

ORGANIZATION OF AUDIT PROFESSION IN ALBANIA FROM THE PERSPECTIVE OF AUDITING REGULATIONS*

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ABSTRACT

Auditing is a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic operations and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users. Albania as a developing country, coming from a socialist regime after the 1990s, is passing through a deep transformation process passing from a socialist and centralized economy to a public economy where the free market economy rules are applied. Objectives of this study are to analyze the historical developments from 1990's up to now of the auditing profession, legal regulations and education in Albania.

Keywords: External and internal auditing. Professional organization. Legal regulations. Educational developments. Albania.

Jel Code: M41, M48.

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DENETİM DÜZENLEMELERİ AÇISINDAN ARNAVUTLUK DENETİM MESLEĞİ ORGANİZASYONU

ÖZ

Denetim, ekonomik operasyonlar ve olaylar hakkındaki iddialara ilişkin kanıtların objektif olarak elde edilmesi ve değerlendirilmesinden oluşan sistematik bir süreçtir. 1990'lardan sonra sosyalist bir rejimden gelen, gelişmekte olan bir ülke olarak Arnavutluk, sosyalist ve merkezi bir ekonomiden serbest piyasa ekonomisi kurallarının uygulandığı bir kamu ekonomisine geçerek derin bir dönüşüm sürecinden geçiyor. Bu çalışmanın amacı, Arnavutluk'ta 1990'lı yıllardan günümüze denetim mesleği, yasal düzenlemeler ve eğitim alanında yaşanan tarihsel gelişmeleri incelemektir.

Anahtar Kelimeler: Dış ve iç denetim. Profesyonel organizasyonlar. Yasal düzenlemeler. Eğitimsel gelişmeler. Arnavutluk.

Jel Kodu: M41, M48.

1. INTRODUCTION

Auditing has existed since the beginning of human society. Auditing was used mostly for the detection of fraud and was done through extensive detailed examination from ancient times until the late nineteenth century (Lee, 1988). Although the objectives and concepts that guide present-day audits were almost unknown in the early years of the 20th century, audits of one type or another have been performed throughout the recorded history of commerce and government finance. The original meaning of the word auditor was “one who hears” and was appropriate to the era during which the accountants were read aloud (Whittington & Panny, 2003). Auditing changed through the historical events in order to meet the requirements of the business environment.

By the early nineteenth century auditors acting as independent outside experts were frequently called upon to investigate and report on business failures or to settle business disputes (Smieliauskas & Robertson, 2004). During the Industrial Revolution, as manufacturing concerns grew in size, their owners began to use the services of hired managers. With this separation of the ownership and management groups, the absentee owners turned increasingly to auditors to protect themselves against the dangers of unintentional errors as well as fraud committed by managers and employees. Bankers were the other primary users of financial reports, and they were also concerned with whether the financial reports were distorted by errors or fraud. Before 1900, consistent with this primary objective to detect errors and fraud, audits often included a study of almost all, recorded transactions (Whittington & Panny, 2003).

For the early 1900's, accountants' main preoccupation will be improving accounting standards and practices. As a result of extensive misleading financial reporting that contributed to the stock market crash of 1929 and the world depression of the 1930s, the U.S. passed legislation in 1933 and 1934 that greatly influenced auditing around the world. The U.S. Securities Acts of 1933 and 1934 created the Securities and Exchange Commission (SEC), which regulated the major stock exchanges in the United States. Companies wishing to trade

shares on the New York Stock Exchange, or the American Stock Exchange were required to issue audited income statements as well as balance sheets. In addition, because of the earlier problems with misleading financial reports of the 1920s, the emphasis switched to fairness of presentation of these financial statements, and the auditor's role was to verify the fairness of presentation (Smieliauskas & Robertson, 2004).

