

REGULATION NO. 2001/30

UNMIK/REG/2001/30

29 October 2001

ON THE ESTABLISHMENT OF THE KOSOVO BOARD ON STANDARDS FOR FINANCIAL REPORTING AND A REGIME FOR FINANCIAL REPORTING OF BUSINESS ORGANIZATIONS

The Special Representative of the Secretary-General,

Pursuant to the authority given to him under United Nations Security Council resolution 1244 (1999) of 10 June 1999,

Taking into account United Nations Interim Administration Mission in Kosovo (UNMIK) Regulation No. 1999/1 of 25 July 1999, as amended, on the Authority of the Interim Administration in Kosovo,

For the purpose of establishing the Kosovo Board on Standards for Financial Reporting and a regime for financial reporting of business organizations in Kosovo, including the certification of accountants and licensing of auditors,

Hereby promulgates the following:

Section 1

Definitions

For the purposes of the present regulation:

“Annual report” means a report issued by a business organization on an annual basis that includes audited general purpose financial statements together with the audit opinion thereon.

“Audit” is an examination of general purpose financial statements by a licensed auditor, together with a written opinion of the fairness of such statements.

“BPK” means the Banking and Payments Authority of Kosovo.

“Business organization” means any person or group of persons who are engaged in commerce, including corporations established under UNMIK Regulation No. 2001/6 of 8 February 2001 on Business Organizations, and business organizations operating with public or socially owned assets.

“Business registry” means the competent authority authorized to register business organizations.

“Central Fiscal Authority” means the authority established under UNMIK Regulation No. 1999/16 of 6 November 1999, as amended, on the Establishment of the Central Fiscal Authority, or its successor entity.

“Competent governmental authority” means the competent governmental authority that is responsible for finance and economy matters in Kosovo.

“Corporation” means a business organization established as such under UNMIK Regulation No. 2001/6.

“General purpose financial statements” means a balance sheet, profit or loss statement, statement of cash flows, statement of changes in equity, notes and other statements and explanatory material that are identified as being part of a business organization’s financial statements.

“IAPC” means the International Auditing Practices Committee of the IFAC.

“IAS” means International Accounting Standards as promulgated by the IASC.

“IASC” means the International Accounting Standards Committee.

“IFAC” means the International Federation of Accountants.

“ISA” means International Standards of Auditing as promulgated by the IAPC.

“Licensed auditor” means a person who is licensed under provisions of the present regulation to undertake an audit.

“Person” means a natural person or a legal person.

“Relevant regulatory authority” means the regulatory body that is responsible for implementation of, and ensuring compliance with, legislation relating to a particular category of business organizations.

Section 2

The Kosovo Board on Standards for Financial Reporting

2.1 The Kosovo Board on Standards for Financial Reporting (hereinafter “the Board”) is hereby established.

2.2 The Special Representative of the Secretary-General shall appoint seven members to serve on the Board. Of the seven members, one member shall be nominated by the BPK and six members shall be nominated by the Central Fiscal Authority, of whom five shall be representatives from the Kosovo business community and the accounting and auditing professions. The members shall not hold elected public office. The Board shall be multi-ethnic in composition.

2.3 The members of the Board shall be appointed for a term of three years and shall be eligible for reappointment, but shall serve no more than two consecutive terms. However, of the members first appointed following the entry into force of the present regulation, two members shall be appointed for a term of three years, three members for a term of two years and two members for a term of one year.

2.4 The first appointments of members to the Board shall take place within one month of the date of entry into force of the present regulation.

2.5 The Special Representative of the Secretary-General may, at his discretion, remove a member from the Board. In the event of removal from the Board, or in the event of a member's death or resignation, the Special Representative of the Secretary-General shall appoint a new member as soon as possible. The member so appointed shall serve for the remainder of the term of the member being replaced, and may be appointed for a further term.

