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Deloitte Audit Albania Shpk leadership message

This report sets out the practices and processes that are currently employed by Deloitte Audit Albania Shpk, in accordance with article 45 of law, no. 10091, dated March 5, 2009 amended by law no. 47/2016, dated April 28, 2016 "On statutory audit, organization of the statutory auditor profession and certified accountant".

All information provided in this report relates to the situation of Deloitte Audit Albania on 31 December 2019, except if indicated otherwise.



At Deloitte, we are committed to the consistent execution of high-quality audits, professional excellence and serving our clients, investors and capital markets. We understand that our environment is continually changing, resulting in increasing complexity, technological changes and higher community and regulatory expectations. We respond to these changes, by raising the standards of audit quality through innovation and transformation. Transformation is a coordinated program across our global network that will enable us to expand our capabilities and value we provide to clients. An opportunity to deliver audit and assurance services consistently and of the highest quality, every time, everywhere. In order to drive continuous improvements in quality, we are transforming the audit to leverage innovative tools and technologies, such as advanced analytics techniques, including our locally developed Alchemy analytics solution. At the same time, we are enhancing our learning and development programs to build the skills and capabilities required of the next-generation auditor in a digitally driven future.

Our investment in audit quality has also focused on our systems and processes to monitor and measure the performance of our audits. Our Audit Quality Monitoring & Measurement (AQMM) program focuses on ensuring consistent execution of high quality audits. A key element of the program is to use technology to enhance the ability to identify audit quality issues while audits are in-flight rather than through post audit quality reviews.

Our investments in quality, innovation and talent are having a fundamental impact on how we deliver on our public interest responsibilities and in creating trust with our stakeholders. This report provides you with an insight to our firm and sets out our practices and processes, demonstrating our commitment to and investment in audit quality.

Enida Cara FCCA, CA

A handwritten signature in blue ink, appearing to read 'Enida Cara', with a stylized flourish at the end.

Audit and Assurance Director
Deloitte Audit Albania Shpk



Deloitte network

Deloitte Audit Albania Shpk: legal structure and ownership

Deloitte Audit Albania Shpk is connected to the Deloitte network through Deloitte Central Europe Holdings Limited, a member firm of Deloitte Touche Tohmatsu Limited. Deloitte Central Europe, together with Deloitte France, Deloitte Germany, Deloitte Luxembourg and Deloitte Austria is a shareholder in Deloitte DCE GmbH ("DCE"), which is as well a member firm of Deloitte Touche Tohmatsu Limited. The object of DCE is the fostering of the collaboration among its shareholders as members of the global Deloitte network. DCE neither provides any professional services nor engages in commercial activities.

Deloitte Audit Albania Shpk is referred to throughout this report as "Deloitte Audit Albania", and Deloitte Central Europe Holdings Limited is

referred to throughout this report as "Deloitte Central Europe". Deloitte Central Europe is a regional organisation of entities organised under the umbrella of Deloitte Central Europe Holdings Limited. Deloitte Albania is authorized to serve as an auditor for clients in Albania.

Deloitte Audit Albania operates as a limited liability company, established under Albanian law, with registered office at str. "Faik Konica", 1010, Tirana, Albania and registration number L41709002H.

Holder of quotas are as follows:

