



The South East Compact for Reform, Investment, Integrity and Growth Under the EU Stability Pact - Working Table II



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PARTNERSHIP ON ACCOUNTANCY DEVELOPMENT

on
**“Professional Education, Training and Certification Programmes
for Accountants and Auditors in South Eastern Europe”**

- Draft -
Background Paper
*on Professional Education, Training and Certification Programmes
for Accountants and Auditors in the Republic of Albania*

**Prepared by Albanian Institute of Authorised Chartered Accountants
(IEKA)**

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Location:
Hotel BOSNA
Kralja Petre Karadjordjevica 97
Banja Luka, Republic of Srpska
Bosnia and Herzegovina
Tel.: (+387 58) 215 724 / Fax: (+387 58) 216 942

PROFESSIONAL EDUCATION AND TRAINING SYSTEM FOR AUDITORS IN ALBANIA

The process of establishment of a Continuing Professional Education system, both for Auditors and Accountants and making it to work in practice, is a key factor for the credibility of the profession and independent professional practitioners in all countries that entered late in the market economy system. At the same time, this is a big challenge, all the independent professionals and especially associations of these professions, in these countries, are facing.

Of course, what is written above, is only an assessment and conclusion arising from the Albanian legal and socioeconomic environment. Indeed it is arising from the experience the IEKA is having. Amongst our countries (those being present in this meeting) the differences, in relation to the conditions where our profession begun and is continuing to operate, are small, while there are quite a lot of similarities. Bearing in mind this fact we do believe that dealing with this issue will be of a great interest.

1. LEGAL AND PROFESSIONAL FRAMEWORK

Albania was the last country of the CEE countries, where the socioeconomic changes happened. However, the legislative reforms in conformity with the new requirements, were immediately undertaken and carried out quickly.

On January 1993, the Law on Accounting was approved by the Albanian Parliament and on 9 July 1993 the government approved the General Accounting System. Starting from the end of 1994, the accounting Law had foreseen, generally applying new accounting standards to all commercial companies, with exception for banks and other financial institutions.

On June 1995, the Albanian parliament amended the Company law. This was related with the institutional organization of the profession "Authorized Auditor". The law set the basis and provided the authority to the Council of Ministers to build the legal framework for the profession of Authorized Auditor and the Institute of "Albanian Authorized Auditors".

At the beginning of October 1995, the Council of Ministers approved the general rules for organization of the profession and the IEKA. In the meantime, Albania started to implement the new fiscal legislation. The bases for the profession of the authorized auditors were established. Furthermore, at the end of 1995, the basic standards for statutory audit of company accounts were produced.

Albania, like the other CEE countries, with very centralized economy, inherited from the past very well educated accountants, but with few exceptions, they haven't been able to know the accounting standards applied and disclosed in financial statements. The accounting practice was created based on the conditions of the previous economic system, where the independent profession didn't exist. The first signs of developing independent professions were evidenced in early 1994.

Together with the General Accounting System, a short-term training program, for the existing accountants was launched. Only during 1993 and 1994, more than 3500 accountants were involved in training. However, the process of learning new accounting standards was not quite an easy and a quick one, especially for those accountants of old generation, who have had experience in applying the previous accounting system. It was understandable, the first candidates entering the profession, to come from the existing accounting practitioners. Most of them were trained in accounting, through short term training courses, organized by the Ministry of Finance (National Accounting Council), from the Faculty of Economics, University of Tirana and from various foreign project units (such as GTZ).

Entering the profession during the first transitory period (up to end of 2000) depended on the following conditions:

- University Education Degree in Economic Sciences
- Practical experience working in the field of accounting and/or auditing, for at least three years
- Obligatory training in auditing for 15 days, organized by IEKA, supported by foreign consulting agencies
- Passing five written examination tests, organized by an examination Board of the assessment of professional competencies, in the following subjects:
 - Accounting, Financial Analysis and internal control system,
 - Commercial and Civil Law,
 - Penal Code and Labor Law, Social Insurance Law
 - Legal Framework and Auditing Standards,
 - Company's Management,
 - Taxation.

2. MAIN FEATURES OF THE CONTINUES PROFESSIONAL EDUCATION OF THE ALBANIAN AUTHORIZED AUDITORS

Let's re-emphasize that we will speak here, first of all, for the Albanian Authorized Auditors, who entered the profession based on transitory conditions, as they are already explained above. What is stated below is related with this generation of auditors, and the membership at the end of 2000 will reach the figure 120-130 professionals. Starting from the beginning of the year 2001, we will apply the normal rules, foreseen in the relevant legislation and entering in the profession will be preceded by three years of obligatory professional experience. Very shortly we have explained it in the section 2.3

2.1. Obligatory qualification training seminars

IEKA, has announced as obligatory the participation of all its members in annual training seminars. Even when, the precise number of days in training, is not determined, already is well known that at least for 10 and maximum 15 days, the Institute is organizing training for

improving the professional training to its members. In such way was done in 1998 and 1999 (respectively 10 and 15 days) and in the same way is also planned to be done for 2000. We know very well that these training should be focused in covering the more practical things and new issues, related more to the auditing and less to the accounting. Providing with basic knowledge, as a rule, may not be the responsibility of the professional bodies, it should be done by Higher Education Academic Institutions. Considering the conditions, already described above, we think that it will be inappropriate if the basic accounting knowledge are not covered in our training activities, at least until the new generation of Auditors, proceeding in normal way, comes. Through training seminars, our Institute has made its own practice teaching theoretical issues. Especially, the teaching was focused to those issues related with operations unknown before in the practices of the commercial companies. Such issues (for example the increase or decrease of the capital, operation of merger or acquisition of companies, consolidated accounts, leasing, etc), are not only included in the commercial legislation, but also not taught by the higher economic education

