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Quality Control Manual

PKF ECONOMETRICA

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1 INTRODUCTION

1.1 The Firm's vision

PKF Econometrica was established in 1998, with the main aim to concentrate its activity on respecting the business requirements of our clients and on providing the highest quality services, regardless of the size, sector of activity or interest. For us, it is important to develop strong relationships with our clients, offering them, through our professional team, information which complies with the international professional standards and local legislation.

The experts of PKF Econometrica group of companies provide specialized services, designed to meet the needs of our clients, as well as any difficulties they might face in a continuously changing legislative framework, in the following areas: accounting, audit, audit related services, fiscal consultancy, human resources, legal and extra-legal accounting expertise, due diligence, management consultancy.

The PKF ECONOMETRICA group of companies consists of:

- PKF ECONOMETRICA S.R.L. (Timișoara office, Cluj Napoca office)
- PKF TAX PARTNER S.R.L. (Timișoara office)
- PKF Mc Fink SRL (Timișoara office)
- *PKF McFink Accent SRL (Timisoara office)*

1.2 Introduction to the Quality Control Manual

The purpose of this Quality Control Manual (QCM) is to establish basic principles and essential procedures and to provide guidance regarding the system of quality control for audits and other assurance engagements. The QCM is our statement of required policies and procedures, which must be adhered to. The manual is designed as a reference tool for the partner and personnel assigned to the provision of audit and assurance services.

As a member firm of PKF International we are required to comply with the International Professional Standards Manual (IPSM). This manual is consistent with the requirements of the IPSM and with ISQM1 requirements.

The partner and staff are required to conform to the guidelines.

This document sets out the firm's policies and procedures to address each of the elements of quality control.

A copy of the quality control policies and procedures is made available to each staff member. Quality control policies and procedures are communicated to staff in various ways:

- Staff training courses
- Quality control manuals
- On-the-job training
- Consultations with engagement partners concerning quality control issues for specific engagements
- Recognition of personnel for quality service
- Feedback from quality control reviews

1.3 General Roles and Responsibilities of the Partner and Staff

The Partner exercises ultimate authority and bears responsibility for the system of quality control.

The Partner and staff are required to conform to the following guidelines:

- Treating ethical behaviour and quality of service as the first priority; commercial considerations may not override the quality of the work performed;
- Reading, understanding, and following the IESBA Code and also International Audit and Assurance Standards Board (“IAASB”) pronouncements, including International Standards on Quality Control (“ISQCs”, ISQM 1) for relevant practice area and engagements, and International Standards on Auditing (“ISAs”), for transnational audits;
- Responsibilities to identify, disclose, and document threats to independence and the process to be followed to address and manage identified threats;
- Avoiding circumstances where independence may be (or appear to be) impaired;
- Complying with continuing professional development requirements including maintenance of records as evidence thereof;
- Remaining abreast of current developments in the profession, applicable financial reporting framework and assurance standards (for example, IFRSs, ISAs), disclosure and accounting practices, quality control, firm standards, and relevant industry and client-specific developments;
- Keeping SP and client data, business and client information, and personal information secure and confidential; **(Appendix 1 - Annual confirmation from personnel)**
- Informing the Partner of any observations of significant breaches in Partners’ quality control, ethics including independence, confidentiality, or inappropriate use of Partners resources (including Web and e-mail systems);
- Documenting and maintaining appropriate records of all significant client contacts when professional advice is given or requested

1.4 Definitions

The following terms have the meanings attributed below:

- a) *“Date of report”* – The date selected by the practitioner to date the report.

- b)** *“Engagement documentation”* – The record of work performed, results obtained, and conclusions the practitioner reached (terms such as “working papers” or “work papers” are sometimes used).
- c)** *“Engagement partner”* – The partner or other person in the firm who is responsible for the engagement and its performance, and for the report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.
- d)** *“Engagement quality control review”* – A process designed to provide an objective evaluation, on or before the date of the report, of the significant judgments the engagement team made and the conclusions it reached in formulating the report. The engagement quality control review process is for audits of financial statements of listed entities, and those other engagements, if any, for which the firm has determined an engagement quality control review is required.
- e)** *“Engagement quality control reviewer”* – A partner, other person in the firm, suitably qualified external person, or a team made up of such individuals, none of whom is part of the engagement team, with sufficient and appropriate experience and authority to objectively evaluate the significant judgments the engagement team made and the conclusions it reached in formulating the report.
- f)** *“Engagement team”* – All partners and staff performing the engagement, and any individuals engaged by the firm or a network firm who perform procedures on the engagement. This excludes external experts engaged by the firm or a network firm.
- g)** *“Firm”* – A sole practitioner, partnership or corporation or other entity of professional accountant; i.e PKF Econometrica SRL
- h)** *“Inspection”* – In relation to completed engagements, procedures designed to provide evidence of compliance by engagement teams with the firm’s quality control policies and procedures.
- i)** *“Listed entity”* – An entity whose shares, stock or debt are quoted or listed on a recognized stock exchange, or are marketed under the regulations of a recognized stock exchange or other equivalent body.
- j)** *“Monitoring”* – A process comprising an on-going consideration and evaluation of the firm’s system of quality control, including a periodic inspection of a selection of completed engagements, designed to provide the firm with reasonable assurance that its system of quality control is operating effectively.
- k)** *“Network firm”* – A firm or entity that belongs to a network.
- l)** *“Network”* – A larger structure:
 - a. That is aimed at cooperation, and
 - b. That is clearly aimed at profit or cost-sharing or shares common ownership, control or management, common quality control policies and procedures, common business strategy, the use of a common brand name, or a significant part of professional resources.
- m)** *“Partner”* – Any individual with authority to bind the firm with respect to the performance of a professional services engagement. Key Audit Partner The engagement partner, the individual responsible for the engagement

quality control review, and other audit partners, if any, on the engagement team who make key decisions or judgments on significant matters with respect to the audit of the financial statements on which the firm will express an opinion. Depending upon the circumstances and the role of the individuals on the audit, “other audit partners” may include, for example, audit partners responsible for significant subsidiaries or divisions.

- n) “Personnel”** – Partners and staff.
- o) “Professional standards”** – IAASB Engagement Standards, as defined in the IAASB’s Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services, and relevant ethical requirements.
- p) “Reasonable assurance”** – In the context of this ISQC, a high, but not absolute, level of assurance.
- q) “Relevant ethical requirements”** – Ethical requirements to which the engagement team and engagement quality control reviewer are subject, which ordinarily comprise Parts A and B of the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with national requirements that are more restrictive.
- r) “Staff”** – Professionals, other than partners, including any experts the firm employs.
- s) “Suitably qualified external person”** – An individual outside the firm with the competence and capabilities to act as an engagement partner, for example, a partner of another firm, or an employee (with appropriate experience) of either a professional accountancy body whose members may perform audits and reviews of historical financial information, or other assurance or related services engagements, or of an organization that provides relevant quality control services.
- t) “Transnational audits (“TNA”) and transnational entities (“TNE”)** – “Transnational audit” means an audit of financial statements which are or may be relied upon outside the audited entity’s home jurisdiction for purposes of significant lending, investment or regulatory decisions; this will include audits of all financial statements of companies with listed (public) equity or debt and other public interest entities which attract particular public attention because of their size, products or services provided. It also includes significant components of a group of such entities. As per ISA 600, a significant component is usually more than 15% of the group in terms of turnover, gross assets or audit hours.

All transnational entities shall be recorded on the transnational entity listing on PKF-365, irrespective of the type of service being provided to that entity.

The TREND Database is regularly updated for all TNEs and TNAs for new clients when completing the New Client Acceptance Checklist ([Appendix 6 D3.1](#)) or Continuing Client Evaluation Checklist ([Appendix 7 D3.1](#)) are filed. For specific requirements regarding independence & TREND procedures, please see section 5.2 Client Acceptance Procedures. For more guidance, please see IPSM Appendix 2 FAQ Transnational Entities (TNE) definition.

1.5 Distribution of the Quality Assurance Manual

The QA Manual is be available in both offices, Timisoara and Cluj Napoca and can be checked out at any time, via ISQM 1 sharepoint / network and in hardcopy.

2 ELEMENTS OF QUALITY CONTROL

2.1 Elements of quality control

The firm's system of quality control addresses each of the following elements:

- *Governance & Leadership regarding responsibilities for quality within the firm* – places responsibility on partners to promote a strong internal culture of quality, and to assume ultimate responsibility for the firm's system of quality control. The Partners may delegate operational responsibility for quality control to a person or persons who have sufficient and appropriate experience and ability, and the necessary authority, to assume that responsibility.
- *Ethical requirements* – requires the firm and its personnel to act with integrity and objectivity, and to be free from relationships with a client which may impair independence.
- *Acceptance and continuance of client relationships and specific engagements* – aims to minimise the likelihood of association with a client whose management lacks integrity, and to ensure the firm has the necessary competence to perform the engagement.
- *Human resources* – expects firms to have sufficient personnel with the necessary competence, capabilities, and commitment to ethical principles to perform its engagements.
- *Engagement performance* – requires engagements to be performed in accordance with relevant standards and requirements, including supervision and review responsibilities, appropriate consultation to be available and to take place, and engagement documentation to be properly documented and stored.
- *Information and communication* - To help embed a culture of quality across our personnel, PKF Econometrica shares relevant and reliable information on a timely basis.

