

LAW No. 06/L –032

ON ACCOUNTING, FINANCIAL REPORTING AND AUDITING

Assembly of the Republic of Kosovo,

Based on Article 65 (1) of the Constitution of the Republic of Kosovo,

Approves:

LAW ON ACCOUNTING, FINANCIAL REPORTING AND AUDITING

**CHAPTER I
GENERAL PROVISIONS**

**Article 1
Purpose**

1. This Law regulates the accounting and financial reporting system of business organizations, the powers and responsibilities of the Kosovo Council for Financial Reporting (KCFR), auditing requirements, qualifications for professional accountants, licensing of local and foreign auditors and audit firms, as well as professional accounting organizations.

2. This Law approximates national legislation with the following directives of the European Union:

2.1. 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, amending Council Directives 78/ 660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC;

2.2. Directive 2008/30/EC of the European Parliament and of the Council of 11 March 2008 amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, as regards the implementing powers conferred on the Commission;

2.3. Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC;

2.4. Directive 2014/56 /EU of the European Parliament and of the Council of 16 April 2014 amending Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts.

Article 2

Scope

1. The provisions of this Law are binding to all registered business organizations and which conduct their activity in the Republic of Kosovo, according to the legislation in force.
2. Provisions of this Law shall not apply to the Central Bank of the Republic of Kosovo and to all organizations licensed by the CBK, in accordance with the legislation in force.

Article 3

Definitions

1. Terms used in this Law shall have the following meanings:

1.1. **Bookkeeping**- the chronological recording in a journal, systematic recording in accounting books of all the data and economic-financial evidence pertaining to an economic entity;

1.2. **Accounting System**- an organized structure consisting of manual or computerized methods for accounting, procedures and controls designed to collect, record, classify, analyse, summarize, interpret and present accurate and on time data for management decisions;

1.3. **Annual report**- a report issued by the business organizations for annual period including the general purpose financial statements as well as the auditor's opinion if applicable;

1.4. **Audit firm**- a legal person or any other entity notwithstanding its legal status that is licensed to conduct statutory audit activities in accordance with this Law;

1.5. **General Purpose Financial Statements (GPFS)** - the balance sheet, incomes statements, cash flow statements, equity changes statement, supplementary data, and explanatory materials of financial statements;

1.6. **Business Organization** - any type of commercial society established in Kosovo under the legislation in force on Business Organizations;

1.7. **Foreign Trade Business Organization**- a Foreign Trade Business Organization as provided by the legislation in force on Business Organizations;

1.8. **International Accounting Standards (IAS)** - International Financial Reporting Standards (IFRS), and related interpretations of the International Financial Reporting Interpretations Committee, subsequent amendments to these standards and related interpretations, and standards related in the future, as well as interpretations issued and adopted by the International Accounting Standards Board (IASB), and approved by the KFRC;

1.9. **International Standards on Auditing (ISA)** - International Auditing Standards and relevant guidelines of the International Auditing and Assurance Standards Board (IAASB), and approved by the KCFR;

1.10. **Statutory Auditor**- the natural person licensed in accordance with the provisions of this law;

1.11. **Key Audit Partners** - means:

1.11.1. licensed auditor nominated by an audit firm for a particular audit engagement, who is main supervisor for carrying out an audit on behalf of the audit firm;

1.11.2. in case of a group of audits, audit firm shall nominate at least one (1) auditor as principal responsible to conduct auditing at the group level; or an auditor nominated by the audit firm as the principal responsible for conducting audit at the branch level; or

1.11.3 statutory auditor who signs the audit report.

1.12. **Person**- natural or legal person;

1.13. **Professional Accounting and Auditing Association** - a non-profit organization, non-governmental accounting and auditing activity that within a period of three (3) years from the entry into force of this Law becomes a monitoring member and within five (5) years from the entry into force of this law becomes a full member of the Federation International Accountants (IFAC), and serves the public interest through the implementation of Declarations for Membership Obligations in the Development of Accounting and Auditing Professionals, and which defines and implements ethical and professional standards that incorporate initial and ongoing requirements of vocational education for accountants and auditors. For associations established after the entry into force of this Law, the deadlines from the date of licensing by the KFRC shall apply

1.14. **Public interest entities (PIE)** – are:

1.14.1. financial institutions subject to licensing by the Central Bank of the Republic of Kosovo (CBK) under the legislation into force;

1.14.2. public and socially-owned enterprises and business organizations that meet the criteria to be classified as large business organization, in accordance with this Law;

1.14.3. entities whose securities are admitted to trading in a regulated market in the Republic of Kosovo, according to the legislation in force.

1.15. **Statutory audit** - audit of individual annual financial statements or consolidated annual financial statements performed by the statutory auditor or audit firm, prescribed under the provisions of this Law;

1.16. **Competent authority** - the authority or organization which is designated by law and is charged with oversight of statutory auditors and audit firms and other operations in the corporate financial reporting system or other specific parts;

1.17. **A person who does not exercise the profession** - a natural person who, prior

to involvement into the system of public oversight for statutory audit in Kosovo, has not been eligible to vote in an audit firm, has not been a member of the administrative or management body of an audit firm and has not been employed or engaged in other forms in an audit firm for the past three years;

1.18. International Financial Reporting Standards for Small and Medium-Sized Enterprises (IFRS for SMEs) - Standards published by the IASB and approved by KCFR;

1.19. Group auditor - statutory auditor and audit firms performing the audit of the consolidated financial statements;

1.20. Group - the parent business entity and all its affiliates;

1.21. Affiliated audit firms - any audit firm, regardless of its legal form, which is affiliated with an audit firm in the form of joint ownership, control or management;

1.22. Parent company - business entity who controls one or more subsidiaries;

1.23. Subsidiary - a business company controlled by the parent company, including any subsidiary of a parent company;

1.24. Affiliated companies - one or more companies within a group;

1.25. Joint stock companies - a company in which another company has a participatory interest at least twenty percent (20%) and that has a significant impact on the financial and operating policies of which the other company;

1.26. Statements of Membership Obligations (SMO) - mandatory requirements of IFAC to its members;

1.27. Net turnover - the amount generated by the sale of goods and the provision of services after deductions and returns, excluding value added tax and other taxes directly related to turnover; and

1.28. Consolidated Financial Statements - the annual financial statements of a group of entrepreneurs in which the designated entrepreneur (the parent company) enjoys the right to manage the financial and business policies of one or more of the affiliates (subsidiaries) in the manner through which it gains profits, whereas these reports are presented as unique.

1.29. Network - means:

1.29.1. structure aimed at cooperation and to which the statutory auditor or legal audit firm belongs; and

1.29.2. a structure which aims at sharing profit, expenses or joint ownership, control or management, common quality control policies and procedures, common business strategy, joint use of the firm's name or a substantial part of the professional resources.

1.30. **Equity** - the assets that are intended for the continuous use of business activity;

1.31. **Purchase Price** - the price payable and any costs incurred during the purchase, deducting any reduction in the cost of the purchase.