- Olindo Shehu - 51 %
- Deloitte Central Europe Holdings Limited - 49 %

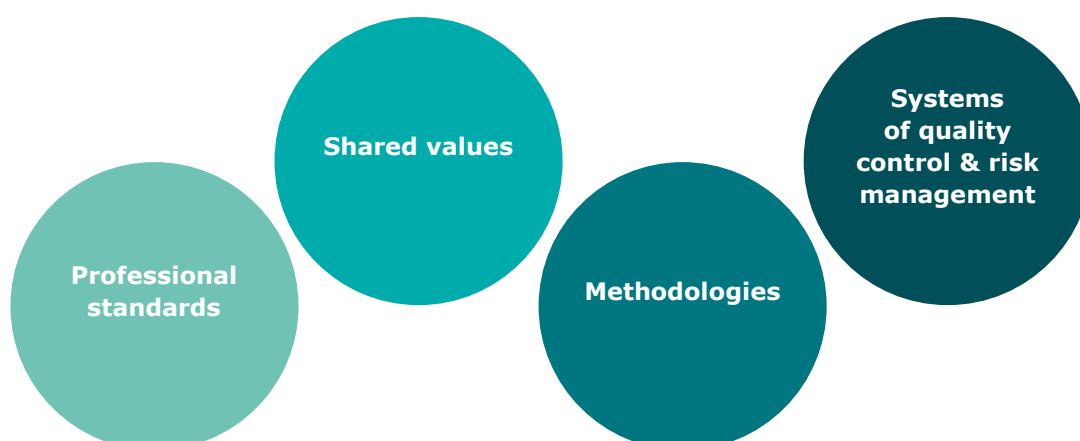
Licensing requirement for statutory compliance

Deloitte Audit Albania sh.p.k. has been registered in the public register of Statutory Auditors at the Institute of Authorized Chartered Auditors of Albania (IEKA) on July 31, 2014 under license number 423.

Network description

The Deloitte network

The Deloitte network is a globally connected network of member firms and their related entities operating in more than 150 countries and territories across the world. These separate and independent member firms operate under a common brand.



Deloitte Touche Tohmatsu Limited (DTTL or Deloitte Global)

Deloitte Touche Tohmatsu Limited is a UK private company limited by guarantee. DTTL serves a coordinating role for its member firms and their related entities by requiring adherence to policies and protocols with the objective of promoting a consistently high level of quality, professional conduct and service across the Deloitte network. DTTL does not provide professional services to clients, or direct, manage, control or own any interest in any member firm or any member firm's related entities.



For more information about the Deloitte network, please see: [About Deloitte](#).

Deloitte Audit Albania: governance – leadership in action

Deloitte Audit Albania operates as a limited liability company, established under Albanian law, with registered office at str. "Faik Konica", 1010, Tirana, Albania and registration number L41709002H.

Deloitte Audit Albania Board of Directors is responsible for the governance and oversight of the Audit & Assurance practice. Specific responsibilities include approving local audit and assurance business strategy, approving the financial aspects of local business plans. The board of directors is assisted by specialized teams that advise on specific matters and/or implement policies.

The following are the members of the Deloitte Audit Albania board of Directors, appointed by the shareholders' meeting and of authorised statutory auditors. for the period of 4 years from the appointment date:

Deloitte Audit Albania – Board of Directors

Olindo Shehu - Administrator

Enida Cara - Administrator

Gregory Paul Rossouw - Administrator

The above managing partners and directors act as administrators of the Deloitte Audit Albania, in compliance with the Statute of the Company in accordance with law nr. 9901 date April 14, 2008, "On entrepreneurs and commercial companies"

Deloitte Audit Albania has 39 professional employees as at December 31, 2019.

In all of their activities, Deloitte Audit Albania senior leaders are responsible for the overarching objective of audit quality, including compliance with applicable professional standards and regulatory requirements. Deloitte Audit Albania strategy is developed in alignment with the overall strategic direction established for the Deloitte network.

Our purpose and commitment: instilling trust and confidence

At Deloitte Audit Albania, our purpose is to make an impact that matters. For Audit & Assurance, this means a focus on delivering independent high quality audits and instilling confidence and trust in the capital markets through our reports. This requires us to continuously build capabilities to support the delivery of high quality audits and make leading contributions to shaping the future of the audit profession.





What Deloitte Audit & Assurance brings to capital markets

Audit & Assurance Transformation

Being a relevant profession of the future and a sustainable practice that evolves with the pace of change in technology and society is critical. Driving this goal is the Deloitte Audit & Assurance Transformation initiative, which is currently being developed and deployed by Deloitte Audit Albania.