All SQM documentation is available on the designated ISQM 1 Sharepoint, available to all personnel. There are annual ISQM 1 trainings/refreshers to share updates within the team.

A firm will also need to share relevant information about its system of quality management with PKF International and with other external parties

- *Monitoring* – places an emphasis on independent monitoring of the quality control system to ensure it is relevant, adequate, and operating effectively. In addition to the six elements above, there are overarching

responsibilities for the quality control policies and procedures to be documented and communicated to the firm's personnel.

The firm recognizes the importance of obtaining feedback on its quality control system from its personnel. Therefore, the firm encourages its personnel to communicate their views or concerns on quality control matters. Any such comments should be made to the Quality Control Reviewer

3 LEADERSHIP RESPONSIBILITIES FOR QUALITY

PKF Econometrica's policy is to promote a culture of quality that is pervasive throughout the firm's operations through the development of its system of quality control. The firm emphasizes the importance of ethics and integrity in every decision that personnel make, particularly at the engagement level.

Firm management, assumes responsibility for the firm's system of quality control and designs the system to emphasize the importance of performing work that complies with professional standards and applicable legal and regulatory requirements and issue reports that are appropriate in the circumstances.

3.1 Our policies

The firm ensures compliance by implementing the Quality procedure (A1.1).

In summary, the following roles & responsibilities are assigned:

- The Partners accepts responsibility for leading and promoting a culture of quality within the firm and for providing and maintaining this manual and all other necessary practical aids and guidance to support engagement quality.
- The Partners communicates clear, consistent, and frequent actions and messages that emphasize the expectation that each individual has a personal responsibility for quality is to follow the firm's quality control policies and procedures.
 - Providing a copy of the firm's system of quality control document to all new professional employees, reviewing the document and its importance with them, and obtaining acknowledgment of their understanding;
 - The policies and procedures are reviewed and, where necessary, revised on an annual basis. The firm personnel is promptly notified (and providing training when appropriate) about those revisions;
 - in-house training session that reviews the firm's QC document with firm personnel;

- The partner evaluates client relationships and engagements to ensure that commercial considerations are not placed ahead of the firm's commitment to quality control. The firm's policies and procedures addressing performance evaluation, compensation, and promotion (including incentive systems) with regard to its personnel are designed to include specific consideration of quality.
- The Managing partner, engagement partners, and other partners in the firm demonstrate the importance of quality by their actions, recognise that quality is essential in performing engagements and are committed to compliance.
- The firm establishes and maintains a positive work environment, establishes a formal code of conduct that reflects the firm's core value of quality;
- Determines the operating and reporting structure. In addition, the Managing Partner designates qualified staff, on an annual or other periodic basis, the person(s) responsible for recordkeeping or other administrative elements of the quality control system (Quality Control Responsible with implementation of the SQM); however, ultimate responsibility for these functions will rest with the Managing Partner.
- The firm does not allow unethical behavior to occur
- The Managing partner has the responsibility for communicating requirements on independence and conflicts of interest which may apply to other individuals or entities external to the firm, or communications that an audit engagement team are required to make to those charged with governance. Information that might need to be obtained relevant to its system of quality management might include, for example, information from PKF International regarding the global monitoring program of Member Firm inspections, or information on PKF network services. Such responsibility may be delegated to Quality Control Responsible for implementation of SQM.

The firm's Managing partner assumes ultimate responsibility for the firm's system of quality control. Aspects of the responsibility are delegated as follows:

- Setting policies and procedures for performance of audit and assurance/non-assurance work – **Head of Audit and Assurance (Managing Partner)**
- Setting policies and procedures for performance of tax services – **Head of Tax Department (Partner)**
- Monitoring quality of work and dealing with compliance (including ethical matters) - **Quality Control Responsible**

- Human Resources aspects of quality – **Human Resources**

4 ETHICAL REQUIREMENTS

The Partners have an expectation that all staff maintain current knowledge of the provisions contained within the IESBA Code. This will require all staff to assume personal responsibility for the periodic review of the contents of the IESBA Code. It is a requirement that Partners and staff maintain a high standard of personal conduct to avoid any possible damage to their personal reputation, the firm's reputation or that of the professional accounting body of which they are a member.

The fundamental principles of professional ethics to which we subscribe and expect all partners and personnel to adhere to include:

- ***Integrity;***

Acting in a straight forward manner and honesty in all professional and business relationships.

- ***Objectivity;***

Acting without allowing bias, conflict or undue influence of others to override professional or business judgements.

- ***Professional competence and due care;***

Personnel have a continuing duty to maintain professional knowledge and skill at the level required to ensure that clients receive competent professional service based on current developments in practice, legislation and techniques. Personnel should act diligently and in accordance with applicable technical and professional standards when providing professional services.

- ***Confidentiality;***

All personnel have an obligation to respect the confidentiality of information about a client's affairs acquired in the course of professional services and such information should not be used for personal advantage. The obligation continues even after the end of the relationship between the firm and the client, and the firm and the personnel. Confidential information should not be disclosed to third parties unless there is a legal or professional right or duty to disclose.

- ***Professional behaviour;***

Personnel should comply with relevant laws and regulations and should avoid any action that discredits the profession. For example

- A failure to reveal a material fact known to the firm or any which is not disclosed in the financial statements but the omission of which renders the financial statements misleading.
- A failure to report any material misstatement known to personnel members.
- A failure to acquire sufficient information to warrant the expression of an opinion in accordance with the applicable standards.
- Any illegal act.

- ***Publicity***

Member Firms shall ensure that publicity statements are factually accurate in respect of:

- The size and coverage of the PKF network of independent Member Firms. Where unsure regarding such data, we shall verify the details on the PKF International website or with PKF International Limited staff;
- The capabilities of, and services available
- Undue reliance on the capability of another Member Firm is not appropriate if the Member Firm relied upon will not be performing a substantial part of the work.

4.1 Independence and objectivity

IESBA Code provisions (“The Code)

Section 400 of The Code requires that members of audit teams, firms and network firms be independent of audit and review clients. References to audit clients include review clients. References to the firm include the network firm, unless otherwise stated.

The Code therefore requires that the firm be independent of the audit and review clients of the other firms within the network (unless otherwise stated). As a result there are potentially significant restrictions on relationships and provision of services to audit and review clients of other Member Firms. For the avoidance of doubt, all PKF Member Firms are considered to be part of the network as defined in The Code.

In the case of an audit client that is listed (public), references to an audit client in Section 400, paragraph R400.20 of the Code include related entities of the client (unless otherwise stated). For all other audit clients, references to an audit client include related entities over which the client has direct or indirect control. When the audit team knows or has reason to believe that a relationship or circumstance involving another related entity of the client is relevant to the evaluation of the firm’s independence from the client, the audit team shall include that related entity when identifying and evaluating threats to independence and applying appropriate safeguards.

Independence requirements for assurance engagements that are not audit or review engagements are addressed in Section 900 of The Code.

Policies and procedures

The Partner and all staff must be independent both of mind and in appearance of their assurance clients and engagements. The Partner is responsible for, and must ensure, an appropriate resolution to independence threats.

On each engagement, the partner should consider whether members of the engagement team have complied with ethical requirements. This is documented on the form Engagement Procedures. If there are indications that ethical requirements have not been met the engagement partner should consult with the Quality Control Reviewer to determine appropriate action and the engagement file should document the issues identified and how they were resolved. The Quality Control Responsible should use Summary of identified independence breaches form ([Appendix 3](#)) to record such reports.

The Engagement Partner must be informed immediately where a member of the engagement team has a connection with any client. This includes situations where the client employs relatives or friends of the employee.

Where the firm acts for an existing client or a new client and a member of staff has an interest in the client's affairs, the member of staff must immediately advise the engagement partner.

The engagement partner who is asked to perform non audit services for an audit or assurance client are required to inform the engagement partner prior to commencing any work so that they can assess the overall impact of independence and objectivity requirements on the engagement.

All personnel who are subject to independence requirements are required to promptly notify the firm of circumstances and relationships that create a threat to independence so that appropriate action can be taken. Such threats should be notified to the engagement partner who should then follow the procedures set out in prior paragraph.

At hiring and once a year, PKF Econometrica obtains written confirmation of compliance with independence requirements from all personnel required to be independent (including contractors). The annual confirmation also deals with other matters concerning fit and proper status of personnel. See Annual confirmation from personnel ([Appendix 1](#)). Annual independence declarations are signed by all staff involved in audit work.