1.32. **Cost of production** - implies the purchase price of raw materials, consumables, which is directly related to the output produced, including the total fixed and variable costs that are included in a reasonable manner, and excluding the distribution costs.

1.33. **Value adjustment** - the adjustment for recording changes in asset values at the date of Balance Sheet;

1.34. **Extrapolation** - proportional adjustment of the measuring unit for a full financial year in cases where the reporting period does not constitute a full financial year;

1.35. **Certified Accountant** - qualified person as an accountant certified by a licensed association of KKRF, who is a member of the regular status to an association;

1.36. **Statement of Compliance** - shall be a statement which determines the policies of the enterprise, which, according to the opinions of the directors, are met along with their relevant obligations;

1.37. **Contingent prices** – are fixed prices, based on the work results of the auditor. It means that statutory auditors or legal audit firms should not establish contractual relations with contingent prices on auditing or other services of giving assurance, since such contractual relations produce a situation of conflict of interest.

CHAPTER II ACCOUNTING AND FINANCIAL REPORTING

Article 4 Financial Reporting

1. Business Organizations shall prepare general purpose financial statements in accordance with this Law.
2. Business Organizations, which conduct their activities by social or public means, shall prepare general purpose financial statements in accordance with this Law.
3. Business Organizations, while preparing general purpose financial statements, shall apply the IASs and IFRSs, IFRS for SMEs and sub-legal acts issued by KFRC.

Article 5 Classification of enterprises

1. For the purposes of this Law, business organizations as defined in this Law are classified as micro-enterprises, small enterprises, medium-sized enterprises and large enterprises, on the

basis of the indicators determined on the last day of the previous financial year, for the purposes of preparing the financial statements for the current year, according to the following criteria:

- 1.1. statement of financial position;
 - 1.2. net turnover; and
 - 1.3. average number of employees during the financial year.
2. Micro-enterprises are enterprises that do not exceed the limits of at least two (2) of the following criteria:
- 2.1. statement of financial position of three hundred and fifty thousand euro (350,000.00 €);
 - 2.2. net turnover of seven hundred thousand euro (700,000.00 €) Euro; and
 - 2.3. average number of employees during the financial year: ten (10).
3. Small enterprises are enterprises which are not micro-enterprises but shall not exceed more than two (2) of the following criteria:
- 3.1. statement of financial position of four million euro (4,000,000.00 €);
 - 3.2. net turnover of eight million euro (8,000,000.00 €); and
 - 3.3. average number of employees during the financial year: fifty (50).
4. Medium-sized enterprises are enterprises that are neither micro-enterprises nor small enterprises, but shall not exceed two (2) of the following criteria:
- 4.1. statement of financial position of twenty million euro (20,000,000.00 €);
 - 4.2. net turnover of forty million euro (40,000,000.00 €); and
 - 4.3. average number of employees during the financial year: two hundred and fifty (250).
5. Large enterprises are those enterprises which at their balance sheet dates exceed at least two (2) of the following three (3) criteria:
- 5.1. statement of financial position of twenty million euro (20,000,000.00 €);
 - 5.2. net turnover of forty million euro (40,000,000.00 €); and
 - 5.3. average number of employees during the financial year: two hundred and fifty (250).
6. Newly established business organizations and business organizations with legal status

changed shall be classified in accordance with paragraphs 2, 3, 4 and 5 of this Article and on the basis of indicators for the period from the date of establishment or the change of legal status up to the end of the first year of business.

7. For the purposes of classification of paragraph 6, the amounts relating to the criteria set out in paragraph 6 shall be extrapolated on an annual basis.

8. Business organizations groups for the purpose of this Law are divided into small enterprises, medium-sized enterprises and large enterprises, depending on indicators set on the consolidated basis of the indicators set at the end of the previous financial year for the purposes of preparing financial statements of the current year, according to the following criteria:

8.1. statement of financial position;

8.2. net turnover;

8.3. average number of employees during the financial year.

9. Small groups are groups composed of parent business organizations and their subsidiaries that will be included in consolidation and that, on a consolidation basis, do not exceed the limits of at least two (2) of the following three (3) criteria at the balance sheet date of the parent business organization:

9.1. statement of financial position of four million euro (4,000,000.00 €);

9.2. net turnover of eight million euro (8,000,000.00 €);

9.3. average number of employees during the financial year: fifty (50).

10. Medium sized groups are groups that are not small groups and which consist of parent business organizations and their subsidiaries that will be included in consolidation and that, on a consolidation basis, do not exceed the limits of at least two (2) of the three (3) criteria the following at the balance sheet date for the parent business organization:

10.1. statement of financial position of twenty million euro (20,000,000.00 €);

10.2. net turnover of forty million euro (40,000,000.00 €);

10.3. average number of employees during the financial year: two hundred and fifty (250).

11. Large Groups are groups composed of parent business organizations and their subsidiaries that will be included in consolidation and which, on a consolidation basis, exceed the limits of at least two (2) of the following three (3) criteria at the balance sheet date of the parent business organization:

11.1. statement of financial position of twenty million euro (20,000,000.00 €);

11.2. net turnover of forty million euro (40,000,000.00 €);

11.3. average number of employees during the financial year: two hundred and fifty (250).

Article 6

Preparation of accounting documents

1. The accounting document must be authentic, in a regular condition and prepared in a manner that ensures timely oversight. The person authorized to represent the entrepreneur or the person authorized to represent by delegation of the authority, guarantees with his signature in the accounting document that the latter is authentic and in a regular condition.
2. Notwithstanding paragraph 1 of this Article, the invoice serving as an accounting document issued by the entrepreneur should not be signed, if it is prepared in a manner which is in accordance with tax legislation and contains the name and surname of the person responsible for its issuance.
3. The accounting document must be drafted in such a way as to enable the technical person to distinguish the relevant transaction.
4. Entrepreneur or responsible person controls the accuracy and integrity of the accounting document before placing the information from the accounting document in the ledgers.

Article 7

Application of standards in drafting of financial statements for large business organizations

1. Large business organization in Kosovo in accordance to Article 5, paragraph 5 and 11 of this Law shall apply IAS/IFRS as well as interpretations, recommendations and necessary guidance issued by IAASB which shall be approved by KCFR. The financial statements should also have attached:

1.1. Audit Opinion on Financial Statements provided by an Audit Firm Certified by KCFR and Registered in Kosovo;

1.2. Statement of Compliance signed by executive director and chief financial officer that the financial statements present a true and fair view of the financial position, operations results and cash flows; and that the financial statements have been prepared in accordance with the Law;

1.3. the management report, which must contain a fair assessment of the development and performance of enterprises, as well as its position, including the main risks and uncertainties associated with it. The assessment should be balanced and comprehensive relative to the development and performance of the enterprise and its position, based on the complexity and size of the enterprise. In order to provide complete information concerning the progress, performance and financial position of the enterprise, assessment should include, where appropriate, financial and non-financial performance indicators of the company, including information about environmental issues and employers. Where appropriate, the analysis should refer to the data in the financial statements. The management report should include the following information:

1.3.1. future development of the enterprise;

1.3.2. activities in the field of research and development;

1.3.3. publication of information on enterprise units; and

1.3.4. enterprise exposure to credit, price, liquidity and cash flow risks.

