



**TRANSPARENCY REPORT
FOR YEAR 2017**

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1 Letter of the Managing Partner



Orjana Kalaja FCCA, EKR

**Managing Partner
and Statutory Auditor**

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A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke at the bottom.

Baker Tilly Albania is an independent member of Baker Tilly International since 2009.

2017 was an excellent year for Baker Tilly Albania. It was a year in which we shared who we are and what we have to offer by connecting with our clients, preparing for the future, and collaborating with our people.

In 2018, we will remain focused on making a difference for our clients and our people, because that's what matters.

This Transparency Report for 2017 is published in accordance with Law on Auditing requirements, for audit companies performing audits of financial statements of public interest entities in Albania.

The Transparency Report for 2017 discloses information about our company with regards to the legal structure and shareholders, the network to which the company belongs, its governance, the internal quality control system that it follows, the external monitoring on behalf of The Institute of the Authorized Auditors of Albania (IEKA) and the Public Supervisory Board (BMP) in Albania, the public-interest entities to which it has carried out statutory audits, the financial information relating to its financial condition and finally, the basis of remunerating its statutory auditors.

It is an outstanding and unique privilege to lead this network firm as we continue to work and collaborate together to build the future.

2 Legal structure and ownership

Legal structure

Baker Tilly Albania was incorporated as a limited liability company on May 2009. With our founders coming from long experience with other accounting firms in Albania and abroad the firm achieved significant growth and recognition as one of the best accounting firms in Albania. It is a registered audit firm with the Institute of Authorized Chartered Accountants of Albania (IEKA, registration No.166, Dated 30.07.2009).

The rights of member firms to use the Baker Tilly name and marks are contained within agreements with Baker Tilly International.

Member firms are generally locally owned and managed.

Registered address

The Company's registered address is: Str Themistokli Germenji, Ambassador 1 Building, Third Floor, Tirana, Albania.

Company's shareholders

The information with regard to the ownership structure of the Company, its management bodies and any other circumstances which are subject to entry pursuant to the law have been duly registered and are publicly available in the National Business Center (qkr.gov.al).

The registered administrator of Baker Tilly Albania is Orjana Kalaja who has full rights of representing the Company.

3 Network arrangements

BAKER TILLY INTERNATIONAL

Description and legal structure

Baker Tilly International is one of the world's leading networks of independently owned and managed accountancy and business advisory firms united by a commitment to provide exceptional client service.

Baker Tilly Albania is an independent member of Baker Tilly International Limited, which is a company limited by guarantee registered in England and Wales. It is owned by its members, all of which hold an equal interest in the legal entity. The members, in the Annual General Meeting, are responsible for appointing the board of directors, approving the company's strategy and other matters such as making changes to the company's constitution.

Baker Tilly International does not itself provide professional services, advice or opinions to clients but acts as a member services organisation operating from its Global Office in London. Client services are delivered regionally and nationally by a network of over 120 independent members worldwide.

Each member is a separate and independent legal entity. Each member is locally owned, operated and managed and is responsible for its own actions. No single member is responsible for the services or actions of another.

Although many members operate under the Baker Tilly name, there is no common ownership amongst the members.

Management and governance

Baker Tilly International operates with a board of directors consisting of the chief executive officer (CEO), and directors drawn from independent members around the world. The board of directors appoints the CEO. It also formulates the strategy for Baker Tilly International and approves the policies and procedures to govern and manage the network. On the recommendation of the CEO and regional advisory councils, the board is responsible for admitting new members and, on occasion, terminating membership.

The network operates geographically through four regions - North America; Latin America; Europe, Middle East and Africa; and Asia Pacific. Each region has a chairperson who chairs an advisory council made up of partners from members in that region. The chairperson's role includes the co-ordination and development of business between members, the recruitment of new members as necessary and the implementation of the regional strategy.

At a management level, the network is co-ordinated by the CEO. The CEO is responsible to the board and ultimately to the members for all matters relating to the management and leadership of the network.

3 Network arrangements (continued)

The CEO is supported by a team at Global Office which provides support and resources to members worldwide. These are wide ranging and include international marketing and business development initiatives, technical support and the co-ordination of a global secondment programme.

Quality assurance

Baker Tilly International's members are expected to conduct all aspects of their business to the highest professional standards, to maintain integrity and to keep in good standing in their local business community.

They are required to comply with all national standards applicable to all aspects of their work. These include auditing, independence and any other standards issued in a member's country which impact on their work. They are also expected to comply with the Code of Ethics for Professional Accountants issued by the International Federation of Accountants (IFAC) through the International Ethics Standards Board for Accountants (IESBA) and to carry out audits to standards no lower than those contained in International Standards on Auditing (ISAs) issued by IFAC through the International Auditing and Assurance Standards Board (IAASB).