The engagement partner must sign off the audit file confirming that all members of the team have complied with the firm's ethical and independence requirements.

The staff must notify the Partner if, to their knowledge, they or any other staff member have, during the disclosure period, provided any service that would be prohibited under the IESBA Code which could result in the SP being unable to complete an assurance engagement.

When the relative size of the fees from a public interest audit client and its related entities exceeds 15% of the total fees of the firm specific safeguards should be applied.

The Partner shall take whatever reasonable actions are necessary and possible to eliminate or reduce any independence threat to an acceptable level. These actions may include:

- Replacing a member of the engagement team;
- Ceasing or altering specific types of work or services performed in an engagement;
- Divesting of a financial or ownership interest;
- Ceasing or changing the nature of personal or business relationships with clients;
- Submitting work for additional review to an external professional accountant or other staff member; and
- Taking any other reasonable actions that are appropriate in the circumstances.

PKF Econometrica implements this policy through the following procedures:

- Informing personnel of their responsibilities with regard to independence by doing the following on a timely basis:
 - Preparing and maintaining a list of entities with which PKF Econometrica personnel and others, if any, are prohibited from having a financial or business relationship
 - Making the list available to the concerned personnel so they may evaluate their independence.
 - Notifying personnel of changes in the list as soon as such changes occur.
- Providing frequent reminders of professional responsibilities to personnel, such as avoiding behaviour that might be perceived as impairing their independence or objectivity.

The Partner and employees of PKF Econometrica who fail to comply with all applicable independence policies and procedures should be subject to the firm's disciplinary process. The range of possible disciplinary actions may include memos to the individual's personnel file, reductions in compensation and termination. The severity of the disciplinary action will depend on the nature of the violation and other facts and circumstances unique to each case. Ignorance of the policies is not considered a legitimate defence for failure to comply.

Partner and employees of PKF Econometrica, if they are members of the engagement assurance team, should not accept gifts or hospitality from the audited companies, unless the value is clearly insignificant. If there are any questions regarding receipt of the gift or hospitality, the Managing Partner should be consulted.

The Quality Control Responsible is responsible for ensuring that all issues arising from the annual declaration returns are followed up (with oversight from the Managing Partner) and documented using Summary of Annual Confirmation Exceptions (Appendix 2).

4.2 Rotation

In accordance with IESBA code section 540 the following rotation rules are applicable for PIE.

In respect of an audit of a public interest entity, an individual shall not be a key audit partner for more than seven years. After such time, the individual shall not be a member of the engagement team or be a key audit partner for the client for two years. During that period, the individual shall not participate in the audit of the entity, provide quality control for the engagement, consult with the engagement team or the client regarding technical or industry-specific issues, transactions or events or otherwise directly influence the outcome of the engagement.

Key audit partners whose continuity is especially important to audit quality may, in rare cases due to unforeseen circumstances outside the firm's control, be permitted an additional year on the audit team as long as the threat to independence can be eliminated or reduced to an acceptable level by applying safeguards. For example, a key audit partner may remain on the audit team for up to one additional year in circumstances where, due to unforeseen events, a required rotation was not possible, as might be the case due to serious illness of the intended engagement partner.

The long association of other partners with an audit client that is a public interest entity creates familiarity and self-interest threats. The significance of the threats will depend on factors such as:

- How long any such partner has been associated with the audit client;
- The role, if any, of the individual on the audit team; and
- The nature, frequency and extent of the individual's interactions with the client's management or those charged with governance. The significance of the threats shall be evaluated and safeguards applied when necessary to eliminate the threats or reduce them to an acceptable level. Examples of such safeguards include:
 - Rotating the partner* off the audit team or otherwise ending the partner's association with the audit client; or
 - Regular independent internal or external quality reviews of the engagement.

When an audit client becomes a public interest entity, the length of time the individual has served the audit client as a key audit partner before the client becomes a public interest entity shall be taken into account in determining

the timing of the rotation. If the individual has served the audit client as a key audit partner for five years or less when the client becomes a public interest entity, the number of years the individual may continue to serve the client in that capacity before rotating off the engagement is seven years less the number of years already served. If the individual has served the audit client as a key audit partner for six or more years when the client becomes a public interest entity, the partner may continue to serve in that capacity for a maximum of two additional years before rotating off the engagement.

When a firm has only a few people with the necessary knowledge and experience to serve as a key audit partner on the audit of a public interest entity, rotation of key audit partners may not be an available safeguard. If an independent regulator in the relevant jurisdiction has provided an exemption from partner rotation in such circumstances, an individual may remain a key audit partner for more than seven years, in accordance with such regulation, provided that the independent regulator has specified alternative safeguards which are applied, such as a regular independent external review.

Firms have traditionally provided to their audit clients a range of non-assurance services that are consistent with their skills and expertise. Providing non-assurance services may, however, create threats to the independence of the firm or members of the audit team. The threats created are most often self-review, self-interest and advocacy threats. Please see also section *Tendering for non-audit services*.

Appendix 4 'Listed client rotation record' is used to record the rotation requirements for engagement partners and safeguard reviewers.

For all other audit assignments, if the same partner has been conducting the audit for more than 6 years, the engagement partner must document the threat to independence and how it has been reduced to an acceptable level.

It is prohibited for PKF Econometrica or other network firm to have a direct financial interest or a material indirect financial interest in an audit or review client, or in an entity that has a controlling interest in the client, and the client is material to the entity. The PKF Econometrica is required to review its own client listing and the transnational audit listing, which includes all listed (public) entities and significant subsidiaries of listed entities audited by PKF network firms, before any investment is made by PKF Econometrica, and at least annually for existing investments.

The holding by PKF Econometrica of a retirement benefit plan of a direct or material indirect financial interest in an audit or review client creates a self-interest threat. The significance of the threat shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.

Where the retirement benefit plan of a PKF Econometrica is separately administered and managed, with all investment decisions made by independent investment managers, or investments are only made in mutual funds and similar investment vehicles, then that investment is considered an indirect financial interest and would therefore only create a threat if it was material. PKF Econometrica is required to monitor such investments at least annually against its own client listing and the transnational audits in the transnational entity listing to determine if material indirect financial interests exist. The significance of threats identified shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.

Where investment decisions of the retirement benefit plan are made by PKF Econometrica, PKF Econometrica is required to review its own client listing and the transnational audits in the transnational entity listing, which contains all listed (public) entities and significant subsidiaries of listed entities audited by PKF network firms, before any investment decisions are made by PKF Econometrica, and at least annually for existing investments. The significance of threats identified shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level.

4.3 Conflicts of interest

There are two types of conflict of interest which should be considered:

- A conflict between the interest of the firm and that of the proposed client including conflicts within the PKF International network;
- A conflict between the interests of two or more clients;

Conflicts of interest should be assessed in relation to new assignments involving both new or existing clients. If there is a conflict of interest, but it is capable of mitigation with safeguard. This safeguard should be implemented and documented. Where the interests of one client are in conflict with the interest of another the engagements must be managed so as to avoid the work for one client adversely affecting that of another. Where the partner believes that a conflict can be managed sufficiently disclosure should be made to the clients concerned together with proposed safeguards to preserve confidentiality and manage conflict.

Where the conflict cannot be managed even with safeguards the firm should not continue to act.

A conflict search should be undertaken as soon as there is reasonable possibility of the firm being professionally linked with a particular client e.g. an invitation to tender or an enquiry as to whether we can act.

Appendix 5 sets out a pro-forma e-mail which may be used for conflict searching. A copy of the original e-mail and any responses to the e-mail should be filed on the engagement file.

Any proposed service to an audit or assurance client will be regarded as a conflict until the express permission of the engagement partner has been obtained.

Engagement partner should be alert for conflicts of interest at any point in an engagement and reassessment may be required as the work progresses.

4.4 Tendering for non-audit services

When a Member Firm is proposing for non-assurance engagements, the Member Firm shall use [Appendix 9 Non-assurance engagements: firm and network firm independence](#) to supplement its own acceptance procedures.

These procedures require the Member Firm to research the family tree and ascertain if the potential client is a listed (public) entity or if there are other listed entities in the group.

If the potential client is listed or there are other listed entities in the group, the Member Firm shall investigate whether there the firm or other Member Firms provide audit or review services to these listed entities. This investigation shall include direct enquiry of the client management and review of the transnational entity listing, and may be supplemented by an email to the Member Firm(s) geographically close to these listed entities.

If the firm or other Member Firms provide audit or review services to these listed entities, independence considerations must include all related entities as defined in The Code. The significance of threats identified shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. This may include not accepting the engagement.

If the potential client is not listed and there are no other listed entities in the group, or if there are listed entities in the group but the firm or other Member Firms do not provide audit or review services to them, the Member Firm shall make enquiries as to whether the firm or other Member Firms provide audit or review services to the potential client or entities that have direct or indirect control over the potential client. This enquiry shall be direct enquiry of the client management and review of the transnational entity listing, and may be supplemented by an email to the Member Firm(s) geographically close to these entities.