1.4. Corporate Governance Statement, which should be a separate part of the management report and shall contain at least the following information:

1.4.1. all information on the corporate governance practices;

1.4.2. description of internal control systems and risk management related to the financial reporting process; and

1.4.3. composition and functioning of the managerial and oversight bodies and their committees.

2. Financial statements prepared in accordance with the requirements of this Article shall be signed by the Executive or General Director and by the Financial Director or Chief Financial Officer and/or the Certified Accountant.

3. Public interest entities within their corporate governance structure shall establish a statutory auditing committee with independent membership of non-executive directors, where one of the members of that committee having a working experience in accounting and finance.

4. The Audit Committee provided for in paragraph 3 of this Article oversees the work of the internal auditor and external audit; and the operating efficiency of the company's internal controls related to financial reporting.

5. Public interest entities should have an internal auditor within their corporate structure. The internal auditor shall not perform other duties in the business organization and must have at least three (3) years of work experience in the field of accounting or auditing.

Article 8

Implementation of Standards for the Preparation of Financial Statements for Small and Medium Business Organizations

1. Business Organizations under Article 5, paragraphs 3, 4, 9 and 10 shall prepare their financial statements for general purposes in accordance with IFRS for SMEs, according to the following specifications:

1.1. business organizations that meet the criteria of Article 5, paragraphs 3, 4, 9 and 10 with a net annual turnover of over four million euro (4,000,000.00 €) shall enclose the audit opinion to the financial statements provided by an audit firm registered in Kosovo;

1.2. business organizations that meet the criteria of Article 5, paragraphs 3, 4, 9 and 10 with a net annual turnover of over four million euro (4,000,000.00 €) shall enclose a declaration of compliance signed by the Executive Director / General Director and the chief financial officer who certify that the financial statements present a true and fair view of the financial position, operations results, cash flows and that the financial statements have been prepared in accordance with this Law.

1.3. business organizations which meet the criteria of Article 5, paragraphs 3, 4, 9 and 10 with a net turnover less than or equal to four million euro (4,000,000.00 €) shall enclose to the financial statements the independent auditor revision report in accordance with International Standards for Revision Engagements.

2. Financial Statements prepared in accordance with the requirements of this Article shall be signed by the Executive or General Director and the financial director or chief financial officer of the business organization and/or by an accountant certified by professional associations for medium-sized enterprises and medium-sized enterprise groups.

Article 9

Reporting by Micro Enterprises

The reporting of micro-enterprises, as defined in Article 5, paragraph 2 of this Law, shall be regulated by sub-legal acts by the KCFR.

Article 10

Audit of financial statements

1. All statutory audits in Kosovo, which include all audits required under this Law, and external independent audits of other business or not-for-profit, socially owned or publicly owned enterprises or other entities as mandated by other applicable Laws in Kosovo shall be carried out in accordance with the International Standards of Auditing (ISAs), and related interpretations, guidance and pronouncements of the IAASB, and by Auditors that are approved to carry out statutory audits by the competent authorities as defined in this Law, as follows:

1.1. the audit report shall be signed by statutory auditor, where the signing date is also signed. When an audit firm carries out an audit, the audit report is signed at least by the statutory auditor carrying out the audit on behalf of the audit firm;

1.2. the audit report is compiled in accordance with the ISA promulgated by the IAASB. When the audit firm audits the PIE financial statements, the firm shall:

1.2.1. express an opinion on that:

1.2.1.1. whether the management report is consistent with the financial statements for the same financial year; and

1.2.1.2. whether the management report has been prepared in compliance with applicable legal requirements.

1.2.2. state whether, in terms of knowledge and understanding of the company and its environment, obtained during the audit, material misstatements have been identified in the management report and that reveal indications for such a misstatement; and

1.2.3. sub-paragraph 1.2.1 of this Article applies equally to the consolidated financial statements and to the consolidated management reports.

1.3. the audit report for the consolidated financial statements shall be in accordance

with the requirements set out in sub-paragraph 1.2.1 of this Article. When reporting on the compliance of the management report and the financial statements as required by sub-paragraph 1.2.3 of this Article, the statutory auditor or audit firm shall take into account the consolidated financial statements and the management report. When annual financial statements of the parent enterprise are attached to the consolidated financial statements, the audit reports required under this Article may be combined.

2. Business organizations in Kosovo under Article 5, paragraphs 5, 10 and 11 of this Law shall appoint an auditor or an audit firm for the initial engagement for at least one (1) year. Engagement can be renewed. Neither the initial engagement of a statutory auditor or audit firm nor the combination with any renewed engagement must not exceed the maximum duration of ten (10) years.

3. After expiration of the maximum duration of the engagements mentioned in paragraph 2 of this Article, auditor and audit firm shall not undertake audits prescribed by Law in the same entity within four (4) years following period.

4. An audit firm that carries out audits of business organizations in Kosovo, pursuant to Article 5, paragraphs 5, 10 and 11 of this Law, publishes an annual transparency report not later than four (4) months after the end of each financial year. This transparency report is published on the website of the auditor or audit firm and remains available on the site for at least five (5) years from the date of its publication on the website.

5. The annual transparency report includes at least:

5.1. description of the legal structure and ownership of the audit firm;

5.2. where the auditor or audit firm is a member of any network, it includes:

5.2.1. network description as well as legal and structural arrangements in the network;

5.2.2. the name of any auditor who acts as sole acting profession or audit firm that is a member of the network; and

5.2.3. total turnover achieved by auditors who act as sole acting profession and audit firms that are members network of the arising from compulsory audit by Law for the annual and consolidated financial statements.

5.3. a description of the governance structure of the audit firm;

5.4. description of the internal quality control system of the auditor or audit firm and a statement by the administrative or management body on the effectiveness of its functioning;

5.5. an indication of when the last review of quality assurance is carried out;

5.6. list of public interest entities for which a statutory auditor or audit firm has carried out audits during the preceding financial year;

5.7. a statement regarding the independence of the auditor or audit firm which also

confirms that an internal review of compliance and independence has been carried out;

5.8. statement on the policy followed by the audit firm regarding the continuous education of auditors;

5.9. information concerning the basis for the remuneration of partners in audit firms; and

5.10. information on the overall turnover of the auditor or audit firm.

6. All revision engagements shall be undertaken by statutory auditors in accordance with international standards of revision engagements issued by the IAASB (International Standard No. 2400 on Revision Engagements).

7. Statutory auditors and audit firms are required to specifically apply the International Standards on Quality Control 1 (ISQC 1) adopted by KCFR in relation to the audit and assurance services in Kosovo.