The 1950's continued to reduce the importance of fraud detection on auditors. The belief that fraud detection was the responsibility of the management of the company was generally held. If auditors found any irregularities as they performed their audit, it was their obligation to bring this to the attention of the management. Ironically, many audit techniques of the period were specifically designed to assist in the detection of fraud (Lee, 1988). Beginning in the 1960s, the detection of large-scale fraud assumed a larger role in the audit process. Professional standards, which used the term irregularities in place of fraud, described fraudulent financial reporting and misappropriation of assets (Whittington & Panny, 2003). Certifying and testing companies' financial statements, which are included in auditors' jobs, are the basis of the business world because it is the auditor that enables the public to invest confidently in a company. Within this context, a contemporary and comprehensive definition of auditing with general application is as follows:

Porter, Simon & Hatherly (2008) define auditing as a systematic process of objectively gathering and evaluating evidence related to assertions about economic actions and events in which the individual or organization making the assertions has been engaged, to ascertain the degree of correspondence between those assertions and established criteria, and communicating the results to users of the reports in which the assertions are made. Based on primary audit beneficiaries, audits are classified as:

- (i) external audits, as audits performed from parties external to the auditee.
- (ii) internal audits, as audits performed for parties internal to the entity.

After giving brief information on the historical development of auditing above, this paper aims to review the auditing in a transition-developing country; Albanian auditing system from the past to the present will be used as a case. In order to make this, the next section discusses brief history of auditing in Albania and the new law on Statutory Auditing which is the first legal act that aims at regulating with clear provisions in the field of legal audit and independent professional auditor to audit companies and on the auditing standards used takes place. The third section of the study focuses on current accounting standards and standard setters in Albania. In the fourth, it is given information related to the organization of the auditing profession. Section five lists all of the legal persons required for statutory audit of financial statements. The sixth section is focused on the public supervisory of the profession. Section seven will give information related to the Accounting and Audit education, while section eight is about the internal audit and use of audit committees in Albania. In the conclusion part it is discussed related to the main problems, solutions to be given to these problems and the perspective and the professional organization of the audit profession in Albania.

2. HISTORY OF AUDIT PROFESSION IN ALBANIA

The history of Albanian audit profession began in early 1990s, with the transformation of the political system from a communist to a democratic one. As the political system changed reforms on the economical structure of Albania were undertaken. Approval of the law no. 7638 dated 19.11.1992 "On Commercial Companies" by the Albanian Parliament was the first step through the setting of the audit profession. This law (articles 167-185) required and set the provisions for the statutory audit of the respective entities by professional auditors called "authorized chartered auditors" (EKA).

The work for organizing the audit profession started in 1995, when the Government Regulation No. 1, dated 2 October 1995, was approved. The regulation provided for developing the profession of Authorized Auditors, through establishing a self-regulatory body (IEKA) "Institute of Authorized Chartered Auditors". The role of IEKA as a Professional Association was to develop the profession in general, to develop auditing and ethical standards, quality control procedures, to process for recognition and certification for its members, to develop education and training programs, as well as the overall protection of its members and the profession, etc. (Cela, 2004).

In 1996, a few months after the Government Regulation was approved, the process was institutionalized by including a draft of operation rules, member work procedures and the intensive and extensive training of the first candidates (Kruja, Ûç, Elitaş, 2008). This was realized through the first project of technical assistance (1996-1998) Phare AI- 9404/015 "Auditing Reform in Albania " directed by a consulting firm from Great Britain ATC, which had as objective the creation of IEKA. In 1998-2000 period IEKA benefited from another project of technical assistance – Phare AI 97- 08 – D1 97- 01 "Auditing Reform – Technical Assistance for the Institute of Authorized Chartered Accountants", which was directed by a Franco-Britannic consortium composed from the French Institutes of accounting and auditing (CNCC & OEC) and the oldest professional Institute in the world (153 years) Institute of Certified Accountants of Scottish (ICAS). The object of the second project was the professional raise of the Institute and its members. The technical recommendations as a result of the first project, were followed by a package of audit procedures for small medium enterprises which are nowadays replaced with the International Audit Standards published by IFAC. Firstly, they were translated into Albanian in 2002 by IEKA and were republished in January 2007, including the whole package of standards and directives published by IFAC (Ylli, 2008).