If the firm or other Member Firms provide audit or review services to ***the potential client or entities that have direct or indirect control over the potential client***, the significance of threats identified shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. This may include not accepting the engagement.

Certain non-assurance engagements, such as expert witness services, may require independence considerations beyond those set out above. For example, when proposing for expert witness services it may be necessary to

consider independence with respect to both the party you are acting for and the party you are acting against. It may also be necessary to identify relationships with the parties in question in addition to services provided.

Tendering for audit services

When a Member Firm is proposing for audit or review engagements for an entity the Member Firm shall use **Appendix 8 Audit and review engagements: firm and network firm independence** to supplement its own acceptance procedures. These procedures require the Member Firm to consider whether the entity is listed (public), and if not, research the family tree and ascertain if there is a listed entity or entities in the group.

If there are listed entities in the group, the Member Firm shall investigate whether the firm or other Member Firms provide audit or review services to these listed entities. This investigation shall include direct enquiry of the client management and review of the transnational entity listing, and may be supplemented by an email to the Member Firm(s) geographically close to these listed entities.

If the potential client is listed, or the firm or other Member Firms provide audit or review services to listed entities in the group, independence considerations must include all related entities as defined in The Code. The Member Firm shall therefore make enquiries as to whether the firm or other Member Firms provide non-assurance services to the potential client or any related entities. This enquiry shall be direct enquiry of the client management and review of the transnational entity listing, and may be supplemented by an email to the Member Firm(s) geographically close to these related entities.

If the firm or other Member Firms provide non-assurance services to the potential client or any related entities, the significance of threats identified shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. This may include not accepting the engagement.

If the potential client is not listed and the firm or other Member Firms do not provide audit or review services to any listed entities in the group, the Member Firm shall make enquiries as to whether the firm or other Member Firms provide non-assurance services to the potential client or entities over which the potential client has direct or indirect control. This enquiry shall be direct enquiry of the client management and review of the transnational entity listing, and may be supplemented by an email to the Member Firm(s) geographically close to these entities.

If the firm or other Member Firms provide non-assurance services to the potential client or entities over which the potential client has direct or indirect control, the significance of threats identified shall be evaluated and safeguards applied when necessary to eliminate the threat or reduce it to an acceptable level. This may include not accepting the engagement.

When the audit team knows or has reason to believe that a relationship or circumstance involving another related entity of the potential client is relevant to the evaluation of the firm's independence from the client, the audit team shall include that related entity when identifying and evaluating threats to independence and applying appropriate safeguards.

5 Acceptance and Continuance

The Partner shall only accept new engagements or continue existing engagements and client relationships where it has the capabilities, including time and resources, to do so, and can comply with ethical requirements and has considered the integrity of the (prospective) client and has no information to conclude that the (prospective) client lacks integrity.

For continuance decisions for existing engagements, we follow the procedures set out in [Appendix 8](#) and [Appendix 9](#), which requires that the Member Firm be alert to changes that may alter the original assessment of the acceptability of the client and engagement, including network firm independence.

5.1 General requirements

Before accepting an appointment, the Partner of PKF Econometrica must consider whether we are satisfied regarding:

- the integrity of the client and its directors/owners, key management and those charged with governance of the entity;
- whether the engagement team is competent to perform the audit engagement and has the necessary capabilities, including time and resources;
- whether the firm and the engagement team can comply with relevant ethical requirements;
- significant matters that have arisen during the current or previous audit engagement and their implications for continuing the relationship.

Engagement partner and engagement manager/senior team member will ensure complete and timely documentation of the A&C questionnaire in the audit documentation tool (CCH). CCH is used for assurance & non-assurance services. A&C questionnaire is mandatory to be finalized by engagement manager/senior team member and reviewed by engagement partner/managing partner before signing the engagement letter.

For consultancy engagements (other types of services excluding assurance & non-assurance services), A&C questionnaires are documented separately and archived in the engagement file. A&C questionnaires follow the same approval path and timing of completion as for the assurance & non-assurance services, described above.

A&C questionnaires used are presented in Appendix 6 (other business lines) & Appendix 7.

For high risk clients, the A&C process is also reviewed by the person responsible with Independence requirements at firm's level, as a second reviewer. High risk engagements represent engagement for public entities, complex business models and/or for engagements with fees exceeding 20% of total firm's annual turnover.

For multi-firm engagements, the A&C process need to be carried on separately at PKF Econometrica level prior to accepting or continuing the engagement, independently from other assessments made by other network's firms.

The individual with operational responsibility for ISQM at PKF Econometrica, is annually reviewing the existing A&C process to produce a more detailed risk assessment based on the responses provided to the A&C work program's questions. Annual training on this subject are mandatory.

5.2 Client Acceptance Policies

[Appendix 17](#) Prohibitions for PIEs is a paper prepared by IESBA providing a high-level summary of the prohibitions applicable to audits of Public Interest Entities. "Public Interest Entities" ("PIEs") includes all listed entities and any entity defined by regulation or legislation as a PIE or an entity for which the audit is required by regulation or legislation in that jurisdiction to be conducted in compliance with the same independence requirements that apply to the audit of listed entities.

[Appendix 18](#) Potential ethical conflicts - non-assurance services provide a summary of the potential ethical conflicts when providing non-assurance services to an audit or review client. The analysis is provided by type of non-assurance service and is split by Public Interest Entity and Non-Public Interest Entity. It is referenced to the IESBA Code for ease of use.

5.2.1 TREND procedures

The network conflict checking procedures are summarised in form in [Appendix 19](#) Firm and network conflict checking. This appendix also contains relevant extracts from The Code on network firms and the definition of a related entity, and suggested wording for e-mails that may be sent to other network firms to enquire about services provided. The same procedures are set out in a checklist format in [Appendix 8](#) Audit and review engagements: firm and network firm independence and [Appendix 9](#) Non-assurance engagements: firm and network firm independence (for Non-assurance services, please also see chapter 5.2.2 below).

As per the PKF Network's requirements, TREND will be used as a part of performing the following processes:

- i) required conflict checking procedures in [Appendix 8](#) (Form 5C from IPSM) and [Appendix 9](#) (Form 5D from IPSM);
- ii) maintaining current and accurate details of the PKF Econometrica's TNA and TNE clients in TREND and for subsequent changes to those TNA and TNE clients.

In order to be in compliance with requirements of using TREND, local teams from Timisoara and Cluj will apply procedures described in the current Quality Manual, regarding:

- a. an assessment of all clients, from all lines of service, to determine if the client meets the definition of a TNA or TNE (for definition please see Chapter 1.4 Definitions and IPSM).
- b. all of the PKF Econometrica's clients that are determined to be TNA or TNE clients shall be recorded on TREND by the Operational responsibility for the SQM
- c. the assessment of a client's TNA or TNE status shall be periodically updated as part of the Firm's continuance procedures in respect of continuing engagements with the client (for example, annual continuance for a recurring audit, or continuance of a recurring tax compliance engagement),
- d. subsequent changes to the client which are relevant to required information fields in TREND shall be updated in TREND as and when such changes occur,
- e. where the Firm ceases a relationship with a client that was previously assessed as a TNE or TNE, the cessation date of the relationship shall be recorded in TREND
- f. the processes for updating TREND shall be continuous, with any new information being input, or any changes being updated, in TREND at least at the same time as the performance of the corresponding acceptance or continuance procedures for the client.

iii) use of TREND in other relevant circumstances where the Firm and its personnel are required to use TREND as part of the procedures performed to comply with the requirements on independence (e.g. for checking potential threats to independence caused by Directorships and Financial Investments).

The Operational responsibility for the SQM is the designated responsible from PKF Econometrica to use, up-date and report data on TREND.

During the annual Quality Monitoring Cycle, there will be internal monitoring activities which are designed to gain reasonable assurance that TREND is being used appropriately.

Annual refreshers on TREND will be included in ISQM 1 trainings.

PKF Econometrica will only accept a new engagement once is satisfied as to the integrity of the client and have established that we will have the capabilities and resources available to provide a quality level of service. All new clients accepted are approved by the Managing Partner. We will be responsible for determining whether, based on all relevant information, we will formally accept or decline the engagement.

We use [Appendix 6](#) New engagement acceptance checklist and [Appendix 7](#) Continuing engagement evaluation checklist to document this process.

The partner and the audit manager of PKF Econometrica will regularly re-assess the existing clients to ensure there are no issues in relation to the integrity of the client or other changes in circumstances which mean we are no longer able to provide a high-quality service.