8. The fees for the provision of audits shall not be contingent fees.

9. Business organizations which have a statutory audit obligation shall appoint an audit firm or statutory auditor at the latest in the last three (3) months before the end of the reporting period during which the statutory audit is required in accordance with this Law.

10. The annual financial statements are permanently retained in their original form.

Article 11

Accounting records and account books

1. Accounting records are required to be kept by business organisations.

2. Accounting records include initial accounting entries and supporting evidences, such as checks and electronic fund transfer records; invoices; contracts; general and secondary ledger, journal entries and other adjustments in the financial statements that are not reflected in journal entries, and records as worksheets that support cost allocations, calculations, reconciliations and disclosures. Accounting records are stored in the double accounting system.

3. Account books include records or books, where all transactions of the subject are recorded. Accounting records include books and journals. The journal is an accounting record in which transactions are recorded in the manner in which they occur.

4. Ledger is a chronological log book which used to keep track of financial transactions. Transactions are categorized and summarized in the General Ledger accounts. The account is a separate register for each type of property, liability, capital, income and expense and off-balance sheet items. The ledger accounts shall include all accounts of the entity's chart of account.

5. Relevant documentation for general ledger consists of:

5.1. accounting records justified with the supporting evidence, of electronic or hard

copy documents, which ensure their credibility;

5.2. the supporting evidence maintained as a documented proof throughout the time period specified in Article 20 of this Law;

5.3. supporting documentation providing evidence of the accounting records transactions that are legitimate, electronically or in hard copy; and

5.4. supporting documentation showing the date, the parties involved, the net amount of taxes, fees and transaction description.

Article 12

Stocktaking of assets and liabilities

1. Business organizations, subject to this Law, must verify at least once a year the existence and evaluation of assets, liabilities, and capital through the stocktaking of these elements and their supporting evidence through the stocktaking process.

2. Stocktaking of assets and liabilities is made under the responsibility of the steering body of business organizations and in accordance with the procedures approved thereby. The stocktaking should be reconciled with the accounting ledgers.

3. If due to different circumstances, the initial (historical) state of the property does not possess source documents or the asset stock is unknown, their validity for registration purposes and tax purposes is assessed by licensed domestic or foreign real estate appraisers for evaluation and registration of assets.

Article 13

Language, date format and currency of accounting registers

1. Accounting registers are maintained in the official languages of the Republic of Kosovo as stipulated by the Constitution of the Republic of Kosovo, whereas the currency used is Euro.

2. The documents written in foreign language and currency received or send to foreign economic units having no permanent residence in the Republic of Kosovo shall be evaluated according to the content of the paragraph 1 of this Article.

3. Business organizations pursuant to this Law may keep the accounting records also in English language, but are obliged to translate the financial statements in official languages of the Republic of Kosovo.

Article 14

Annual financial report

1. Businesses organizations shall prepare annual financial statements in the format, content and manner as determined by this Law and sub-legal acts.

2. With the exception of the provision of paragraph 1 of this Article, business organizations whose business is determined by legislation into force and according to which the body authorized

to exercise their business supervision has the content and structure of the annual financial statements defined through deposits, shall compile annual financial statements in accordance with this Law and legislation into force.

3. Annual Financial Statements shall contain:

- 3.1. balance sheet at the end of period;
- 3.2. statement of revenues for the period;
- 3.3. statement of cash flow for the period;
- 3.4. statement of capital changes; and
- 3.5. notes, which comprise a summary of significant accounting policies and other explanatory notes.

4. The structure and content of annual financial statements shall be regulated by a sub-legal act issued by the Ministry of Finance upon proposal of KCFR.

5. The annual financial statements shall provide an objective and true view of the financial position, financial performance and the cash flow of the business organization.

6. The annual financial statements are drafted for the business year, which is the same as the calendar year.

7. The person authorized to represent the company is responsible for the annual financial statements.

8. The annual financial statements are kept in the source archive of the business organization.

9. If the statutory auditor, in accordance with the rules governing the audit, refrains from providing the opinion, it is considered that the obligation of the enterprises referred to paragraph 5 of this Article has not been implemented.

Article 15

Consolidation of the annual financial statements

1. Entrepreneur who represents the parent company in the enterprise group compiles consolidated annual financial reports.

2. The parent company, within the meaning of this Law, is considered an entrepreneur who meets at least one (1) of these conditions:

- 2.1. has the majority of the ownership of the stock or of the share (shares) that gives the right to vote for other entrepreneurs;
- 2.2. has the right to propose or dismiss the majority of the members of the Management (Director) or oversight board of the other entrepreneur;

2.3. has the right of significant influence to the other entrepreneur under the contract or any other legal relationship;

2.4. if the majority of the management or oversight board of the subordinate entrepreneur who exercised this function in the last business year and continue to exercise until the compilation of the annual financial report, are assigned only to execute the voting right of the parent company; or

2.5. have shares or the right of decision-making in a subsidiary to oversee the voting rights in the subsidiary.

3. The provisions of paragraphs 3 to 8 of Article 14 of this Law shall apply in the preparation of the consolidated annual financial statements.

4. Consolidated annual financial statements shall not include the financial statements of a subsidiary if it has no significant impact on these financial statements and the results of the parent company's operations. In this case, the notes accompanying the financial reports are indicated the reasons why the financial position and the results of the operations of a particular entrepreneur are not included in the consolidated financial statements.

5. The detailed terms and conditions of the consolidated annual financial statements are governed by IFRSs approved by KCFR.

Article 16

Accounting calendar year

1. The accounting calendar year begins on 1 January and ends on 31 December.

2. Notwithstanding paragraph 1 of this Article, the annual financial report shall be prepared and submitted in the following cases:

2.1. on the day of opening bankruptcy proceedings; and

2.2. on the day of compulsory changes under the legislation in force.

Article 17

Time limits for submission and publication of financial statements

1. The financial statement of the Business Organizations have to be audited in accordance with International standards on auditing and in accordance with Article 7 paragraph 1 and Article 8, paragraph 1 of this Law, submitted and published in KCRF and a copy submitted to Ministry of Trade and Industry, no later than 30 April of the following year.

2. Consolidated financial statements have to be audited in accordance with International standards on auditing and in accordance with Article 10, paragraph 1 of this Law shall be submitted to KCFR, no later than 30 of June of the following year.