The 53 Article of the Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts states: "Before 29 June 2008 Member States shall adopt and publish the provisions necessary to comply with this Directive". The European Commissioner for Internal Market and Services, Charlie McCreevy in the Congress of German Public Auditors Berlin on November 7, 2007, during his speech emphasized again the importance of adopting the provisions of the Eighth Company Law Directive: "It is through high quality audits that investors in Europe get the reasonable assurance that the accounts provide a true and fair view of the company's financial position. In Europe, we moved to new legislation on statutory audit in 2006, with the Eighth Company Law Directive. The Directive represents a sea change for the audit profession. We

needed the Directive to improve audit quality and to restore public confidence in the audits in Europe. Member States to implement the Directive into national law. They also have to establish an effective public oversight because the Directive requires them to do so. We want to give guidance to statutory auditors and audit firms on how to carry out high quality audits of listed companies. The new EU Auditing Directive (Directive 2006/43 of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/ 660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC)”

In April 2008, the Albanian Parliament approved the new law nr.9901 “On Commercial Companies”. In this law there are made additions and improvements compared to the former one, but it did not predict any provisions (same or improved related to the previous law) for statutory audit of companies` financial statements. Given the entry into force of this law, it created a legal vacuum that allowed abuses and fraud. In design and preparation of this law, it was considered that the part of the legal provisions governing the audit of companies` financial statements will be covered by a separate law for statutory audit, supervision and organization of the Institute of Chartered Accountants. This law would be in accordance with the Eight Directive of European Union Parliament. Albania as an aspiring member state of the European Union, by March 2009 designed and approved the law nr.10091 “On Statutory Auditing and Organization of Registered Chartered Auditors and Approved Accountants”, which governs the organization and activity of Registered Chartered Auditors and Approved Accountants in accordance with the Directive 2006/43/EC of the European Union.

The Law on Statutory Auditing and Organization of Registered Chartered Auditors and Approved Accountants (10091/2009) is the first legal act in Albania which has as objective to govern the organization and activity of registered chartered auditors and auditing companies, and also of approved accountants and accounting companies. As stated in the first article of this law, it aims to improve and strengthen the public supervision of the profession of registered auditor and accountant's professional by the adopted regulations. It also provides the legal provisions governing the audit of annual individual and consolidated financial statements, the organization of chartered auditor, auditing company, approved accountant profession. The law was amended by law no. 10297 dated 08.07.2010 On an amendment to law no. 10 091, dated 5.3.2009 "On legal audit, organization of the profession of registered accounting expert and certified accountant "and with law 47/2016 “On some changes and additions to law no. 10 091, dated 5.3.2009 "On the legal audit, the organization of the profession of registered accounting expert and certified public accountant ", as amended

It needs to be emphasised that the Law on Statutory Auditing and Organization of Registered Chartered Auditors and Approved Accountants law meets the requirements of new accounting law (Nr. 9477 dated 09.02.2006), providing for compulsory publication by auditing companies of the audit reports for the companies with public interest which exercise their activity in Albania. As a summary, in drafting this law is taken into consideration the 8th Directive of the European Union Parliament (Revised), International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA) and all other statements related to provide security and Code of Ethics published by the International Federation of Accountants.

3. CURRENT AUDITING STANDARDS & STANDARD SETTERS IN ALBANIA

IEKA is an institute firstly created upon the law numbered 7638 dated 19.11.1992 “On Commercial Companies”, where the articles 167-185 set the provisions for the statutory audit of the respective entities by professional auditors. Pursuant to the article 2.10 of the law nr.10091 on Statutory Auditing and Organization of Registered Chartered Auditors and Approved Accountants “The professional organization of registered auditors is a professional organization, that groups the registered auditors and audit companies which conduct their business in the Republic of Albania. The “Institute of Chartered Authorized Accountants” is the name of the professional organization of registered auditors, which is registered in the Judicial District Court, Tirana nr.3573 decision dated 16/10/1998. This label can be changed in accordance with statutory procedures of the organization.

This institute groups all national and foreign auditors, who are registered to practice this profession under the rules set out in it. The law sets simultaneously, the governing bodies of this organization, powers and procedures of investigation and disciplinary measures to all its members, in order to audit the implementation of a service as professional and independent auditors. So, beginning from March 2009, the professional organization of registered chartered accountants and auditing companies is organized according to articles 7-14 of this law. In the article 7 of the law it is specified that accounting professionals who practice the activity as registered chartered auditors are grouped in a single professional organization, which directly regulates the activity of the professional organization of certified public accountant and who is organized as a legal person in accordance with the law and his statute.