Members are also required to comply with IFAC's International Standard on Quality Control (ISQC) 1. This requires that each member establishes a system of internal quality control designed to provide it with reasonable assurance that the member and its personnel comply with professional standards and regulatory and legal requirements, and that reports issued by the member or engagement partner are appropriate in the circumstances.

Regular quality assurance reviews of all members are carried out by Baker Tilly International, with members typically subject to a review at least once every three years.

Independence

Although Baker Tilly International is a network, it is for each member to determine its position under the ethical codes which govern its work. Each member identifies those other members of the Baker Tilly International network that must be considered in respect of independence.

Each member complies with their local code of ethics. Where no local code exists or where the local code is significantly less comprehensive than the International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants (Code) members are expected to comply with the IFAC Code.

All members are required to include in their audit process a procedure that requires consideration of whether there are threats to independence resulting from work done for the client and any of its related companies by themselves or any other members of Baker Tilly International. This includes discussion with the client of circumstances where any such threats may arise.

3 Network arrangements (continued)

Baker Tilly International provides an Independence Database to assist members in complying with this requirement. All members are required to maintain information on the Independence Database. The Independence Database is designed to:

- allow members to check for possible conflicts as part of their internal client acceptance procedures
- permit Baker Tilly International to identify all listed audit clients to be included on the Restricted Entity List

The Independence Database includes details of all clients which are members of a listed group for which any member provides any service to any company within the listed group.

Details are recorded for all instances where members provide audit services to listed entities. This information is then used to create the Restricted Entity List which shows all the listed audit clients for whom members act as auditors. Member firms should not hold a financial interest (for example, an investment) in any entity on the Restricted Entity List.

Audit firm and audit fee information in respect of EU members

As at 1 October 2018 the following independent member firms of the Baker Tilly International network provide statutory audit services in the EU:

Austria - TPA Wirtschaftsprüfung GmbH
 Belgium - Baker Tilly Belgium
 Bulgaria - Baker Tilly Klitou & Partners OOD
 Bulgaria - TPA Group
 Croatia - TPA Audit d.o.o.
 Cyprus - Baker Tilly Klitou & Partners Limited
 Czech Republic - TPA Audit S.R.O.
 Denmark - Baker Tilly Denmark
 Estonia - Baker Tilly Baltics OÜ
 Finland - BTF Tilintarkastus Helsinki Oy; BTF Tilintarkastus Seinäjoki; Hellepartners Oy
 France - Strego; Baker Tilly Sofideec
 Germany - Baker Tilly GmbH Wirtschaftsprüfungsgesellschaft
 Greece - Baker Tilly Greece Certified Auditors and Accountants A.E
 Hungary - TPA Control Kft
 Ireland - Baker Tilly Hughes Blake
 Italy - Baker Tilly Revisa SpA
 Latvia - Baker Tilly Baltics SIA
 Lithuania - Scandinavian Accounting and Consulting UAB
 Malta - Baker Tilly Sant Partnership
 Netherlands - Baker Tilly Berk N.V.
 Northern Ireland - Baker Tilly Mooney Moore Partnership
 Poland - TPA Sp. zo.o. sp. kom.
 Portugal - Baker Tilly PG & Associadoes, SROC, S.A.
 Romania - Baker Tilly Klitou and Partners SRL
 Slovakia - TPA Audit s.r.o

Slovenia - Baker Tilly Evidas d.o.o
Spain - Baker Tilly FMAC SLP
Sweden - Baker Tilly Sverige network
UK – MHA Macintyre Hudson network

Total statutory audit fees for EU members which provide statutory audit services

The total statutory audit fees for EU members for the period is approximately €174 million.

4 Corporate structure

Governance structure

Baker Tilly Albania provides a broad range of audit and assurance, accounting, tax and specialist advisory services to help governments, businesses and organisations of all kinds around the country negotiate risk and realise their potential within the dynamic environments in which they do business.

With 10+ talented people locally and 30,000+ people worldwide, we can assemble the right team for your business, combining insight from multiple disciplines with extensive business knowledge and industry expertise.

The Company is represented by the Managing Partner. Each of the service line departments is led by our talented and devoted Managers with successful experience in related fields.