Article 18

Submission and Publication of Financial Statements

1. Business Organizations in Kosovo pursuant to Article 5, paragraphs 4, 5, 10 and 11 of this Law shall submit to the KCFR for publication of the annual financial statements, respectively the consolidated financial statements, the management report, the consolidated management report and the audit report of the annual financial statements, respectively the audit report of the consolidated annual financial statements.
2. Under Article 5, paragraphs 2, 3 and 9, business organizations in Kosovo shall submit to the KFRC the annual financial statements, respectively the consolidated financial statements and the report on the revision of the consolidated annual financial statements.
3. Business Organizations in Kosovo, pursuant to Article 5, paragraphs 4, 5, 10 and 11 of this Law, together with the financial statements provided for in paragraph 1 of this Article, shall submit to KCFR decisions on the approval of annual financial statements, respectively consolidated financial statements by the competent authority, and the decision on the proposal for distribution of profits or losses, if they are not part of the annual financial statements or annual consolidated financial statements or annual reports or consolidated annual reports.
4. A business organization that did not have any business activity during the business year and did not record any data on the assets and liabilities in the accounting books, submits to the KCFR the declaration of inactivity for the previous business year by March 31 of the following year.
5. The company shall submit to KCFR reports from paragraphs 1 to 3 of this Article, in hard and electronic copies.

Article 19

Financial information for statistical and other purposes

1. The entrepreneurs and the persons referred in Article 5 of this Law shall submit to the Kosovo Agency of Statistics and KCFR, by 30 April of the current year, the statement of financial position, profit and loss account and additional information related to the previous calendar year for statistical and other purposes.
2. The format and content of the additional information referred to in paragraph 1 of this Article shall be determined by sub-legal act issued by the Ministry of Finance.

Article 20

Closure and Storage of documents

1. It is mandatory that accounting ledgers be concluded by the end of the business year and stored in the terms that are set forth by the provisions of this Law.
2. If the ledgers are stored as electronic records, it is mandatory that the general ledger after the conclusion at the end of the business year, be protected so that no changes neither in its parts or record sheets could be made, and that at any time be enabled for printout on paper and it is mandatory to be signed with the electronic signature in accordance with the provisions that govern the electronic signature or it is mandatory to be printed on paper and linked in manner so that there is no opportunity to make changes to any part of it or any pages and it is binding

to be signed by the person authorized to represent the business organization.

3. Journal, General Ledger and supporting books shall be stored for at least ten years (10) whereas this period begins from the last day of the financial year.

4. Payrolls are stored indefinitely. The accounting documents on the basis of which the accounts are kept shall be stored for at least five (5) years. Sales Books or Ancillary Forms and Related Documents, documents related to the payment activity are stored for at least three (3) years.

CHAPTER III KOSOVO COUNCIL FOR FINANCIAL REPORTING

Article 21 Composition

1. KCFR is an independent professional body and competent authority, as set by provisions of this Law, consists of seven (7) members as follows:

1.1. one (1) member from the CBK;

1.2. one (1) member from Universities providing higher education in accounting and auditing;

1.3. one (1) member from the Ministry of Finance;

1.4. one (1) member from the professional accounting organizations licensed by the KCFR;

1.5. three (3) members from the business community that are familiar with finances and business administration;

2. The Chairperson and the members of the KCFR are proposed by the respective institutions under paragraph 1 of this Article and are appointed by the Government of the Republic of Kosovo for a term of three (3) years, with the right of reappointment for another mandate.

3. During the exercise of the mandate in the KCFR, members cannot hold public functions and be political appointees.

4. The appointed persons in the KCFR must meet the following qualification criteria:

4.1. University Degree in Accounting, Finance, Business Administration, or Law;

4.2. at least eight (8) years of work experience in the field of accounting, finance and audit;

4.3. a good reputation and relevant professional skills.

4.4. not be convicted of a criminal offense by a final judgement, for more than six (6) months for matters pertaining to the scope of the KCFR;

5. The Government of the Republic of Kosovo, upon proposal of the institutions, according to paragraph 1 of this Article may discharge the members of KCFR on the grounds of:

5.1. when he/she has been sentenced for a criminal offence for more than six (6) months by a final judgement;

5.2. weak performance

5.3. legal administration, bankruptcy, or compulsory liquidation, from the Court or any competent authority, of each company under the ownership, or being ran directly or indirectly, of the member; and

5.4. being married to, or having second degree family relationship with another member or official of KCFR.

6. In the event of discharge, death, or resignation of member from KCFR, the Government of the Republic of Kosovo shall appoint a new member no later than sixty (60) days, who shall serve in lieu of the member being replaced.

7. KCFR holds meetings as needed. The meetings of KCFR shall be held if at least five (5) members are present. The Council shall make a decision upon the majority of votes of the member being present. In the event of equal votes, the Chairman's vote shall be decisive.

8. KCFR shall be supported by a sufficient number of personnel in carrying out its duties as stipulated in Articles 22 and Article 23 of this Law.

9. Each KCFR member shall receive compensation for the work done, the height of which is determined by the Ministry of Finance.

10. Funding for KCFR will be provided by the Budget of the Republic of Kosovo and donations. Donations cannot be made by the parties that are subject to this Law.

11. KCFR issues its own regulation of duties and work.

Article 22

KCFR functions and responsibilities

1. KCFR functions are to:

1.1. oversee the implementation of this Law and sub-legal acts adopted pursuant to this Law, and to take action on oversight of enforcement and disciplinary measures for improper implementation;

1.2. approve the IAS in accordance with the IASs approved by the IASB and relevant EU legislation;

1.3. approve, supervise and implement audit standards in accordance with ISAs and relevant EU legislation;

- 1.4. license, retain and publish the register of auditors, audit firms and associations;
 - 1.5. adopt the standards of professional ethics, internal quality of audit firms; and
 - 1.6. validate the international certificates of auditors and accountants.
2. The register of auditors, in accordance with sub-paragraph 1.3 of this Article, shall contain the following information:
- 2.1. name, address and registration number; and
 - 2.2. if applicable, the name, address, website address and registration number of the audit firm in which the auditor is employed or with whom he or she is affiliated as a partner or otherwise.
3. Register of audit firms under sub-paragraph 1.3 of this Article should contain the following:
- 3.1. name, address and registration number;
 - 3.2. legal form;
 - 3.3. the contact information, the contact person and, where applicable, the address of the official website;
 - 3.4. name and registration number of all auditors employed or affiliated as partners or otherwise with audit firms;
 - 3.5. names and business addresses of all owners and shareholders;
 - 3.6. names and business addresses of all members of the administrative or management body;
 - 3.7. if applicable, network membership and a list of names and addresses of member firms and affiliates or indications of where this information is publicly available; and
 - 3.8. any updating of the data provided for in this paragraph, within a period of fifteen (15) days with the relevant document signed by the statutory auditor or representative of the firm.
4. Candidates having titles and other qualifications have the right to recognition of such titles and qualifications on the basis of a request for recognition in Kosovo. Each KCFR licensed association should have a scheme approved by the KCFR for the recognition of qualifications and titles other than those provided by the association so that the interested candidates may exercise the rights described in this paragraph.
5. In carrying out its functions and responsibilities under this Law, the KCFR is supported by an Administrative Secretariat (Secretariat) composed of heads and other administrative officers. The head of the Secretariat and the civil servants are subject to the relevant civil service legislation.

6. The Secretariat prepares the annual budget proposal of the KFRC after obtaining prior approval from the KFRC and submits it to the Ministry of Finance

7. The KCFR is obliged to present financial statements to business organisations if such a thing is required by the Tax Administration of Kosovo.