The professional organization of registered chartered auditors' groups all national and foreign auditors and audit companies that are registered to perform legal auditing of financial statements, individual and / or consolidated for the companies in the Republic of Albania. Apart from the rules set by the law, the statute of the professional organization of registered auditors establishes detailed rules for the organization, the criteria for election or appointment, duties and functioning of its organs. The statute is approved by the Minister of Finance.

Bodies of the auditors' professional organization are set according to article 8 of the law such as:

- a) Members` General Assembly
- b) Steering Committee;
- c) Internal Audit Committee;
- d) Executive Director

Article 12 of the law specifies the competences of auditors' professional organization such as:

- “1. The professional organization of statutory auditors has the object of activity to provide exercising the profession, in full accordance with the interests of the public, the protection of independence and honor of its members.*
- 2. The professional organization of statutory auditors has the following rights and duties:*

- a) designs the curricula for the program of professional preparation and training for candidates seeking to enter the profession, based on the standards of internationally accepted education of the International Accounting Education Standards Board, and organizes and monitors the process of training;
 - b) drafts and approves the rules of professional practice where details are provided for the internship commission, entry into professional practice, qualification, tracking, reporting, control, preliminary testing, periodic reporting, as well as professional practice leaders;
 - c) drafts the continuing qualification programs of its members, determines rules for organizing and monitoring their continuing qualification, including ways and forms of training, monitoring, recognition and equivalence of different forms of training, carried out by the parties third, as well as organizes and monitors the ongoing qualification.
 - ç) organizes the quality control system of the work of statutory auditors and audit firms, conducts the necessary investigation of cases of violations of technical standards and professional ethics, as well as implements the regulations of investigation and discipline for aspects within its scope;
 - d) participates in international organizations of the profession and leads the activity for the fulfillment of the obligations deriving from the membership;
 - dh) maintains and updates the public register of statutory auditors' statutory auditors and audit firms;
 - e) submits to state bodies and institutions any information on profession, based on which its members are organized, and has a duty to appear when summoned by these bodies and authorities for matters that have to do with this profession;
 - ë) ensures that its members apply best practices in the field of standards professional and ethics;
 - f) performs any other task that is within the scope of activity, of defined in this law and in the statute;
 - g) prepares self-regulatory acts and / or other bylaws, in implementation of this law, which are subject to approval, as appropriate, by the board and / or Minister of Finance.
3. The statute provides for the bodies in charge of completing and monitoring each of duties and competencies provided in point 2 of this article. ”

Article 13 of the law relies upon the use of sources and revenues by the Institute which decision on their use is subject to the provisions of the institute`s statute, whether article 14 is about the investigative procedures and disciplinary measures in cases of deficiencies during the performance of legal services and auditing services by the auditors. Measures taken and / or penalties provided by the board are made public.

The Albanian Institute of Chartered Auditors, as a self-regulatory professional organization and with the core activities supervised by the Minister of Finance and other public government agencies, from January 1st 2003, has fully endorsed and implemented, as national standards, the International Standards on Auditing issued by IFAC, together with the Code of Ethics and the Continued Education and Qualification Guidelines. (Cela, 2004)

In 2008, the Institute of Authorized Chartered Auditors of Albania (IEKA) Council updated the translation of ISAs in the Albanian language. As of 2008, most standards and other pronouncements of IFAC that were in force starting from January 2007 have been adopted, without modifications. IEKA has established an ongoing process that includes translation, review, and publication of new standards in the IEKA professional magazine on accountancy Accounting, Finance and Auditing. (<http://web.ifac.org/isa-adoption/chart>)

With the approval of the law on Statutory Auditing and Organization of Registered Chartered Auditors and Approved Accountants (10091/2009) the gap in the legal framework was filled (the Institute of Authorized Chartered Accountants decided to use the translated version of International Auditing Standards, as a body responsible for developing professional standards (as provided in the Council of Ministers no. 150, dated 03/31/2000)) because this law made mandatory the application of International Auditing Standards, translated into Albanian by the Institute as provided for in Article 37 of it. As this article states:

- “1. *Statutory auditors and audit firms conduct audits in accordance with international auditing standards.*
2. *International auditing standards are translated and published in the language Albanian, in accordance with the translation policy of the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).*
3. *The professional organization of statutory auditors provides translation, updating and timely publication of existing standards, new standards or those revised.”*

The 10091 nr. Law on Statutory Auditing and Organization of Registered Chartered Auditors or auditing profession law recently amended in April 2016. According to new amendments, use of International Standards of Audit (ISA) became a requirement in the statutory audit for the business meeting certain thresholds. Additionally, the 2016 amendment strengthened the position of the Public Oversight Board of Albania in terms of investigation, disciplinary and quality assurance of the audit profession (Ifac.org; TheWorld Bank, 2019).

4. HOW TO BECOME A REGISTERED CHARTERED AUDITOR, APPLYING THE PROFESSION IN ALBANIA

The entering in the profession during the first transitory period (up to end of 2000) was dependent on the following conditions:

- University education degree in economics sciences;
- Practical experience in accounting and/or auditing field, for at least three years;
- Obligatory training in auditing for two weeks, organized by IEKA, supported by foreign consulting agencies; (Cela, 2004)

After the approval of the new law on auditing by the Albanian Parliament in 2009, the certification and registration process of the chartered auditors is organized in accordance with this law.

The law (chapter four, articles 17 – 26), provides general rules on the right of exercising the profession for chartered auditor and auditing companies. Pursuant to these articles Certification Authority responsible for certification of chartered auditor candidates depends upon the Minister of Finance and consists of five members, appointed for a three-year period. The Certification Authority Chairman is appointed by the Minister of Finance while the other members are one representative from the Ministry of Economy, one from the National Accounting Council, one from the Professional Organization of Registered Auditors and one from the professional organizations in the field of accounting. Certification Authority implements the procedures to test the knowledge of the candidates who have met the requirements of professional internship or have earned the right to be tested for their theoretical knowledge and practices, without having performed a professional internship. The professional proficiency test contains at least five written tests, which cover the disciplines of : (1) accounting, financial reporting and analysis of financial statements; (2) Civil, criminal law, commercial law and the labor law of the Republic of Albania, to the extent that these interest legal audit of financial statements; (3) Ethical Code of Accounting Professionals, International Standards Quality Control, International Standards on Auditing, International Auditing Practice Statements, International Standards on Review Engagements, International Standards on Assurance Engagements and International Standards on Related Services published from International Federation of Accountants which are translated, as well as the regulations for the organization of the profession of the chartered accountant provided from the law and the actions of its application; (4) organization, management, administration and internal control of legal persons, including information systems and informatics; (5) fiscal legislation in the Republic of Albania.

The law recognizes the possibility for chartered auditors to conduct their professional activity either individually or within companies. Near the professional organization of auditors, it is established to operate the Registration Authority, a collegial body, which deals with the enforcement of procedures for the registration of national and foreign auditors as well as for national and foreign audit corporations.

5. LEGAL PERSONS REQUIRED FOR STATUTORY AUDIT OF FINANCIAL STATEMENTS

On the table below it is given the legal requirements needed for accounting by Law No. 25/2018 on Accounting and Financial Statements and to audit companies from the Law on Entrepreneurs and Companies 9901/2008, and the law nr.10091 on Statutory Auditing and Organization of Registered Chartered Auditors and Approved Accountants article 41 of chapter 5.

Type of Entity	Accounting Standards	Auditing Requirement
Limited Liability	National Accounting Standards (NAS)/International Financial Reporting Standards (IFRS)	Required for the companies fit the criteria of certain size of turnover, totals assets and number of employees.
Joint Stock	NAS	Required
PIEs ³	IFRS	Required
State-Owned	IFRS	Required
Micro and SMEs	NAS	Required for the companies fit the criteria of certain size of turnover, totals assets and number of employees.