During the early stage, when the entering in the profession have proceeded transitory, as the case of Albania is, the knowledge given from the obligatory training courses is going to be more widely than deeper. This is because the market does not require from the authorized auditors only the "certification of the financial statements" but also other services we call convex or special missions. Economic operations, such as those for transforming the state owned enterprises in commercial companies, splitting, valuations, etc., undertaken by the government, require from the auditors to offer various services. At the same time, there will be a great need for auditing from the Attorney offices and the Court. The need for such training requirements of the auditors, in order to be able to undertake the above services and missions, has effected the contents of our programs of seminars to include:

- other issues that are not directly linked with statutory audit of accounts and are not restricted only in dealing with such economic, accounting or auditing issues.
- the necessary knowledge in relation to their legal aspects.

In conditions when the professional and institutional experience is missing, producing a programme of continues professional education is not so easy. Even the experience of other similar institutions does not help very much. So, according to our opinion, it will not be suggested the stencil implementation of the models already used by the others. The key things in this process are as follows:

First, to convince its members that continuing training is a condition to remain in the profession. Continues professional education is a tool the Institute uses to protect its integrity and the general interest of the profession.

Second, including in training, issues related to the members' needs, to make them feeling more competent and more trained in doing their job, compared with other professionals, such as company book keepers, consultants, tax employees, legal consultants of the companies, for financial issues of the commercial legislation.

Third, providing them with written materials, i.e, translations from the foreign literature, before they are taught in training seminars. The schematic materials used by other institutions will be not sufficient to our members, in the time being. They need to build a library where the professional literature is available and will be used in supporting them.

Fourth, discussions and exchange of opinions between members, dealing with practical aspects, discussion for practical cases, will be done in every day of the training. In our case, we have decided to leave some space for such aspects.

According to our opinion, it is important for professional members in countries in transition such as Albania, to cope with experiences that will help in changing their mentality and tradition created in the previous socioeconomic context and replacing them with new mentality, similar to those of professionals in developed countries. The Continuing Professional Education through training seminars must involve the above-mentioned targets.

2.2. Providing members with professional literature and publication process

Providing members with professional literature in the field of accounting and auditing is considered as the second key important support in continuing training education for them. The recently established Institutes, such as IEKA in Albania, will not be able to carry out in a period of time 3-5 years, the service of professional research. However, we consider it as an objective, because will work not only to the training but also in growing up the prestige and authority of the Institute in the country, where the environment is not so "friendly", for well known reasons.

IEKA is in the first steps in providing its members with professional materials, through the two following ways:

- a) In the Institute a library is set up, where there are available books in French and English languages. The members will use those, individually. There are also translated materials in Albanian language, which will be used by all members of the Institute. Other parties will use this literature as well.
- b) Completed sets of handouts prepared or translated are given to its members during seminars.

Starting from 2001, our target is aimed at publishing a periodical professional magazine, which will deal with issues of professional practice interest, as well as, with issues aiming at the role on protection of public interest through the profession of Authorized Auditor.

2.3 Our vision for the future.

IEKA will have still a transitory period of time. It will last at least three years, starting from January 2001. During this period our Institute will be involved at the same time:

- a) in continuing professional education of its members,
- b) in training new generations of the Authorized Auditors, which will be put in practical professional placement.

Regarding training of the existing Authorized Auditors, there will not be very much change. We will continue to organize obligatory annual seminars for a period of 10-15 working days, and to provide the members with professional publications. Of course, there will be improvements in the training programs. We judge that starting from 2001 and on, our training will be focused more on dealing with IAS and ISA standards, as well as, with new elements of knowledge in the field of Information technology. This training will be oriented in line with the improvements of Albanian accounting Legislation and with Institute targets to review the text of National Auditing Standards, approved in 1995.

Theoretical professional education is going to be taught either by the higher education Institutions or in the first year of their professional practical placement.

3. Resources for setting up and keeping in place a system of continues education

The great needs and burdens for continuing professional education to all members of the Institute are facing difficulties coming from limited human, material and financial resources. It is necessary to overcome this difficulties, or at least to release them, otherwise we will risk to build an "illusive" system of training

Some factors that helped in building up some continuing professional education training practices, even with limited resources, are as follows:

First, from 1996 we have been supported by foreign technical assistance. This assistance helped us in:

- Training the candidates who applied to enter the profession
- Training the trainers, which will serve as a basis for future training
- Managing some training seminars during 1998 and 1999
- Supervising the first qualification seminars run by local trainers during 199

Second, we have been able to involve in the Institute issues the best lecturers from the Albanian Professional Higher Education Institutions

Third, the first members of the Institute accepted their obligation to pay to the Institute their training cost

Fourth, a system of quality control of the audit missions performed by the members was put in place. The system of control and evaluation produces a backup on the training progress for all the members.

The issue of training resources still will be a difficulty we will face in dealing with continuing professional education of our members. Knowing that, we will not plan such ambitious issues, which will not be possible in the near future. We still have to insist in having further foreign technical assistance, which will be oriented towards growing up professional education.