Article 23

KCFR Commissions

1. For the purpose of overseeing the implementation of the provisions of this Law KCFR shall appoint committees such as.

1.1. Commission on accounting and auditing standards;

1.2. Commission on licensing of the auditors, audit firms and associations

1.3. Commission on investigations and discipline;

2. KCFR can also establish other temporary commissions as needed.

3. Members of these commissions will be qualified individuals with high professional background in the field that relates to the functions and purposes of commissions and are compensated for their work, according to the decision of the Ministry of Finance.

4. KCFR may seek direct assistance from professionals with high qualifications in the Audit field, to become members of the commission in accordance with paragraph 1 of this Article, if these professionals, for at least three (3) years:

4.1. have not included in the monitoring system;

4.2. have not performed any statutory audits;

4.3. did not have any voting rights in the audit firms;

4.4. have not been a member of administrative or management body of audit; and

4.5. have not been employed or partner to any audit firm.

5. KFRC regulates by sub-legal act the composition, competencies and functions of committees provided for in this Article

Article 24

Public Oversight Board

1. The KCFR establishes the Public Oversight Board (the Board), which functions as the executive branch of the KCFR. The board has the responsibility for overseeing:

- 1.1. continuing education;
 - 1.2. quality assurance systems; and
 - 1.3. investigative and administrative disciplinary systems.
2. Public oversight board will be composed of five (2) members. Two (2) members will be from KCFR, are representatives of the organization and the Central Bank of Kosovo, two (2) members of organization and one (1) member appointed by the Central Bank of Kosovo who is not a member of the KFRC. Head of Board is appointed by KCFR. Board should be accountable to KCFR by regularly reporting on its activities.
3. All statutory auditors and audit firms are subject to public oversight.
4. All inspections and quality control supported by appropriate audit files tests, which should contain an assessment of compliance with international audit standards and requirements on auditor independence, quantity and quality of resources spent for the audit, as well as the audit cost. Inspections should have a report with conclusions.
5. The board shall be governed by a majority of non-practitioners who are knowledgeable in the areas relevant to statutory audit. The nominees for the board members will be selected in accordance with an independent and transparent procedure, determined with sub-legal act by KCFR.
6. The board will have a fundamental responsibility in quality control of auditors and audit firms and the responsibility of the investigation and discipline.
7. In order to ensure an adequate capacity and appropriate combination of education and experience, the Board will employ quality reviewers with the following qualifications:
- 7.1. to be a certified auditor who has not exercised the profession in the last three (3) years;
 - 7.2. at least four (4) years of auditing experience in a licensed auditing;
 - 7.3. demonstrated ability to assess professional judgements made by the auditors; and
 - 7.4. unquestionable integrity and ethics background; and
 - 7.5. not to have conflict of interest.
8. In order to ensure sufficient capacity when complex issues are at issue, the Board may determine that it is necessary to engage outside experts, who may include practicing auditors. In such case, the experts shall not be allowed to make any decisions and should not have a conflict of interest with the matter or entity being treated.
9. The board shall carry out quality assurance reviews of auditors and audit firms that carry out audits on the basis of a risk analysis and in the case of statutory auditors and audit firms carrying out audits of business organizations in Kosovo under Article 5, paragraph 4, 5, 10 and 11 at least every three (3) years; and in other cases at least every six (6) years.

10. The Board shall have the following responsibilities:

10.1. preparation and proposal of KFCR for approval and amendment of the inspection methodologies, including inspection and follow up manual, reporting methodologies and periodic inspection programs;

10.2. preparation and proposal of KFCR for approval and amendment of inspecting reports and follow up reports;

10.3. approval and appointment of inspectors for each inspection; and

10.4. preparation and proposal of six (6) months plan and annual plan of inspection for approval from KFCR.

11. Funding for Public Oversight Board shall be provided by KFCR and this funding provides sufficient resources to efficiently exercise the functions of the Board.

12. The Board publishes annually until 31 March report on results of quality inspections for the previous year.

Article 25

Supervision of Accounting Associations and Statutory Auditors

1. KFCR demands from the organizations to present the following documents:

1.1. the plan of activities which includes the fulfilment of the requirements arising from this Law and obligations related to membership in IFAC;

1.2. a copy of the Code of Ethics;

1.3. report on the organization proving the quality assurance programme and activities undertaken in this area during the reporting year;

1.4. report in relation to the results of the investigation and discipline in the association including the disciplinary procedures; and

1.5. report on how the programme on quality of the association fulfils the requirements of the respective legislation.

Article 26

KCFR reporting

1. KCFR, each year and by June 30, must submit a report to the Government regarding the:

1.1. performance of KCFR and its commissions;

1.2. achievement of objectives set out for the ended fiscal year.

2. KCFR publishes the annual work report.
3. KCFR publishes written statements on policies, sub-legal acts which will assist in enforcing accounting and auditing standards in Kosovo, professional and educational standards, requirements for auditor independence, including external quality assurance reviews and disciplinary procedures.
4. KCFR may publish instructions to business organizations to implement certain standards (IAS/IFRS) appropriate for business organizations.
5. Accounting and auditing standards and sub-legal acts and other documents issued by KCFR shall be published on the KCFR website, according to the legislation in force.

Article 27

Preserving data confidentiality

1. KCFR and all staff must take all necessary measures to prevent unauthorized use and disclosure of data that are given in good faith.
2. In relation to paragraph 1 of this Article, disclosure of data is permitted if:
 - 2.1. it is required by legislation in force in Kosovo;
 - 2.2 it is done in order to enable an authority or a person in a place outside Kosovo, to perform a function, duty that corresponds to that of KCFR; and
 - 2.3. it is allowed a licensed professional accounting and auditing society in order to exercise its functions.

Article 28

Prevention of conflict of interest and misuse of data

1. KCFR members shall inform in written the KCFR chairman on any conflict of interest or financial benefit that the member has or benefits in a company operating in Kosovo or in a business in Kosovo, when a member:
 - 1.1. takes part in decision-making about an issue related to KCFR or its commissions; and
 - 1.2. has or benefits direct or indirect financial interests, of any other type, which can be an obstacle for implementation of functions and duties related to the settlement of the issue.
2. KCFR Chairman shall take a decision on participation of the member in deciding the issue.
3. When KCFR Chairman has a conflict of interest then the Government shall be notified in written.
4. Where a member is the Chairman, he/she should disclose if he/she has a personal interest

in an issue of related persons, and he/she should not take part in settling the issue, except in case all agree that he/she takes part.

5. Secretariat staff should submit the Chairman, in written form, any direct or indirect financial interest, or any other interest in an issue which requires the decision of the KCFR or other commissions, in such a way to prevent his/her participation in investigations that are related to that matter.