Source: The World Bank, 2019

6. THE PUBLIC OVERSIGHT BOARD

The system for quality control applied by the Institute of Authorized Chartered Accountants needed improvement in order to detect consistently and on time the discrepancy with auditing standards. The institute authority responsible to conduct and monitor compliance with audit standards was set by the Council of Ministers Nr. 150, dated 03/31/2000, under which the Quality Control Committee should carry out mandatory checks of its members who just practice the profession every four years and in case of suspected discrepancy more frequently. Each year the Committee selected and approved the Institute's members, who will perform quality control (controller), compiled the work program and instructions for these controls.

In order to improve the current system and to adapt international best practices to provide full compatibility of the Institute of Chartered Accountants, with SMO1 Quality Control, and the 8th Directive of the EU to strengthen monitoring of compliance with auditing standards a system of public supervisory of statutory Auditors and auditing companies was needed.

³ Public Interest Entities defined in the Council of Ministers Decision 17/2019. It consists of Banks and Financial Institutions and companies which meet certain criteria regarding total assets, turnover and number of employees.

Pursuant to articles 3 - 6 of the Law no. 10091 “On Statutory Auditing and Organization of Registered Chartered Auditors and Approved Accountants”, the professional activity of auditors is supervised by the Public Supervisory Board which is appointed by the Minister of Finance. This Board has 7 members financed from the Government Budget and other legal sources, independent from the effect of legal registered chartered accountants or other audit companies, with an appointment term of 4 years. The chairmen and 3 of the members must not practice the profession but should have knowledge about the statutory audit and fields related to it. The other 3 members of the board may practice the profession and should have not less than 5 years of statutory audit of commercial companies’ financial statements. Exclusive for the first mandatory, two members that do not practice the profession and one member that practices it are appointed for a term of 3 years.

The objective of this system is to raise security that statutory audits are done in a transparent environment, controlled and serving the public interest.

Rights and obligations of the public supervisory board are explained in article 5 of this law such as:

- “a) drafts the rules of operation of the Commission on Examinations of Professional Skills and Registration Committee of statutory auditors and audit firms, which are submitted to the authorities for approval provided in this law;*
- b) supervises, monitors and evaluates the implementation of testing procedures and registration of statutory auditors and audit firms;*
- c) approves the format of the public register of statutory auditors and companies’ auditors, registered by the Registration Committee, and oversees compliance with the rules regarding the identification number of auditors legal in the register;*
- ç) approves the code of ethics of statutory auditors and audit companies, of prepared and proposed by the professional organization of statutory auditors and supervises the implementation of the standards of this code;*
- d) supervises the quality control, which is performed by the professional organization of statutory auditors;*
- dh) supervises the programs and the continuous professional qualification of statutory auditors*
- e) approves the regulations of the investigation and the procedures for taking measures disciplinary;*
- ë) when it deems necessary, conducts additional investigations for statutory auditors and audit firms;*
- f) reviews and makes decisions on complaints made by candidates, in relation to their registration;*
- g) approves and publishes its annual work programs and activity reports;*
- gj) examines and makes decisions on cases of disciplinary violations, which are its competence;*

h) examines and makes decisions on other aspects or issues, provided in this law, which are within the scope of its activity.

2. The Board approves the statutes of professional organizations in the field of accounting and oversees their organization and operation.”

The board has also the obligation to report to the Minister of Finance every year (article 6), within 3 months of the year following, through a written report, which provided in detail the problems of the profession of registered auditor, data solutions and decisions made.

7. AUDIT AND ACCOUNTING EDUCATION IN ALBANIA

Accounting and audit education in Albania is given in universities. Most of the universities give this education through the Accounting or Accounting- Finance department, but in some other universities this education is given through the Finance or Business Administration Departments. These departments provide students with education programs in Bachelor, Second Level Diploma and PhD level studies. According to the data given at the official websites of the Ministry of Education and Science of Albania for the private universities and Albanian Public Agency for Accreditation of Higher Education for the public ones, the following universities and departments give accounting and audit education in Albania.