PKF Econometrica implements this policy through the following procedures:

1. Informing Firm personnel of the Firm's policies and procedures for accepting and continuing clients.
2. Obtaining and evaluating relevant information such as the following before accepting or continuing a client such as:
 - a. The nature and purpose of the services to be provided and management's understanding thereof.
 - b. The identity of the client's principal owners, key management, related parties, and those charged with its governance.
 - c. Information obtained from internet searches on the client and its associates.
 - d. Information obtained from inquiries of third parties who have business relationships with the entity about management's reputation and integrity.
 - e. The nature of the client's operations, including its business practices, from sources such as annual reports, interim financial statements, reports to and from regulators, income tax returns, credit reports and websites.
 - f. Information concerning the attitude of the client's principal owners, key management, and those charged with its governance toward such matters as aggressive interpretation of accounting standards and internal control over financial reporting.

3. Evaluating the risk of providing services for the following engagements:
 - a. Engagements for entities operating in highly specialized or regulated industries, (including financial institutions, technology companies, and
 - b. Engagements for entities operating in highly specialized or regulated industries, (including financial institutions, technology companies, and governmental entities) or in industries or environments that are traditionally perceived to be operated in a manner that is less than ethical.
 - c. Engagements where the Firm has concerns about the attitude of the client's principal owners, key management personnel and those charged with its governance towards such matters as aggressive interpretation of accounting standards and the internal control environment.
 - d. Engagements where the client is aggressively concerned with maintaining the Firm's fees as low as possible. Engagements where there is an inappropriate limitation in the scope of work.
 - e. Engagements where there are indications that the client might be involved in money laundering or other criminal activities.
 - f. Engagements that require an inordinate amount of time to complete relative to the available resources of the Firm.
4. Communicating with the predecessor auditor when required or recommended by professional standards. This communication also includes inquiries regarding the nature of objections, if any.
Please see [Appendix 10](#) Communicating with the predecessor auditor
5. Conducting a background checks of the business, its officers, and the person(s) in question, and evaluating the information obtained regarding management's integrity. Background checks are conducted when the staff of audit team is unable to obtain sufficient information about the prospective client after taking the steps described above, or there is an indication that management or someone affiliated with the prospective client may be less than reputable.
6. Evaluating the risk of providing services to significant clients or to other clients for which the PKF Econometrica objectivity or the appearance of independence may be impaired. In broad terms, the significance of a client to a Firm refers to relationships that could diminish an auditor's objectivity and independence in performing attest services. In determining the significance of a client, PKF Econometrica considers:
 - a. The amount of time the partner devotes to the engagement,
 - b. the effect on the partner's stature within the Firm as a result of service to the client,
 - c. the manner in which the partner is compensated, and
 - d. the effect that losing the client would have on the partner and the Firm.

For high-risk clients (i.e clients with fees above 20% of the firm's total annual turnover, listed, PIE engagements, or complexity in business model), an independent review (EQCR) is required by the firm of the engagement team's A&C assessment. The person must be independent from the engagement team and the client.

In considering whether PKF Econometrica has the capabilities, competence, time and resources to undertake a new engagement from a new or an existing client, the firm reviews the specific requirements of the engagement and existing partner and personnel profiles at all relevant levels. Matters that PKF Econometrica considers include whether:

- whether there are any actual or potential conflicts of interest;
- whether any identified independence threats have or can have safeguards applied and maintained to reduce them to an acceptable level;
- the personnel have knowledge of relevant industries or subject matters;
- the personnel have experience with relevant regulatory or reporting requirements, or the ability to gain the necessary skills and knowledge effectively;
- PKF Econometrica has sufficient personnel with the necessary capabilities and competence;
- any proposed use of another auditor's or accountant's work (including any collaboration which may be necessary with other offices of the firm or network firms);
- Experts and/or the required personnel are available
- Individuals meeting the criteria and eligibility requirements to perform engagement quality control review are available, where applicable;
- The ability to meet the engagement's reporting deadline;

Engagement acceptance risk is the risk inherent in accepting a new engagement. It encompasses risks that:

- the business will subsequently fail
- management lacks integrity
- the industry has difficult issues or is in decline
- management capabilities and track record are deficient

The assessment of this risk is primarily based on an evaluation of risk indicators, which if present, could result in greater risk to the firm. The engagement acceptance risk assessment assists personnel who are involved in the approval process to better evaluate the expected benefits of a new client relationship versus the possible cost. Engagement acceptance risk also reflects the value system that the firm attributes to certain industries and situations.

Engagement acceptance risk does not necessarily translate into audit risk. It is possible that engagement acceptance risk may be assessed at a high level due to a circumstance such as the prior auditor resigned. Whether this circumstance translates into audit risk is a judgment that must be evaluated on a facts and circumstances basis. Therefore, it is essential for the audit team to understand engagement acceptance risk and determine its relationship to risk assessments made in assessing risks for the audit.

If, after accepting or continuing an engagement, PKF Econometrica receives information, which, if known earlier, would have resulted in a refusal of the engagement, the Partner must consider whether to continue the engagement and will normally seek legal advice regarding its position and options to ensure that it meets all relevant professional, regulatory, and legal requirements.

Where a new client engagement was referred by another Member Firm ("Originating Firm") as part of a multi-firm engagement, the PKF Econometrica shall perform its own acceptance and continuance assessment on the engagement.

Although due consideration is given to the prospective client's association with any other Member Firm including the Originating Firm, PKF Econometrica shall exercise diligence in making its own determination of whether to accept a client or an engagement. Therefore, independence clearance will be obtained from the Originating firm as well as details of the Originating firm's client.

5.2.2 Non assurance engagements

As stated above, when proposing for non-assurance engagements, PKF Econometrica shall use [Appendix 9](#) (Form 5D from IPSM). The procedures from the form shall be used as part of the Firm's processes to perform conflict checking procedures together with all other requirements for the client acceptance procedures states in this Quality Manual.

The procedures require the engagement team to research the family tree of the prospective client and ascertain if it is a listed (public) entity or if there are other listed entities in the group. Where a potential conflict of interest is identified as a result of these initial procedures, the engagement teams perform the required procedures from [Appendix 9](#) (Form 5D from IPSM) which includes further steps to establish whether there is a real or perceived threat to independence and to apply the conceptual framework of The Code in response to any such threats that are identified. This includes required communications of the Firm with the entity and with other Member Firms.

If a non-assurance engagement continues beyond the initial engagement, as part of the Member Firm's continuance procedures for assessing independence, it shall apply the steps in [Appendix 9](#) (Form 5D from IPSM) to perform network conflict checking procedures to identify any subsequent changes in the client relationship

affecting the Member Firm's and other Member Firm's independence. Such procedures will involve direct enquiry of client management, as well as checking TREND, to determine whether there were any:

- a. changes in the controlling ownership interests over the entity;
- b. changes in any controlling interests held by the entity;
- c. new listings in the group;
- d. any known change in service providers that may impact independence; or
- e. changes in classification of the entity as a public interest entity.

Any such changes shall require reconsideration of the initial assessment of the Member Firm's network conflict checking procedures as outlined above.

All documentation shall be made in the relevant forms from the Appendix and, for the assurance engagement, in the electronic engagement file (CCH).

5.3 Communications with Predecessor Auditors

The lead partner or manager should make certain inquiries of the predecessor auditor before accepting a new client, including whether the predecessor auditor communicated with the audit committee or others with equivalent authority regarding fraud, illegal acts, and internal control matters. A predecessor auditor is an auditor who (1) has reported on the most recent audited financial statements or was engaged to perform, but did not complete an audit of any subsequent financial statements, and (2) has resigned, declined to stand for reappointment, or been notified that his or her services have been, or may be, terminated.

In considering a potential new engagement, firm personnel should explain to the prospective client their need to communicate with the predecessor auditor and request that they authorize the auditors to respond to our inquiries.

Please see [Appendix 10](#) Communicating with the predecessor auditor.

5.4 Decline/ withdrawal an engagement

Where PKF Econometrica obtains information that would have caused it to decline an engagement if that information had been available earlier the matter must be resolved should be considered:

- e. The professional and legal responsibilities that apply to the circumstances, including whether there is a requirement for the firm to report to the person or persons who made the appointment or, in some cases, to

regulatory authorities; and

f. The possibility of withdrawing from the engagement or from both the engagement and the client relationship.

The following issues need to be addressed when considering withdrawal from an engagement or from both the engagement and the client relationship:

g. Discussing with the appropriate level of the client's management and those charged with its governance the appropriate action that the firm might take based on the relevant facts and circumstances.

h. If the firm determines that it is appropriate to withdraw, discussing with the appropriate level of the client's management and those charged with its governance, withdrawal from the engagement or from both the engagement and the client relationship, and the reasons for the withdrawal.

i. Considering whether there is a professional, regulatory or legal requirement for the firm to remain in place, or for the firm to report the withdrawal from the engagement, or from both the engagement and the client relationship, together with the reasons for the withdrawal, to regulatory authorities.

j. Documenting significant issues, consultations, conclusions and the basis for the conclusions.