2.6 The members of the Board shall annually elect a chairperson from among themselves.

2.7 Each member of the Board shall receive an honorarium for meetings attended and shall be reimbursed for reasonable expenses incurred in attending meetings and carrying out Board business.

2.8 The Board shall have an annual appropriation from the Kosovo Consolidated Budget that provides for honoraria, reasonable expenses and adequate administrative and technical support that shall not be less than the amount appropriated from the previous year's Budget.

2.9 The Board shall establish a technical secretariat to support its principal functions.

Section 3

Powers and Responsibilities of the Board

3.1 The Board shall be independent in the execution of its responsibilities and functions, subject to the overall authority of the Special Representative of the Secretary-General. It may issue administrative instructions on any matters pertaining to its functions.

3.2 The Board shall have the authority to enter into contracts as required to carry out its functions, including employment contracts and contracts for rental accommodation and leasing of equipment. Such contracts shall be in compliance with procurement rules and procedures of the competent governmental authority.

3.3 The Board shall issue accounting standards in conformity with IAS. The Board shall determine which IAS standards apply, taking into consideration the business environment in Kosovo.

3.4 The Board shall issue auditing standards in conformity with ISA.

3.5 The Board shall forward to the Special Representative of the Secretary-General as soon as possible a copy of all standards issued. The Special Representative of the Secretary-General may use his discretion to revoke any specific standard issued by the Board.

3.6 Standards already issued by the Central Fiscal Authority at the time of establishment of the Board shall have continuing validity. The Board shall, as soon as practicable after its establishment, reissue under its own name any standard that was previously issued by the Central Fiscal Authority, without changing such standards.

3.7 The accounting and auditing standards issued by the Board shall be published and widely disseminated in Kosovo in the English, Albanian and Serbian languages, with the English version to prevail in the event of a conflict.

3.8 The Board shall provide technical guidance and information to business organizations concerning accounting and auditing standards issued by it.

3.9 The Board shall establish and issue standards for the technical training for certification of accountants and for the licensing of auditors.

3.10 The Board shall have responsibility for the licensing of auditors.

3.11 For a transitional period from the date of entry into force of the present regulation, but no later than 31 December 2001, the powers to license auditors that are vested in the Board shall rest with the Central Fiscal Authority.

3.12 The procedures of the Board shall be set out in an administrative direction.

Section 4

Business Organizations to Prepare Financial Statements

4.1 Business organizations that are corporations, with either annual turnover in excess of 200,000 DEM (or 100,000 Euros from the time such currency is introduced in Kosovo) or total assets worth in excess of 100,000 DEM (or 50,000 Euros from the time such currency is introduced in Kosovo), shall prepare general purpose financial statements in accordance with the present regulation.

4.2 Business organizations operating with public or socially owned assets shall prepare general purpose financial statements in accordance with the present regulation.

4.3 Business organizations subject to sections 4.1 or 4.2 shall, in preparing their general purpose financial statements, apply accounting standards issued by the Central Fiscal Authority, or the Board pursuant to section 3.6.

4.4 Notwithstanding section 4.3, business organizations may prepare general purpose financial statements in accordance with IAS.

Section 5

Business Organizations Subject to Audits

5.1 Business organizations having either an annual turnover or total assets worth in excess of 500,000 DEM (or 250,000 Euros from the time such currency is introduced in Kosovo) shall have their general purpose financial statements audited by licensed auditors in accordance with applicable auditing standards.

5.2 The applicable auditing standards shall be the English-language ISA translated into the Albanian and Serbian languages. In case of conflict, the English version shall prevail.

5.3 Within six months of the end of their financial years:

(a) Corporations within the scope of section 5.1 shall submit audited general purpose financial statements to the business registry;

(b) Business organizations operating with public or socially owned assets that fall within the scope of section 5.1 shall submit audited general purpose financial statements to the relevant regulatory authority and to the Central Fiscal Authority;

(c) Corporations subject to section 4.1 but outside the scope of section 5.1 shall submit unaudited general purpose financial statements to the business registry; and

(d) Business organizations operating with public or socially owned assets that are subject to the present regulation but outside the scope of section 5.1 shall submit unaudited general purpose financial statements to the relevant regulatory authority and to the Central Fiscal Authority.