CHAPTER IV QUALIFICATIONS OF CERTIFIED ACCOUNTANTS

Article 29 Qualification

1. A person who is qualified as a certified accountant by an organization, and continues to be a member of the organization with regular status, shall be entitled to use the title of "certified accountant".
2. An organization can certify an individual as a certified accountant if he/she has completely met the qualification requirements set out in paragraph 3 and 4 of this Article.
3. Candidates applying for certified accountant should have university diploma, should have three (3) years of work experience in the field of accounting, and should have passed the certification program for this purpose.
4. Professional education for certified accountant should be in compliance with International Education Standards IFAC
5. KCFR shall issue a sub-legal act for the implementation of paragraph 1 of this Article.

CHAPTER V LICENSING OF AUDITORS

Article 30 Conditions

1. Individuals who meet the following criteria shall be licensed by KCFR as Statutory Auditors:
 - 1.1. those who have attended a professional education and who have passed the exams set out in Article 29, paragraph 3 of this Law;
 - 1.2. those who have attended a professional education and who have passed the auditor exams;
 - 1.3. those who have a three (3) year work experience under the supervision of a Statutory Auditor or of an audit firm;

1.4.those who are members of an organization in Kosovo;

1.5.those that meet the highest standards of professional integrity and competency and have a good reputation;

1.6. not to be convicted of a criminal offense by a final judgement within the scope of the KCFR.

2. In accordance with sub-paragraph 1.1 and 1.2 of paragraph 1 of this Article, professional education for certified auditors should be in compliance with International Education Standards IFAC.

3. The test of practical knowledge must include at least the following topics:

3.1. theories and generally accepted accounting principles;

3.2. legal requirements and standards regarding the preparation of annual accounts and consolidated;

3.3 international accounting standards;

3.4 financial analysis;

3.5. costing and managerial accounting;

3.6. risk management and internal control;

3.7. auditing and professional skills;

3.8. legal requirements and professional standards regarding the statutory audits and statutory auditors;

3.9. international auditing standards; and

3.10. professional ethics and independence;

4. The test must also include at least the following subjects, as far as they are relevant to the audit field:

4.1. Laws on business organizations and corporate governance;

4.2. Law on Bankruptcy and related procedures;

4.3. Tax Laws;

4.4. Commercial and civil law;

- 4.5. Labour law and social Insurance Law;
 - 4.6. Information Technology systems;
 - 4.7. overall financial economy and business economy;
 - 4.8. mathematics and statistics; and
 - 4.9. the main principles of financial management.
5. With a sub-legal act, KCFR sets out the specific conditions for licensing of Auditors in compliance with this law.
6. KCFR may license foreign auditors to undertake statutory auditing in Kosovo; however they must comply with the minimum requirements set out in paragraph 1 of this Article.
7. KCFR licenses local and foreign audit firms if they:
- 7.1. have an office in Kosovo;
 - 7.2. establish a business organization registered in Kosovo, with at least two (2) licensed statutory Auditors, under this Law;
 - 7.3. it is managed by statutory Auditors, members of a licensed professional accounting organization in Kosovo, and
 - 7.4. at least fifty-one percent (51%) of the ownership belongs to the statutory auditors or statutory audit firms licensed by the competent authority in Kosovo.
8. KCFR approves a foreign or local auditing firm only if it complies with the legislation in force on Business Organizations and the business is registered as:
- 8.1 an individual business with a statutory Auditor as an owner;
 - 8.2. a general or limited liability partnership with all managing partners; or
 - 8.3. a limited liability company with the majority fifty-one percent (51%) of voting rights retained by the manager in such a way that, under the firm charter, the key partners are enabled to administer their general policies or to amend its charter.
9. Persons who are licensed by KCFR as foreign auditors can manage an audit firm registered in Kosovo, if they hold at least the majority of voting rights in the management board or retain such rights which, under the charter of the firm, enable them to manage their general policies or to amend its charter.
10. KCFR, will revoke the license of a foreign or local audit firm, or statutory auditor licensed in accordance with this law at any time if the audit firm or statutory Auditor would not be any longer member of an organization in Kosovo, or if violates the statutory auditor independence, ethics

and quality assurance requirements set out by KCFR and no longer meet the conditions laid down in this Article.

Article 31

End of authorization for statutory auditor

1. The authorization for statutory auditor will end by:

1.1. loss of legal capacity (partially or completely); or

1.2. suspension or cancellation by the KCFR decision.

2. In the cases referred to in paragraph 1 of this Article, the end of the authorization comes under the law and the KCFR upon knowledge of the above facts without delay brings declaratory ruling establishing the termination of the authorization for the operation of statutory auditor.

Article 32

Dismissal of the audit firm in the case of public interest entities

1. In the case of the statutory audit of public interest entities, the dismissal of the audit firm may be initiated by:

1.1. shareholders or members representing five percent (5%) or more of the voting rights, shares or equity capital of audited subject;

1.2. supervisory board or non-executive members of the board of a public interest; and

1.3. the KCFR.

2. A proposal to remove the audit firm referred to in paragraph 1 of this Article shall be sent to the principal court competent according to the seat of a public interest company. The competent principal court will adopt a proposal for dismissal of the audit firm if there are justifiable reasons.

CHAPTER VI

PROFESSIONAL ACCOUNTING AND AUDITING ASSOCIATIONS AND EDUCATION INSTITUTIONS

Article 33

Status of Associations

1. Organizations shall be licensed by KCFR, by meeting these conditions:

1.1. KCFR should be ensured that the organization has fulfilled all requested criteria according to this law and has fulfilled all the standards, instructions and recommendations issued by IFAC, for its organization members;

1.2. KCFR should be ensured that members of any organization act in compliance with the Code of professional conduct and with Code of Ethics of IFAC;

2. At least once in five (5) years, organizations will hire a professional accountant from a country that has education, exams and professional qualification or a professional Association in the field of Accountancy and Audit and experience requirements similar to those defined under the Articles of this Law to oversee the implementation of standards and procedures as stipulated by this Law.

3. In case of non-fulfilment of the request for membership in IFAC under the provisions of this Law, the association's license shall be revoked by the KKRF.

4. KCFR shall be obliged to cooperate with education institutions in the field of accounting and auditing.

Article 34

Report on payments to governments

1. Large enterprises and enterprises of public interest that are active in the exploitation of natural resources such as minerals, oil, natural gas, trees, water, sand, gravel, stones and other natural resources are subject to the specific reporting.

2. Such enterprises must prepare and publish an annual report on payments to the central and local governments.

3. The report shall contain any single payment or repeated which in total is over one hundred thousand euro (100,000.00 €), and shall contain the following information:

3.1. the total amount of payments made to central and local governments;

3.2. the total amount for any type of payment specified as follows:

3.2.1. payments for production rights;

3.2.2. taxes and fees related to natural resource exploitation;

3.2.3. payments in exchange of other goods for the use of natural resources; and

3.2.4. reporting should be in value and where applicable also in quantity.