Audit & Assurance Transformation is an important shift across the network in the way Deloitte professionals work and includes:

The Deloitte Way: standardization of audit processes supported by our technology suite	Real-time audit quality monitoring
Enhanced talent model which includes learning, rewards and recognition, centers of excellence, and delivery centers	Agile deployment of tools and technologies to respond to changing environments

Audit engagement acceptance and continuance

Deloitte Audit Albania has detailed policies and procedures in place for accepting prospective clients and engagements and assessing engagement risk. These policies and procedures are designed with the objective that Deloitte Audit Albania only accepts engagements where it:

- Is able to perform the engagement and has the capabilities, including time and resources, to do so.
- Can comply with all relevant ethical requirements and professional standards, including independence and conflicts of interest assessments and considerations.
- Considered the integrity of the potential client's management team.



Learning and development initiatives

Central to the Audit & Assurance Transformation initiative are various enhancements to the Deloitte talent and learning experience:

Deloitte's transformed approach to audit delivery is enabling our professionals to use more advanced analytics, apply the latest tools, technologies and more critical thinking, spend more time applying professional judgment, and gain a deeper understanding of a client's business and industry—all contributing to enhanced audit quality and an improved experience for our people.

Deloitte has made substantial investments in our talent and learning strategies and transformed our technical audit curriculum to build the proficiency required by level:

- At the core, we have a single mandatory Audit technical learning curriculum for auditors, targeting learners by level, using a dynamic blend of live instructor-led, and digital on-demand courses and on-the-job activities.
- All client service professionals are required to complete at least 20 hours of continuing professional education (CPE) each year and at least 120 hours every three years, through structured, formal learning programs, such as internal or external courses, seminars, or e-learning covering all areas of the competency model (e.g., shared competencies, function-specific technical competencies, and competencies in areas of specialization).

Deloitte has also established specific learning opportunities for specialists working on audit engagements to support their knowledge and understanding of the audit process. Enhanced project management, a key capability for executing audit engagements, has been included in annual development programs. The objective of the Deloitte Audit Albania professional development program is to help partners and other professionals maintain and enhance their professional competence and ensure consistency of audit execution. To supplement on-the-job development, Deloitte Audit Albania provides formal continuing professional development programs in relevant subject areas consistent with the Deloitte Audit Albania Audit Curriculum.

During the first years, most training is comprised of mandatory courses on technical topics including audit methodologies and processes but afterwards the optional part increases given that individual needs become more diverse. An individual learning

programme is required as from approximately four years' experience.

Through an automated monitoring system it is possible to check the status of internal and external courses followed by an individual auditor. Continuing education is also a factor taken into account for the yearly evaluation of audit staff and the assessment of their growth potential.

Deloitte Audit Albania establishes minimum levels of continuing professional development to be undertaken by partners and other professionals within a specific period of time. To achieve these levels of development, Deloitte Audit Albania offers structured, formal learning programs, such as internal or external courses, seminars, or e-learning covering all areas of the competency model (e.g., shared competencies, function-specific technical competencies, and competencies in areas of specialization).



Deloitte University

Deloitte actively cultivates its collective knowledge and skills of professionals globally through continuing to invest in Deloitte Universities (DU). These are state-of-the-art learning and development centers focused on Deloitte culture, and rooted in the principles of connectedness and leadership in a highly inclusive learning environment¹.

Deloitte.

University

Partner remuneration

Execution of high quality audits is expected from all professionals and is embedded across the Deloitte network. Audit quality is recognized through reward and recognition programs and is built into performance standards at every level, against which professionals' overall evaluations are measured.

In accordance with its policies, Deloitte Audit Albania's partners are evaluated on a yearly basis, and depending on the outcome of the evaluation, the remuneration of partners may increase or decrease. Specifically, partner evaluations take the following factors into account: quality, expertise, integrity, professionalism, entrepreneurship, independence and compliance.

¹ For more information about Deloitte Universities, please refer to [Global Impact Report](#).

The high quality audits we deliver

The experience of a high-quality audit, delivered well, will provide the audit committees, investors, and other stakeholders of the companies with (but not limited to):

- An audit report that is appropriate to the circumstances.
- Innovation in how we do the audit.
- More insights about their company than they had at the outset of the process.