Accounting Courses Studied according to Departments in Bachelor Studies

Accounting	Finance-Accounting	Business Administration
Introduction to Accounting	Introduction to Accounting	Introduction to Accounting
Financial Accounting	Financial Accounting	Financial Accounting
Financial Analysis	Financial Analysis	Financial Analysis
Cost Accounting	Cost Accounting	Cost Accounting
Managerial Accounting	Managerial Accounting	Managerial Accounting
Taxes	Taxes	
Public Accounting	Public Accounting	

Source: Data collected from public and private universities web pages by Authors

Accounting Courses Studied according to Departments in Second Level Studies

Accounting	Finance-Accounting	MBA
National Accounting	Managerial Accounting	Managerial Accounting
Auditing	Financial Accounting	Auditing
Public Accounting	Research Methods in Finance and Accounting	Financial Analysis
Applied Accounting	Applied Mathematics for Finance / Accounting	
	Financial Analysis	
	Accounting and Financial Business Ethics	
	European Accounting and Finance	

Source: Data collected from public and private universities web pages by Authors

Professional qualification programs for members and trainees of chartered auditors are prepared and given through the Institute of Chartered Auditors. Chartered auditors are subject to consecutive courses of professional qualification, which can be implemented by institutions of higher education or other centers of professional qualification, which have adequate facilities and personnel for granting a consistent high-quality training programs adopted for continuous professional training.

The requirements of the Institute of Continuing Professional qualification for its members are a positive step and in line with trends / international practices, which has several years to apply with consistency. Members of the Institute must conduct an annual training program of consecutive training, in order to maintain competence to perform audits. Legal requirements for implementation of these programs should be strengthened and improved somewhat to ensure that members develop and maintain adequate professional knowledge and theory relevant professional skills. Beginning from October 2003, the Institute of Chartered Authorized Accountants published each two month the Periodical Journal “Accounting, Finance and Auditing”.

8. INTERNAL AUDIT AND THE DEVELOPMENT OF AUDIT COMMITTEES IN ALBANIA

While an external auditor is a professional who performs the statutory audits of the financial statements of an organization, and is independent of the entity being audited, internal auditors activity is involved in helping organization achieve their stated objectives. It does this by using a systematic methodology for analyzing business processes, procedures and activities with the goal of highlighting organizational problems and recommending solutions. Professionals called internal auditors are employed by organizations to perform the internal auditing activity.

Relationship between the Internal Audit Function and the External Auditor is described in ISA 160/3-4 as:

- The role and objectives of the internal audit function are determined by management and, where applicable, those charged with governance. While the objectives of the internal audit function and the external auditor are different, some of the ways in which the internal audit function and the external auditor achieve their respective objectives may be similar. (Ref: Para.A3)
- Irrespective of the degree of autonomy and objectivity of the internal audit function, such function is not independent of the entity as is required of the external auditor when expressing an opinion on financial statements. The external auditor has sole responsibility for the audit opinion expressed, and that responsibility is not reduced by the external auditor's use of the work of the internal auditors.

Audit committees bring about the concept of the audit function reporting to the highest levels and this had a positive impact on perceived status. Securing the attention of the board, chief executive, managing director, non-executive directors and senior management also provides an avenue for high-level audit work able to tackle the most sensitive corporate issues. This is far removed from the early role of checking the stock and petty cash. IA was now poised to enter all key parts of an organization (Pickett, 2010).

In Albania the Audit Committee concept was firstly introduced in the banking sector when the law nr.8365 dated 2.7.1998 "On Banking Sector in the Republic of Albania" was approved. The law required the banks to create a permanent body which members were selected from the shareholders assembly and was named Controlling Committee (the structure is same as that of Audit Committee). The purpose of establishing the audit committee of the banking sector is the control and evaluation of the adequacy of the bank's internal control and supervision of accounting of its activities, the implementation of bylaws established by the Bank of Albania. Upon entry into force of the new law nr.9662, dated 18.12.2006 "On Banking Sector in the Republic of Albania" brought important changes in the quantity and quality of audit committee functions.