4. This report is a component of the management report.

Article 35

Register of Annual Financial Statements

1. The Register of Annual Financial Statements is a central source of information about the financial position and business performance of entrepreneurs and contains information about the financial position and business performance.

2. The Register of Annual Financial Statements is kept in electronic form and is accessible on the website.

3. The Register of Annual Financial Statements shows the following information for each individual entrepreneur on the website:

3.1. annual financial statements;

3.2. annual report;

3.3. audit report and/or revision report, when it is determined by this Law; and

3.4. information about the proposed appropriation of profit or offsetting of loss.

CHAPTER VII PUNITIVE MEASURES

Article 36 Punitive measures

1. In case it is found that this Law has been violated, besides the provisions foreseen in paragraph 3 of this Article, the commission on investigations and discipline (Commission) may warn or reprimand the person, business organization, namely the professional association that is responsible for violating the law and to take concrete measures to ensure Law enforcement.

2. In case of repeated violations under paragraph 1 of this Article, such violations shall be considered minor offenses and penalties shall be imposed in accordance with the limits set forth the Law on Minor Offenses.

3. In the event of a breach of the provisions laid down in this paragraph, the Commission shall impose the following fines:

3.1. small enterprises pursuant to Article 5, paragraph 3 of this Law shall be fined five hundred euro (500.00 €), for late submission of financial statements as defined in Article 17 of this Law;

3.2. Medium Enterprises, according to Article 5, paragraph 4 of this Law shall be fined from one thousand five hundred euro (1,500.00 €) for late delivery of financial statements as defined in Article 17 of this Law;

3.3. Large enterprises under Article 5, paragraph 5 of this Law shall be fined four thousand five hundred euro (4,500.00 €) for late delivery of financial statements, as defined in Article 17 of this Law;

3.4. under Article 5, paragraph 6, of this Law, a fine of five hundred euro (500.00 €) shall be fined for late submission of financial statements as defined in Article 17 of this Law;

3.5. enterprises shall be fined in the amount of one thousand euro (1000.00 €) euro up to twenty thousand euro (20,000.00 €) for not submitting the financial statements

defined in Article 17 of this Law and or for;

3.5.1 for not keeping records and accounting ledgers under this Law; or

3.5.2. for non-compliance with the accounting ledger carried out inventory of assets and liabilities.

3.6. enterprises shall be fined from five thousand euro (5000.00€) up to ten thousand euro (10,000.00€) for not submitting the audited financial statements set out in Article 17 of this Law;

3.7. enterprises are fined from five hundred euro (500,00 €) up to five thousand euro (5000,00 €) for non-compliance with the accounting standards, and/or the audit set by the KCFR;

3.8. in the cases specified in sub-paragraphs 3.5 and 3.6 of this Article, except the enterprise, a fine of two hundred euro (200.00 €) up to one thousand euro (1,000.00 €) shall be imposed to the person responsible for the management of the enterprise, respectively of the professional association.

3.9. associations are fined from five thousand euro (5,000.00€) to thirty thousand euro (30,000.00€) for the licensing of accountants and auditors in violation of the provisions of this Law, and the procedure for obtaining a license is initiated;

3.10. auditing associations and firms and statutory auditors are fined from five hundred euro (500.00 €) to five thousand euro (5,000.00 €), while legal auditors are fined by a fine of fifty euro (50.00 €) up to one thousand euro (1,000.00 €) for violations as follows:

3.10.1. if they fail to submit timely the data and information they are obliged to;

3.10.2. if employees are not provided with active participation in continuous vocational training organized within licensed associations; and

3.10.3. if they do not secure, provide and maintain working documentation in accordance with this Law and sub-legal acts.

3.11. associations and audit firms and statutory auditors are fined from five thousand euro (5,000.00€) to twenty thousand euro (20,000.00€), while statutory auditors and / or other responsible persons are fined from five hundred euro (500.00 €) to two thousand euro (2,000.00 €), Euros and/or by temporary or permanently taking the licenses for the following violations:

3.11.1. if they for no reason provide the necessary data, information or do not express willingness to cooperate with the Commission for Investigation and Discipline;

3.11.2. if they violate obligations regarding professional ethics;

3.11.3. if the work and actions taken are violated by the authority of the auditor's professional;

- 3.11.4. if they provide services which are not allowed under the legislation in force;
- 3.11.5. if irregularities were found in the procedure for overseeing the quality of work, for which there was a recommendation for avoidance, and the irregularities were not avoided;
- 3.11.6. if the recommendation is rejected to avoid the identified irregularities in the procedure of supervision and verification of the quality of work;
- 3.11.7. if no reports have been submitted for the avoidance of the detected irregularities;
- 3.11.8. if no additional measures are put in place by the supervisor in the job verification procedure;
- 3.11.9. failing to act in accordance with the established and approved rules for carrying out the audit such as defined quantitative and qualitative criteria of human potential and other means for carrying out the audit;
- 3.11.10. if contracted works are transferred to other entities;
- 3.11.11. if by a final court decision it was found that an audit information was issued illegally;
- 3.11.12. if the financial obligation has not been met within the time limit set in the punitive measure;
- 3.11.13. if by a final court decision the dignity of the exercise of the audit work is impaired; and
- 3.11.14. if the audit work carried out irresponsibly by not respecting legal provisions, professional code of conduct, code of ethics and rules of the profession.

4. For the measures imposed under paragraphs 1, 2 and 3 of this Article, the Commission shall provide a detailed justification in the decision. In imposing the measures provided for in paragraphs 1, 2 and 3 of this Article, the Commission shall take into account the principle of proportionality and other relevant principles.

5. In the case of payment of the fine imposed pursuant to this Article within three (3) days from the date of the imposing, the subject shall be released from the payment of fifty percent (50%) of the fine imposed.

6. The party dissatisfied with the Commission's decision may appeal to the KCFR within thirty (30) days from the date of receipt of the decision. KCFR reviews the decision within thirty (30) days of the date of its receipt.

7. Upon termination of the appeal procedure in KCFR under paragraph 5 of this Article, the fine shall be paid within thirty (30) days. If a fine imposed under this Article is not paid within this deadline, the KCFR initiates the execution procedure.

8. All measures imposed under this article shall be published and updated, depending on the appeal procedures, on KFRC's website no later than three (3) days from the moment of issuance.

9. All fines collected under this Article shall be paid into the Budget of the Republic of Kosovo.

CHAPTER VIII TRANSITIONAL AND FINAL PROVISIONS

Article 37 Repealing provisions

1. Entry of this law into force repeals Law No. 04/L-014 on Accounting, Financial Reporting and Auditing.

2. The applicable sub-legal acts shall continue to remain into force provided that they are not in contradiction with this Law and until the issuance of new sub-legal acts for implementation of this Law.

Article 38 Entry into force

This Law shall enter into force on 1 January 2019.

**Law No.06/L - 032
30 March 2018**

Promulgated by Decree No.DL-010-2018, dated 17.04.2018, President of the Republic of Kosovo Hashim Thaçi.