External and internal audit quality monitoring

Audit Quality Monitoring & Measurement

A continued focus on audit quality is of key importance to the Deloitte brand. It is critical that a Deloitte audit is consistently executed and of high quality, wherever in the world it is performed.

Deloitte Audit Albania maintains policies and procedures to promote an internal culture based on the recognition that quality is the number one priority. Deloitte Audit Albania focuses on professional excellence as the foundation for achieving audit quality on a consistent basis.

The objectives of the Audit Quality Monitoring & Measurement (AQMM) program are to:

- Transform the way audit quality is monitored and measured and audit deficiencies are resolved; and
- Enhance the internal system of quality control which all Deloitte network firms follow

The AQMM program is focused on driving:

- Continuous, consistent, and robust monitoring of completed and in-flight engagements
- Fundamental understanding of deficiencies and timely execution of corrective actions by all member firms consistently
- Greater transparency and consistency in reporting key measures of audit quality

Multidisciplinary model

Audit is the foundation of the Deloitte brand. In addition to Audit & Assurance, Deloitte Audit Albania has Consulting, Financial Advisory, Risk Advisory, and Tax & Legal practices. The diversity of five different businesses under one umbrella (multidisciplinary model) is one of the key differentiators of high-quality audits.

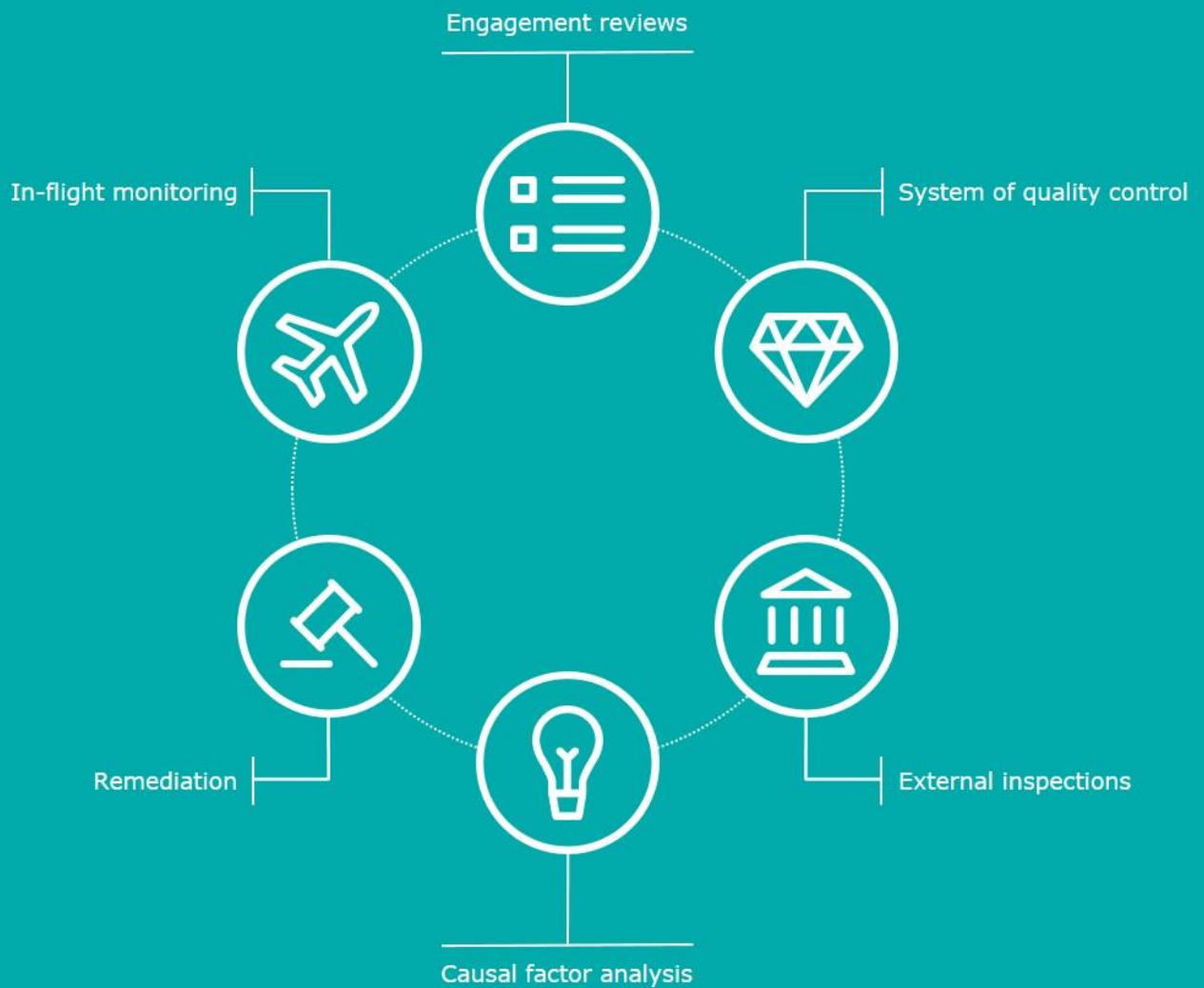
Among the benefits of the multidisciplinary model for audit:

- It is possible to develop industry insights through multiple lenses, which enhances auditors' understanding of business risks relevant to conducting audits.
- The audit practice has immediate access to specialized resources and expertise in other business lines. It promotes audit quality because auditors can tap the expertise of advisory professionals who are skilled in subjects that often are not native to auditors.
- A diverse organization helps attract and retain premier talent.
- Intellectual capital is available within the network to innovate audit processes, technologies, etc.

Negative quality events have the potential to impact the Deloitte brand as a whole. As such, each non-audit Deloitte business has a shared and vested interest in supporting audit quality initiatives.



Audit Quality Monitoring & Measurement





In-flight monitoring

Continuous audit quality monitoring by Deloitte Audit Albania drives a faster response to audit issues on “in-flight” engagements, driving identification, timely solutions, and real time corrective actions achieved by:

- Deployment and monitoring of a series of core Diagnostics, enabling engagement partners and teams, as well as Deloitte Audit Albania audit quality leader(s) to continuously monitor audit quality and take immediate action.
- A program of subject matter specific “health checks” to assist Deloitte Audit Albania audit quality leader(s) in assessing progress and identifying potential issues on in-flight engagements.



Engagement reviews

Key components of engagement reviews (internal practice reviews) include:

- Risk-based engagement selection and consideration of all major industries served by Deloitte Audit Albania.
- Mandatory moderation panel to drive consistency in findings and engagement ratings.
- External partners and deputies who oversee practice reviews to increase consistency.
- Identifying appropriate resources (from within Deloitte Audit Albania as well as from other Deloitte geographies) with the right experience and industry expertise, including establishing central review teams.



System of quality control (SQC)

SQC includes numerous elements such as documenting key areas of the SQC processes and controls and performing procedures for testing the operating effectiveness of the SQC, including execution of a comprehensive SQC review program.

Used in conjunction with other metrics, Audit Quality Indicators (AQIs) further assist Deloitte Audit Albania in developing and monitoring audit quality action plans and reporting on the progress in its audit quality journey. AQIs are integrated with ongoing AQMM activities.

In addition, proper timing and sequencing of audit activities, including timely reviews of work performed and the resolution of matters identified, are closely associated with high quality audits. Audit Quality Milestones are intended to drive consistency of engagement teams in project management, timing of when work is done, and necessary focus on engagement staffing, including sufficiency and expertise of assigned resources.



Causal factor analysis and remediation

Focusing on continuous improvement is essential to driving improvements in audit quality.

Understanding why audit deficiencies occur is essential to the design of effective actions to remediate findings. Further, actions are taken when audit deficiencies in the performance of an audit engagement are identified. Engagement level remediation is imperative to drive continuous improvement in audit quality and avoid future similar findings. An Audit Quality Plan is prepared by Deloitte Audit Albania and provides for effective implementation and monitoring of key audit quality priorities.



External inspections

In addition to Deloitte Audit Albania own monitoring of audit quality, we are subject to external reviews by the Institute of Authorised Chartered Auditors of Albania (IEKA) and Public Oversight Board. The last quality assurance review was carried out on 22 November 2018 by the Albanian Public Oversight Board.