5.5 Client Continuance

Annually we must evaluate our relationship with each client to determine whether such relationship should be continued. Conditions that may lead to a decision to terminate a relationship include a major change in one or more of the following:

- k. Management
- l. Directors
- m. Ownership
- n. Legal representatives
- o. Financial Condition
- p. Litigation to which the client may be a party.
- q. Client's business
- r. Engagement scope, particularly client imposed restrictions

For all new engagements, a letter or other form of documentation confirming the terms of the engagement should be obtained. New documentation should ordinarily be prepared whenever there is a significant change in management or in ownership of the client or when there is a major change in the scope of a continuing engagement. This document will outline each parties responsibilities, the scope of the engagement, involvement

of anyone specialists or experts (where applicable), billing arrangements and confirms ownership of the documents. The firm's standard letter of engagement is at [Appendix 11](#).

5.6 Signing Contracts

The contracts may be prepared by PKF Econometrica or by the client according to their negotiations. It is the responsibility of the Audit Manager (after consulting with the Engagement Partner and/or the Authorized Employee) to ensure that the contract complies with the offer or proposal that was submitted.

Employee responsible

- s. Managing Director
- t. Audit Department
- u. Legal consultant

When required, a power of attorney can be issued for an employee to sign the contract on behalf of the company.

The contracts are usually prepared by PKF Econometrica or by the client according to their negotiations. It is the responsibility of the legal consultant (after consulting with the Managing Director and/or the Authorized Employee) to ensure that the contract complies with the offer or proposal that was submitted.

The original copy of the contract must be inserted in the Permanent file and announce the person

Responsibilities: the Managing Director, the Audit Manager, the Authorized Employee and the Accounting Department are responsible for implementing these procedures.

The Engagement Partner will review and sign all contracts with clients. The signature right cannot be delegated.

Establishing the terms of engagement

For all engagements, the terms of the engagement shall be agreed with the client. It is recommended that such agreement is obtained in writing, preferably in the form of an engagement letter. Please see [Appendix 11](#) Example audit engagement letter

Terms shall be reconfirmed whenever there is a significant change in management or in ownership of the client, or there is a change in the professional requirements or scope of a continuing engagement.

6 Money Laundering

We are required by law to:

- Train personnel in the local law and regulations and specific guidelines regarding money laundering
- Operate procedures designed to check identities and bona fides of new client
- Ensure partners and personnel promptly report any suspicions of money laundering by clients or others

Legislation in force:

- Law No. 129/11.07.2019 on prevention and sanctioning money laundering, as well as for setting up some measures for prevention and combating terrorism financing.

The audit teams must be alert to the following these types of transactions. It is difficult to make a general description of such activities / arrangements can be used as many and varied and can grow or change constantly.

Cash. Any party (whether our client or otherwise) proposes to pay significant sums in cash, or client who asks that the firm hold in client account a large sum of cash, pending further instructions for no purpose.

Rapid transfers of funds. Paying money into and out of our client account may be designed to conceal the true origin of the funds.

No commercial purpose. A transaction which has no apparent purpose and which makes no obvious economic sense is suspicious.

Unusual transaction. Where the transaction is, without reasonable explanation, out of the range of services normally requested by that client or outside the experience of the firm.

Secretive clients. The client refuses to provide requested information without reasonable explanation, including client identification information, The client who is not prepared to attend at the office with no good reason for not doing so.

Unusual sources of funds. The client provides funds other than from an account in his/her own name maintained with a recognised and reputable financial institution.

Unusual Payment methods - Any client who requires that payments to or from them be in cash, particularly in large commercial transactions or purchases of property, or the requirement that payment be by way of a third party cheque or some other form of money transfer

Internal report of money laundering suspicion includes a form for reporting such suspicions (Appendix 12).

7 Human Resources

The Managing Director of PKF Econometrica recognizes the value and authority of the HR in all human resource matters.

The HR has the responsibility for:

- Maintenance and implementation of human resource policies designed to provide reasonable assurance that the PKF Econometrica has sufficient personnel with the competence, capabilities, and commitment to ethical principles necessary to:
 - Perform engagements in accordance with professional standards and applicable legal and regulatory requirements; and
 - Enable the firm or Engagement Partner to issue reports that are appropriate in the circumstances;
- Identifying required policy changes resulting from labour laws and regulations and to remain competitive in the marketplace;
- Providing guidance and consultation on human resource related matters;
- Maintenance of performance evaluation appraisal systems;
- As requested, recommending specific actions or procedures appropriate to the circumstance (for example discipline, recruitment);
- Developing, and periodically monitoring, an annual training and professional development plan for all personnel;
- Development and delivery of orientation training; and

Maintenance of personnel files (including annual declarations of independence, acknowledgement of confidentiality, and training and continuing professional development reports).

7.1 Recruitment and Retention

The Head of the Audit and Assurance Department is responsible periodically for assessing the level of the firm's future workload, the timing of audits/assurance work and the resultant need for numbers of audit partners and personnel. This is linked with the PKF Econometrica procedures for budgeting fee income and employment costs.

The Human Resources (HR) uses current application, interviewing, and documentation processes with respect to hiring.

The HR will consider the following items when the Managing Partner is seeking candidates for employment:

- Verifying academic and professional credentials and checking references;
- Clarifying gaps in time on candidates' resumes;
- Clarifying with candidates the firm's requirement to state in writing, annually and for each assurance engagement, whether they are independent and free of conflict of interest; and
- Informing candidates of the requirement to sign a declaration regarding understanding of and compliance with the firm's confidentiality policy.

The interview

- The interview will be conducted by one or two people, one of them will be the immediate supervisor of the candidate.
- Preparations will be made in such a way as to ensure that the person interviewing the candidate knows the place and time of the interview.
- The person/s who is/are interviewing must ensure that sufficient time is reserved for the interview (at least 45 minutes) and is reserved a room where the interview will not be disturbed.
- The person/s who is/are interviewing will prepare in advance a set of key questions.

The interview will be kept as brief and will include:

- A discussion in reference to the actual job of the candidate
- Previous Jobs, training, etc..
- Why the person is interested to our job
- Future plans of his or her
- Other concerns

The HR provides all new personnel orientation information as soon as is practical after commencing employment in PKF Econometrica. The orientation materials include a complete copy of the firm's policies and procedures. A probationary period of **3 months** applies to all new personnel.

The Partner endeavours to identify opportunities for the personnel's career development in order to retain competent staff and to provide for the SP's sustainability and continued growth.

7.2 Training and Continuing Professional Development

The Partner and staff must meet the minimum continuing professional development requirements as defined in Romania Chamber of Auditors (CAFR) and any additional identified training needs which are appropriate for their level and responsibilities.

PKF Econometrica recognizes the continuing obligation to maintain competence of partner and personnel and to ensure that personnel have the knowledge required to enable them to fulfil responsibilities assigned. The firm seeks to provide personnel with the means to develop professionally, as well as to competently execute the tasks assigned to them.

PKF Econometrica determines the capabilities and competencies possessed by personnel.

The firm has different levels of responsibility and the duties ascribed to each level. Performance of those duties should be used as a guide for making advancement decisions.

The firm discharges its obligation by providing training and learning opportunities as part of Continuing Professional Development (CPD). The CPD programme is administered by the Partner and Head of Audit and Assurance Manager.

The procedure is that each year all audit partners and personnel complete a CPD Plan (Appendix 2 from Training & Development Policy). This records the new tasks they expect to have to perform in the coming year, the new specialised knowledge they expect to need (e.g. new client industry types they expect to work on, new IT applications) and reinforcement of existing knowledge required (e.g. from appraisal findings/self analysis). The CPD Plan is discussed with the Head of the Audit and Assurance Department at the time of the annual appraisal and approved by him.

Each partner and member of personnel is then responsible for maintaining during the year a record of training and professional reading actually undertaken on a Continuing Professional Development Form (Appendix 2 from Training & Development Policy).

The firm develops Annual Training Plan for all business lines which includes minimum required trainings from areas such as: professional standards, ethics & compliance, specific procedures (audit, consultancy) etc. Attending the trainings from the annual training plan is mandatory for all employees.

7.3 Advancement

The firm has different levels of responsibility and the duties ascribed to each level. Performance of

those duties shall be used as a guide for making advancement decisions. Further details regarding these roles and responsibilities is then given in Roles and responsibilities (Appendix 13) and also in Job Descriptions (HR)

The criteria to be considered in evaluating individual performance and proficiency shall include technical knowledge, analytical and judgmental abilities, communicative skills, leadership and training skills, client relations and personal attitude.

Compliance with the firm's policies will feature prominently in the evaluation of staff. Appropriate weighting is assigned to the traits identified in the assessment of job performance and in determining remuneration levels, bonuses, advancement, career development and authority within the firm.

7.4 Remuneration

Increases in remuneration for Partner and personnel should be a reflection of the achievement of criteria set out under advancement above including the quality of work performed. Under no circumstances may the remuneration of an audit partner or personnel member be determined on the basis of non-audit fees derived from audit clients.