5 Internal quality control system

Description of the internal quality control system

Our company has designed a Regulation for the Quality Control System which contains the principles and procedures that have been determined and applied by our audit staff for the performance of the audit work undertaken and are analysed as follows:

(a) Application of ethical code

- Integrity
- Independence and objectivity
- Professional adequacy and consciousness
- Confidentiality
- Adequate documentation of all the elements of the company's internal control system
- Continuous supervision and updating of the quality control policies and procedures
- Development of a system of internal values
- Application of standards

(b) Clients acceptance and retention

Before accepting any new audit engagement or deciding for the retention of an existing engagement the following procedures are applied:

- Examining of the credibility of the audited entity and more specifically:
 - i. The reputation and identity of the members of its management
 - ii. The nature of its activities
 - iii. The non-existence of independence issues
 - iv. Any other related information e.g. unfavourable bank data, violations that were made known, legal arguments etc.
- Ensuring that there is in place the required organisation and manpower for the execution of the assigned work and more specifically:
 - i. The existence of adequate professionals with the required specialization
 - ii. The possibility of completing the audit within the time limits
 - iii. The necessity of using third parties with specialized skills.

The Managing Partner examines case by case if the acceptance or retention of a specific audit affects the company's independence.

5 Internal quality control system (continued)

(c) Administration of human resources

Our company applies rules and procedures which provide reasonable assurance that it has capable professionals with professional adequacy and commitment to apply the ethical and independence rules. The company's rules and procedures cover issues related to the staff that it employs such as:

- Recruitment
- Progress assessment
- Professional development – Promotions
- Staff remuneration
- Programming the required staff number
- Professional training and experience.

(d) Performance of audit work

The company's Management ensures that the regular audits are carried out in accordance with the International Standards on Auditing and the rules of professional ethics in force.

The procedures followed are:

- Assigning every audit undertaken to an audit team with appropriate experience and specialization.
- Advising the participating staff of the nature and scope of the engagement.
- Guiding and supervising by experienced colleagues.
- Supervising procedures of the work under execution.
- Documenting the supervision.
- Updating the procedures and standards applied.

6 External Monitoring

Baker Tilly International Quality Assurance Review

The latest internal review was performed in July 2015 by Baker Tilly International in accordance with the Baker Tilly Regulation for the Operation of a System of Internal Control, and the conclusions raised by the Quality Assurance team were discussed with the Management of Baker Tilly Albania, and agreed actions were concluded on the improvement points raised in the report.

The Institute of Authorised Chartered Auditors of Albania (IEKA) Quality Assurance Review

The firm is subject to external review by The Institute of Authorised Chartered Auditors of Albania (IEKA). The firm was last subject to external review in October 2014, and the conclusions were that the Company is in compliance with all material aspects of the quality requirements for the auditing services rendered in the application of the procedures as defined by the professional standards on Auditing for the quality of the auditing services rendered.

7 Public-interest entities audit clients

During the year 2017 the Company carried out audits of the following public-interest entities:

Number	Company Name (PIE)
1	Iute Credit Albania sha
2	FAF sha
3	Posta Shqiptare sha

8 Independence practices and rotation

Our company's practices are designed so that our professionals comply with the independence practices concerning specific audit engagements, in accordance with the independence standards of the International Ethics Standards Board of Accountants of the International Federation of Accountants (IESBA) and of the Institute of Certified Chartered Auditors (IEKA) in Albania.

Further more we follow strictly the rotation rules as required by the local regulations in Albania with regards to audits of banks, non banks, and insurance clients.

All partners and staff when involved in an audit team and starting individual work under an engagement of a specific client shall complete a declaration stating whether he/she has knowledge of any circumstances that could compromise the independence with regard to this client.

9 Continuing education of statutory auditors

Our strategic objective is to attract talented professionals. We are proud for our people and we are doing whatever is necessary for their progress.

Our audit professionals obtain internal trainings at least once a year. Furthermore based on the experience level our staff is strongly encouraged and supported to obtain membership in ACCA and IEKA.

Baker Tilly International have been certified by the ACCA as approved employer for training purposes.

Professional development occurs through coaching and experiences our professionals receive on the job. Coaching helps to transform knowledge and experience into practice. Experienced professionals are expected to coach and develop less experienced personnel to create a continual learning environment.

In addition to the above, all registered auditors in Baker Tilly Albania maintain their qualification through continuous education and training courses, organized internally or by the IEKA and ACCA.

10 Financial Information

Analysis of turnover

The analysis of our company's turnover for the year ended 31 December 2017 is as follows:

Services	Turnover in Lek	% versus total turnover
Audit services	17,734,988	47%
Other services	19,711,502	53%
Total	37,446,490	100%

Insurance cover

Our company has a professional indemnity insurance cover in accordance with the statutory requirements.

11 Remuneration of statutory auditors

The partners' compensation system is based on the reward system adopted by Baker Tilly Albania. It is designed to reflect individual partner's responsibilities and experience, their role in the management of the professional practice as a whole, as well as local market conditions.

The amount of the performance profit related component awarded at the conclusion of the financial year depends on the partner's performance and is subject to availability of distributable profits.