Statement on the effectiveness of the functioning of the internal quality control system

We confirm that we are satisfied that our internal quality controls and systems are robust, operate effectively, and allow us to readily identify any areas of potential enhancement. We continually seek to refine all aspects of our business and we use the findings of the practice review, other internal reviews and external regulatory reviews to enhance our system of quality control.

The organizational capabilities we build

Deloitte culture and the design of our learning programs place our people at the forefront. Deloitte professionals are technically proficient with high levels of ethics, integrity, professional skepticism, and objectivity, and continuously enhancing.

Deloitte is committed to developing its people and accelerating their careers by creating a life-long learning environment. We are advancing audit education, skillsets, and flexible career options that appeal to future auditors.

In addition, operational discipline, effective management of our business, and the development of a singular approach to doing audits known as The Deloitte Way, provide the foundation for our commitment to bring consistency to our audits.

We are driving a sustainable audit and assurance business that compensates its people fairly and funds ongoing investment in our business.





Independence, ethics, and additional disclosures

Deloitte Audit Albania Independence



Sets **independence policies and procedures** based upon the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants. Performs full reviews of independence quality controls on a three-year cycle; annual focused reviews for the off-cycle years; and in-depth follow-up reviews as needed.



Performs **on-going monitoring** activities of firms—enabling continuous enhancements to policies, quality controls, tools, and practice support activities.



Utilizes **information systems and databases** to provide professionals with entity information to support compliance with personal and professional independence requirements, including financial interests and scope of service approvals.



Supports **independence awareness** through active engagement with independence and business leadership groups, periodic communications and alerts, and development of guidance, learning and instructions.



Deloitte Audit Albania Independence

Deloitte Audit Albania has policies and procedures designed to address compliance with applicable professional standards that relate to independence. These policies and procedures are based on the Code of Ethics for Professional Accountants (the "Code") issued by the International Ethics Standards Board for Accountants, and are supplemented, as appropriate, to reflect additional national or regional requirements that may be more restrictive than the code. Deloitte Audit Albania leadership reinforces the importance of compliance with independence and related quality control standards, thereby setting the appropriate tone at the top and instilling its importance into the professional values and culture of Deloitte Audit Albania. Strategies and procedures to communicate the importance of independence to partners, other professionals and support staff have been adopted, emphasizing each individual's responsibility to understand and meet the independence requirements.

The key elements of the system of quality control that Deloitte Audit Albania implemented in accordance with its policies include the following:

- Engagement acceptance and monitoring
- Monitoring of rotation requirements
- Business relationship assessments and monitoring
- Use of independence business process tools, including the Deloitte Entity Search and Compliance (DESC) system, the Global Independence Monitoring System (GIMS), annual independence confirmations, and consultation procedures, to monitor compliance with independence requirements
- Procedures to identify and analyze non-compliance with independence requirements and apply related disciplinary measures and actions
- Independence-related learning and communications
- Assignment of responsibility for independence systems and controls
- An internal review of independence compliance was conducted during the year and the report was issued on 29 November 2019.

Rotation of key audit partners and professionals

Deloitte Audit Albania maintains policies and procedures requiring rotation of key audit partners and staff as defined in article 42 of law no. 10091, dated March 5, 2009 amended by law no. 47/2016, dated April 28, 2016 "On statutory audit, organization of the statutory auditor profession and certified accountant". Individuals responsible for carrying out a statutory audit should not serve an entity for more than seven consecutive years in the position of a key audit partner. They shall not participate again in the statutory audit of the audited entity before two years have elapsed following cessation of such service. During the cooling-off period of two years, the key audit partner should not participate in the audit of the audited entity, perform the engagement quality control review, consult with the engagement team or the audited entity regarding technical or industry-specific issues, transactions or events or otherwise directly influence the outcome of the statutory audit.