7.5 Assignment of Engagement Teams

Through its policies and procedures, the Partner ensures the assignment of appropriate staff (individually and collectively) to each engagement. The responsibilities of the Partner are clearly defined in section 8.1 of this manual and in the engagement templates provided by the Partner. The Partner is also responsible for ensuring that the individuals assigned, and the engagement team as a whole, have the necessary competencies to complete the engagement according to professional standards and the firm's quality control system.

Personnel assignments should be made only after consideration of possible independence problems and conflicts of interest, such as assignment of personnel to engagements for clients who are former employers or are employers of certain relatives.

When determining the appropriate personnel to assign to an engagement, particular attention will be given to their technical knowledge, qualifications and experience. Continuity with the client, balanced with rotation requirements, will also be considered.

The Partner will also plan for coaching opportunities between junior and senior personnel to guide the development of less experienced staff.

7.6 Enforcement of Quality Control Policies (Discipline)

PKF Econometrica's quality control system requires more than just effective monitoring. An enforcement process is essential, and includes consequences and corrective procedures for non-compliance, disregard, lack of due care and attention, abuse, and circumvention.

The Partner has overall responsibility for the disciplinary process. Corrective action is determined and administered through a consultative process, not in an autocratic fashion. The corrective action taken will depend on the circumstances.

Corrective action taken by the Partner will depend on the circumstances. Such actions might include, but are not limited to:

- Interviewing the person(s) involved to establish the facts and discuss causes and solutions;
- Counselling and/or mentoring; and
- Conducting follow-up interviews to ensure compliance has improved or to caution the staff involved that stronger corrective action will otherwise be required to protect the interest of clients and the firm, such as:
 - Reprimand (either oral or written);
 - Mandatory requirement to complete defined continuing professional development;
 - Written record filed in the personnel file;
 - Employment suspension;
 - Termination of employment; or
 - Formal notification filed with the professional association's discipline committee.

8 Engagement Performance

Through established policies and procedures and its quality control system, PKF Econometrica requires that engagements be performed according to professional standards and applicable regulatory and legal requirements.

Also, PKF Econometrica seeks to establish consistency in the quality of engagement performance. This is accomplished through written or electronic manuals IAF. Matters addressed include the following:

- How engagement teams are briefed on the engagement to obtain an understanding of the objectives of their work.
- Processes for complying with applicable engagement standards.
- Processes of engagement supervision, personnel training and coaching.
- Methods of reviewing the work performed, the significant judgments made and the form of report being issued.

- Appropriate documentation of the work performed and of the timing and extent of the review.
- Processes to keep all policies and procedures current.
- Risk inherent in the engagement.

The Partner's overall systems are designed to provide reasonable assurance that the staff are adequately and properly planned, supervised, and reviewed and that the engagement reports are appropriate in the circumstances.

On each engagement the engagement Partner directs the audit engagement by informing the members of the engagement team of:

- (a) Their responsibilities;
- (b) The nature of the entity's business;
- (c) Risk-related issues;
- (d) Problems that may arise; and
- (e) The detailed approach to the performance of the engagement.

Planning the engagements generally includes the following activities:

- Assigning responsibilities to appropriate personnel during the planning phase.
- Developing or updating background information on the client and the engagement.
- Considering client significance to the Firm. Developing a planning document that includes the following:
 - Proposed work programs tailored to the specific engagement.
 - Staffing requirements and the need for specialized knowledge.
 - Consideration of the economic conditions affecting the client and its industry and their potential effect on the conduct of the engagement.
 - The risks, including fraud considerations, affecting the client and the engagement and how the risks may affect the procedures performed.
 - A budget that allocates sufficient time for the engagement to be performed in accordance with professional standards and the firm's QC policies and procedures.

The engagement team's responsibilities include maintaining an objective state of mind and an appropriate level of professional scepticism, and performing the work delegated to them in accordance with the ethical principle of due care.

It is important that all members of the team understand the work they are to perform and members of the engagement team are encouraged to raise questions with more experienced team members. Appropriate communication should occur within the engagement team.

Supervision includes the following:

- Tracking the progress of the engagement.
- Considering the capabilities and competence of individual members of the engagement team, whether they have sufficient time to carry out their work, whether they understand their instructions and whether the work is being carried out in accordance with the planned approach to the engagement.
- Addressing significant issues arising during the engagement, considering their significance and modifying the planned approach appropriately.
- Identifying matters for consultation or consideration by more experienced engagement team members during the engagement.

Review responsibilities are determined on the basis that more experienced engagement team members, including the engagement partner, review work performed by less experienced team members.

Reviewers should consider whether:

- (a) The work has been performed in accordance with professional standards and regulatory and legal requirements;
- (b) Significant matters have been raised for further consideration;
- (c) Appropriate consultations have taken place and the resulting conclusions have been documented and implemented;
- (d) There is a need to revise the nature, timing and extent of work performed;
- (e) The work performed supports the conclusions reached and is appropriately documented;
- (f) The evidence obtained is sufficient and appropriate to support the report; and
- (g) The objectives of the engagement procedures have been achieved.

Reviewers should evidence areas they have reviewed by initialling and dating.

Before the audit/ assurance report is issued, the engagement partner, through review of the documentation and discussion with the engagement team should be satisfied that sufficient appropriate evidence has been obtained to support the conclusions reached and for the report to be issued.

The engagement partner should conduct timely reviews at appropriate stages during the engagement. This allows significant matters to be resolved on a timely basis to the engagement partner's satisfaction before the auditor's report is issued. The reviews should cover critical areas of judgment, especially those relating to difficult or contentious matters identified during the course of the engagement, significant risks, and other areas the

engagement partner considers important. The engagement partner need not review all audit documentation. However, the partner documents the extent and timing of the reviews by initialling and dating areas reviewed. Issues arising from the reviews should be resolved to the satisfaction of the engagement partner.

The engagement partner will review budgeted time allocated to the engagement (as per Planner tool) with actual time spent on engagement (as per Timesheets). Please see A5.1 Budgeting policy.

8.1 Role of the Partner as Engagement Leader

The engagement leader is responsible for signing the engagement report. As leader of the engagement team, the Partner is responsible for:

- The overall quality for each engagement;
- Forming a conclusion on compliance with requirements relating to independence from the client, and in doing so, obtaining the information required to identify threats to independence, taking action to eliminate such threats or reduce them to an acceptable level by applying appropriate safeguards, and ensuring appropriate documentation is completed;
- Ensuring that appropriate procedures regarding the acceptance and continuance of client relationships have been followed, and that conclusions reached in this regard are appropriate and have been documented;
- Ensuring that the engagement team collectively has the appropriate competence and capabilities to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements;
- Supervising and/or performing the engagement in compliance with professional standards and regulatory and legal requirements, and ensuring that the engagement report issued is appropriate in the circumstances;
- Communicating to key members of the client's management and those charged with governance the Partner's identity and role as engagement leader;
- Ensuring, through review of the engagement documentation and discussion with the engagement team, that sufficient appropriate evidence has been obtained to support the conclusions reached and for the engagement report to be issued;
- Taking responsibility for the engagement team by undertaking appropriate consultation (both internal and external) on difficult or contentious matters; and
- Ensuring a QCR is appointed when required by professional standards and/or the Partner's policy; discussing significant matters arising during the engagement and identified during the engagement quality control review with the QCR; and not dating the report until the review is complete.

8.2 Consultation

The Partner encourages consultation among the engagement team and, for significant matters with others inside and, with authorization, outside the firm. Internal consultation uses the Partner's collective experience and expertise (or that available to the Partner) to reduce the risk of error and improve the quality of engagement performance. A consultative environment improves the Partner's or staff's learning and development process and adds strength to the Partner's collective knowledge base, quality control system, and professional capabilities.

For any significant, difficult, or contentious issue identified during planning or throughout the engagement, the Partner shall consult suitably qualified external persons.

Consulting with those having appropriate knowledge, authority, and experience within the company on significant technical, ethical, and other matters. Before using such services, the Firm evaluates whether the external provider is qualified for that purpose.

PKF Econometrica considers that consultation may be required on the following matters:

- Application of newly issued technical pronouncements
- The application and interpretation of technical pronouncements
- Industries with special accounting, auditing, or reporting requirements.
- An audit of the financial statements of listed entities
- Controversial accounting policies or the interpretation of accounting standards where alternative treatments could have a material effect on the client's financial position, financial performance or cash flows.
- When it is proposed to issue a qualified report on a listed entity.
- A continuing engagement with a history of recurring disagreements over major matters, or reporting issues.
- A continuing engagement for a client involved in litigation in which it has been formally charged with issuing misleading or false financial statements.
- An engagement for a new client in an industry or industries where the member firm conducting the work has no prior expertise.

- A new or existing client contemplating a public offering of one kind or another.
- A special engagement for a third party (e.g. a legal office) to provide expert advice or to serve as an expert witness,
- Threats to independence arising from non-audit services provided to a client.
- Tax issues
- Valuations
- Computer assisted audit techniques
- Complex IT issues

In cases where consultation is required, the consultation should be conducted in the following order:

- Another partner with knowledge / experience in the matter.
- Any technical resource
- External specialists
- PKF International.

