of adoption by KFRC and signature of the President.

Instruction and supporting documentation is published on the KFRC webpage.

This instruction with all supporting documents is an integral part of the Regulation.

Pristina, 05.11 2014

Chairman of KFRC
Gem Maloku