While it is the primary responsibility of the individuals serving as key audit partners to ensure they comply with the rotation requirements, Deloitte Audit Albania implemented a monitoring process that includes among other analysis of client portfolios and individuals assigned in various roles to statutory audits and considering appropriate competence, capability, workload and availability of statutory auditors so as to enable these individuals to adequately discharge their responsibilities as key audit partners.

Deloitte Audit Albania Ethics

Deloitte Audit Albania maintains policies and procedures that are designed to provide reasonable assurance that its professionals comply with relevant ethical requirements.

The ethical requirements for audit and related assurance services provided by Deloitte Audit Albania are in accordance with IEKA requirements. Deloitte Audit Albania also complies with the requirements and guidance set out in the international Code of Ethics for Professional Accountants (the "Code") issued by the International Ethics Standards Board for Accountants, a standard-setting body of the International Federation of Accountants (IFAC). When the national professional requirements are more restrictive than the Code policies and procedures, Deloitte Audit Albania follows the applicable national requirements.

Deloitte Deloitte Audit Albania has appointed an Ethics Officer who is an experienced partner with direct access to the CEO and the member firm's governing body. In addition, Deloitte Deloitte Audit Albania has developed and implemented its own code of conduct, which describes critical professional behavior that reflects local customs, regulations, and legal requirements.

Deloitte Deloitte Audit Albania provides communication channels through which partners, other professionals and support staff can consult on and report ethical issues and situations. Deloitte Deloitte Audit Albania reinforces its commitment to ethics and integrity through communication tools, learning programs, compliance processes, and measurement systems. In addition, Deloitte Deloitte Audit Albania requires all partners, other professionals and support staff to confirm annually that they have read and comprehended the code of conduct and understand that it is their responsibility to comply with it.





Shaping the future of the audit profession

Management teams, audit committees, investors, regulators, and standard setters all play critical roles in shaping the environment in which audits are performed. We strive to engage with these parties, both formally and informally, to share, offer and debate ideas with the objective of ensuring the relevance of audit and assurance to the capital markets.



Appendices



Appendix A | Financial information

Disclosure in accordance with article 45 of law, no. 10091, dated March 5, 2009 amended by law no. 47/2016, dated April 28, 2016 "On statutory audit, organization of the statutory auditor profession and certified accountant".

The breakdown of the Deloitte Audit Albania's's 2019 turnover:

Turnover	LEK
Statutory audit (PIEs or PIE subsidiaries)	55,959,647
Statutory audit (non-PIEs or non-PIE subsidiaries)	16,235,646
Non-audit services	6,526,872
Other assurance services	25,668,492
Total	104,390,657



Appendix B | Public interest entities

Disclosure in accordance with article 45 of law, no. 10091, dated March 5, 2009 amended by law no. 47/2016, dated April 28, 2016 "On statutory audit, organization of the statutory auditor profession and certified accountant", and decision of the Council of Ministers no. 17, dated 16.01.2019, dated January 18, 2019, that determines which companies will be considered with 'public interest' in terms of the nature of the business, the size or number of employees.

Public Interest Entities Audited for Statutory Purposes by Deloitte Audit Albania Shpk in the Financial Year 2019:

Name

OTP Bank Albania SH.A

Alpha Bank SH.A

Deposit Insurance Agency

Telekom Albania SH.A

Devoll Hydropower SH.A

Tete Albania Tunnel & Mining SH.A

Albanian Marketing Service SH.P.K

Rossmann & Lala SH.P.K

Procredit Bank Albania SH.A

Colacem Albania SH.P.K

ITX Albania SH.P.K

Huawei Technologies (Albania) SH.P.K

Rogner Hotel Tirana SH.P.K

GEN-I Tirana SH.P.K

British American Tobacco Albania SH.P.K



Comdata Albania SH.P.K

Rural Credit Guarantee Foundation

PARR SH.P.K

Technip Italy S.P.A - Tirana Branch

Facile.it - Broker di Assicurazioni S.r.l Albania Branch

Albanian Red Cross

Public Interest Entities for which other assurance services have been provided in the Financial Year 2019:

Name

Balfin Group



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting, transaction advisory and legal services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries and territories, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte's approximately 245,000 professionals are committed to making an impact that matters.