Related to the creation of this body for the companies, it was not specified in the laws for commercial companies which regulate their activities. The creation of audit committees for the companies listed on the stock exchange was required by the law on "On Statutory Auditing and Organization of Registered Chartered Auditors and Approved Accountants". Article 46 in the fifth chapter (Audit Committee of legal persons) of this law states:

- "1. Public interest entities have an audit committee, composed of several or all non-executive members of the administrative body or board members entity supervisor. At least one of the members of the audit committee is independent and has knowledge in accounting or auditing.*
- 2. The audit committee, except as provided in other provisions, performs these functions:*
 - a) monitors financial reporting processes;*

- b) monitors the effectiveness of the entity's internal control, internal audit;*
 - c) engages and supervises the statutory audit;*
 - d) reviews and monitors the independence of the statutory auditor or the audit company.*
3. *The statutory auditor or audit firm shall report annually to the committee audit on the most important issues that arise from the statutory audit and assist the committee in the performance of its duties.”*
4. *Letters "b" and "c" of point 2 of this article are not applicable to licensed banks in the Republic of Albania.*

The banking industry plays a pioneering role in the application of effective internal auditing with the adoption of International Internal Auditing Standards issued by Institute of Internal Auditors (Üç and Trepca, 2020). Since, entry into force of accounting law in 2008 (the standards built in accordance with international accounting standards IFRS / IAS), the information published by the economic units started to become more analytical than just quantitative. This enables stakeholders to judge and assess the best decisions and investments in companies which develop their activities. In this process, the audit committee constitutes one of the most powerful tools for increasing the reliability of financial information and transparency. This body also encourages businesses to respect the code of conduct or guidelines and avoidance of informality.

9. CONCLUSIONS

Audit is vital for businesses because it is through qualitative audits that investors will be sure about the accounts provided in the company's financial statements. Albania has passed through a long way to achieve this goal. As it is mentioned in this paper, legal reforms in the field of accounting and auditing began firstly with the adoption of the law no. 7638 dated 19.11.1992 “On Commercial Companies” by setting the first steps through the audit profession, and then continued with the Law Nr.7661 dated 19.01.1993 "On Accounting", which determined the general obligations and principles for keeping accounts and preparing financial statements. Legislation designed in this period survived for a long time without any changes, which did not happen with other laws. As Albania's economy and social situation developed, as international financial reporting and audit procedures became more complex and rigorous and as the government committed to sign the Stabilization and Association Agreement with the EU, made the requirements of financial reporting used up to that time to be considered inadequate. Those were the reasons that the Albanian Parliament adopted, on 04/29/2004 the Law Nr.9228 "On Accounting" and on March 2009 the Law Nr. 10091 on Statutory Auditing and Organization of Registered Chartered Auditors and Approved Accountants which was the first legal act to bring regulations in the field activity of registered chartered auditors and auditing companies, and also of approved accountants and accounting companies. Both laws amended by the needs of time in 2018 and 2016 respectively.

Shortly the ‘audit law’ Law Nr. 10091 on Statutory Auditing and Organization of Registered Chartered Auditors and Approved Accountants is in accordance with:

- the 8th Directive of EU,
- the IFAC Position Statement for Profession Regulation,
- the new Law on Entrepreneurs and Commercial Companies (Nr.9901 / 2008),
- the new Law on Accounting and Financial Statements (Nr. 9477 / 2006),

This law set the “Institute of Chartered Authorized Accountants” as the only professional organization which groups the accounting professionals who practice the activity as registered chartered auditors and which directly regulates the activity of the professional organization of certified public accountant.

Implementing this law increased the confidence in the quality of audit work, the reliability of published financial information and gave value and protection to shareholders, investors, creditors and other interested parties by:

- Establishing the system of public supervisory of auditing profession, which ensures a higher quality control of statutory audits and regulations on the registration process of foreign and national auditors and auditing companies.
- Enhancing the register of statutory auditors and audit companies so that interested parties determine whether a statutory audit or audit company has been approved.
- Preparing and publishing annual transparency reports by statutory auditors and audit companies that conduct statutory audits on financial statements of public interest entities
- Establishing an effective system of investigations and sanctions to detect, correct and prevent inadequate execution of a statutory audit
- Implementing qualification standards reinforced in accordance with International Education Standard (IES) of IFAC.

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