Section 6

Qualifications for Certified Accountants

6.1 Only a person who has been certified as a certified accountant by a professional accounting association may be known, or refer to him or herself, as a 'certified accountant'.

6.2 A professional accounting association may only certify a person as a certified accountant where that person has complied with the criteria for practical experience and technical training set out below in this section.

6.3 Certified accountants shall be required to have had three years of practical experience in an accounting capacity and to have received technical training. The Board shall establish standards for training and certification that shall cover, at a minimum, the following areas:

(a) Financial accounting, including the accounting cycle, accounting systems and using accounting information to make business decisions;

(b) Kosovo accounting standards;

(c) Financial management principles of business organizations;

(d) Internal control and audit principles;

(e) Cost and management accounting;

(f) Introduction to information technology;

(g) Commercial, labour and tax law of Kosovo; and

(h) Professional conduct and ethics.

6.4 The Board may modify the scope of the standards for training and certification from time to time as may be appropriate based on best international practice.

Section 7 Licensing of Auditors

7.1 The Board may license as auditors persons who:

- (a) Are certified accountants;
- (b) Have passed certification examinations for auditors and are certified by a professional auditing association; and
- (c) Meet the highest standards of professional competence and integrity.

7.2 Certification examinations for auditors shall be based on internationally recognised standards and shall cover the subjects listed in section 6.3(a) to (h) of the present regulation and the following additional areas:

- (a) Advanced internal control and audit principles; and
- (b) Audit theory and practices.

7.3 For a transitional period of twelve months from the date of entry into force of the present regulation, the Board may license as an auditor a person who is not a certified accountant but who possesses a minimum of three years relevant accounting experience and successfully completes the certification examinations established pursuant to section 7.2.

7.4 Licensing and certification procedures for auditors shall be subject to a review every three years. The review shall be conducted by a panel comprised of licensed auditors from States that have education, examination and experience requirements similar to those set out in this section.

7.5 The Board may license foreign auditors to undertake audits in Kosovo provided such auditors hold a current practising certificate from a State that has education, examination and experience requirements similar to those set out in this section, and have a demonstrated knowledge of Kosovo commercial, labour and tax laws. The Board may similarly license foreign audit firms that have an office in Kosovo with at least two principals meeting the above requirements.

7.6 The Board shall issue administrative instructions setting out the procedures for:

- (a) Licensing of auditors;
- (b) Licensing of foreign auditors and foreign auditing firms, which may include conditions of license such as requiring foreign auditors or foreign auditing firms to employ and train residents of Kosovo in accounting and auditing; and
- (c) Review of licensing of auditors and certification of accountants.

7.7 The present regulation shall not apply to auditors employed by the United Nations or any of its organs including UNMIK.

Section 8
Enforcement

The sanctions and penalties that may be imposed for non-compliance with requirements set out in the present regulation with respect to auditing and accounting standards, licensing and certification, and financial reporting shall be set out in an administrative direction.

Section 9
Reasons for Decisions

Where a decision is made under the present regulation or subsidiary instrument issued pursuant to the present regulation, to deny a licence, or to impose sanctions or penalties, the decision and reasons for the decision shall be given in writing to the affected party(ies). The affected party(ies) shall be notified of their right to seek a judicial review of the decision in a court of competent jurisdiction in Kosovo.

Section 10
Implementation

The Special Representative of the Secretary-General may issue administrative directions for the implementation of the present regulation.

Section 11
Applicable Law

The present regulation shall supersede any provision in the applicable law which is inconsistent with it.

Section 12
Entry into Force

The present regulation shall enter into force on 29 October 2001.

Hans Haekkerup
Special Representative of the Secretary-General