When external consultation is required, the situation shall be sufficiently documented providing enough detail to allow file readers to understand the full extent of the nature of the consultation, the external expert's qualifications and relevant competencies, and the course of action recommended.

The external expert shall be supplied with all relevant facts to be able to provide informed advice. When seeking advice, it is not appropriate to withhold facts or direct the information flow in order to get a particular desired result. The external expert shall be independent of the client, free of conflict of interest, and held to a high standard of objectivity.

The external expert's advice will ordinarily be implemented as the resolution or form part of the resolution of the contentious issue. If the advice is not implemented or is substantially different from the conclusion, there shall be an explanation documenting the reasons and alternatives considered, with (or cross-referenced to) the consultation record provided by the Partner.

If more than one consultation is completed, a summary of the general discussions and range of opinions or options provided shall be added to the working papers. The final position(s) adopted and the reasons for this shall also be documented.

The Partner will make the final decision on all such matters, and will document the consultations and the reasons for the final decision.

PKF Econometrica until now, has not external parties with whom they have consultation arrangements.

Use form **B3 “Consultation Record”** from IAF to record consultation.

8.3 Second Partner/Engagement Quality Review Partner

Firm will need to implement independent reviews of both the firm's audit files and the firm's quality control procedures. Listed, public interest and high risk assignments will need second partner or independent reviews before signing the audit report.

The second partner review shall include as a minimum:

- (i) Discussion of the significant matters with the engagement partner;
- (ii) Review of the subject matter and the proposed report;
- (iii) Review of selected engagement documentation relating to significant judgments the engagement team made and the conclusions it reached; and
- (iv) Evaluation of the conclusions reached in formulating the report and consideration of whether the proposed report is appropriate.

The engagement quality reviewer must be independent of the company, perform the engagement quality review with integrity, and maintain objectivity in performing the review.

To maintain objectivity, the engagement quality reviewer and others who assist the reviewer should not make decisions on behalf of the engagement team or assume any of the responsibilities of the engagement team. The engagement partner remains responsible for the engagement and its performance, notwithstanding the involvement of the engagement quality reviewer and others who assist the reviewer.

8.4 Differences of Opinion

Where differences of opinion arise within the engagement team, with those consulted and, where applicable, between the engagement partner and the safeguard reviewer, the engagement team or engagement partner should consult the technical resource.

The Partner and staff shall strive to be objective, conscientious, open-minded, and reasonable in assisting, facilitating, or reaching a timely and non-confrontational resolution of any disputes or differences of opinion between personnel.

Anyone who is party to a dispute or difference of opinion shall attempt to resolve the matter in a timely, professional, respectful, and courteous manner through discussion, research, and consultation with the other individual(s).

The Partner will consider the matter promptly and decide, through consultation with the parties, how to resolve the matter. The Partner shall then inform the parties of this decision and the reasons behind it. In all cases, the nature and scope of, and conclusions resulting from, consultations undertaken during the course of the engagement shall be documented.

All staff are protected from any form of retribution, career limitation, or punitive actions for bringing attention to a legitimate and significant issue, in good faith and with the true interests of the public, client, Partner.

If the individual is still not satisfied with the matter's resolution and no further recourse is available within the Partner, the individual will need to consider the matter's significance, along with his or her position or continuing employment with the Partner.

Disputes or differences of opinion shall be documented appropriately. In all instances, the engagement report will not be dated until the matter is resolved.

As necessary, the engagement partner should inform members of the engagement team that they may bring matters involving differences of opinion to the attention of the engagement partner or others within the firm as appropriate without fear of reprisals.

ISQM 1 responsible will review documentation of differences of opinions as part of monitoring activities.

8.5 Engagement quality control review - EQCR

Criteria to be considered when determining which engagements other than audits of financial statements of listed entities are to be subject to an engagement quality control review include the following:

- The nature of the engagement, including the extent to which it involves a matter of public interest;
- The identification of unusual circumstances or risks in an engagement or class of engagements; and
- Whether laws or regulations require an engagement quality control review.
- All “high risk” clients shall be subject to an engagement quality control review. High risk engagements represent engagement for public entities, complex business models and/or for engagements with fees exceeding 20% of total firm’s annual turnover.

8.6 Nature, Timing and Extent of the Engagement Quality Control Review

The decision to conduct an EQCR, even if the engagement meets the criteria, and the extent of the EQCR, will depend on the engagement’s complexity and associated risks. An EQCR does not diminish the Partners responsibility for the engagement.

A safeguard review ordinarily involves discussion with the engagement partner, a review of the financial statements or other subject matter information and the report, and, in particular, consideration of whether the report is appropriate. It also involves a review of selected working papers relating to the significant judgments the engagement team made and the conclusions they reached. The extent of the review depends on the complexity of the engagement and the risk that the report might not be appropriate in the circumstances. The review does not reduce the responsibilities of the engagement partner.

A safeguard review includes considering the following:

- The engagement team’s evaluation of the firm’s independence in relation to the specific engagement.
- Significant risks identified during the engagement and the responses to those risks.
- Judgments made, particularly with respect to materiality and significant risks.
- Whether appropriate consultation has taken place on matters involving differences of opinion or other difficult or contentious matters, and the conclusions arising from those consultations.
- The significance and disposition of corrected and uncorrected misstatements identified during the engagement.
- The matters to be communicated to management and those charged with governance and, where applicable, other parties such as regulatory bodies.
- Whether working papers selected for review reflect the work performed in relation to the significant judgments and support the conclusions reached.

- The appropriateness of the report to be issued.

The EQCR should conduct the review in a timely manner at appropriate stages during the engagement so that significant matters may be promptly resolved to the reviewer's satisfaction before the report is issued. For example where the need for a EQCR is identified at the start of an audit, the EQCR should review the risk assessment prior to the assurance work being done.

Where the safeguard reviewer makes recommendations that the engagement partner does not accept and the matter is not resolved to the reviewer's satisfaction, the report is not issued until the matter is resolved by following the firm's procedures for dealing with differences of opinion.

If using the IAF this should be documented on form B2 "Engagement Quality Review."

Criteria for the Eligibility of Engagement Quality Reviewers:

PKF Econometrica implements this policy by establishing the following criteria:

- An engagement QC reviewer:
 - Is selected by the Partner.
 - Has sufficient technical expertise and experience.
 - Carries out responsibilities with objectivity and due professional care without regard to the relative positions of the audit engagement partner and the engagement QC reviewer.
 - Meets the independence requirements relating to the engagements reviewed, even though the engagement QC reviewer is not a member of the engagement team.
 - Does not make decisions for the engagement team or participate in the performance of the engagement except that the engagement partner may consult the engagement QC reviewer at any stage during the engagement.
- When PKF Econometrica does not have suitably qualified personnel to perform the engagement QC review, the firm contracts with a suitably qualified external person to perform the engagement QC review.

9 Monitoring

PKF Econometrica assigns responsibility for the monitoring process to the Managing Partner. The firm is included in the monitoring cycle of PKF INTL and also in the monitoring cycle of the Chamber of Financial Auditors of Romania (CAFR).

The purpose of the monitoring program is to assist the firm in obtaining reasonable assurance that its policies and procedures relating to the system of quality control are relevant, adequate, and operating effectively.

The Partner must be mindful of the need to inspect the quality control system for continuing effectiveness in light of recent developments and to test controls periodically through formal monitoring at the engagement file level to ensure the controls are working effectively and are not being deliberately circumvented or applied with less rigor than intended. All deficiencies identified should be addressed immediately.

| ISA and ISQC1/[ISQM 1](#) are implemented in Romania more than 20 years.

Both the CAFR (Chamber of Financial Auditors of Romania) and ASPAAS (Supervision of the Statutory Audit Public Oversight Authority), implemented guidance for QC/ revision rules from ASPAAS <https://www.aspaas.gov.ro/inspectii/> and CAFR <https://www.cafr.ro/uploads/Hot%2060%20Norme%20DMCCP.pdf> and <https://www.cafr.ro/control-decalitate/>

PKF Econometrica team was involved in Translation Committee of the ISAs and monitoring of the quality control.

9.1 Inspection Procedures

PKF Econometrica policy in respect to Monitoring are the following:

- The Partner designates a Quality Control Reviewer - QCR who is responsible for designing, implementing and monitoring the PKF Econometrica's QC system.
- The QCR responsibilities include ensuring that the PKF Econometrica's QC policies and procedures and its methodologies remain relevant and adequate. Factors to be considered include the following:
 - Changes in professional standards or other regulatory requirements applicable to the PKF Econometrica's practice.
 - Results of inspections and peer review.
 - Review of litigation and regulatory enforcement actions against the company and its personnel.

Determining whether personnel have been appropriately informed of their responsibilities for maintaining the Firm's standards of quality in performing their duties.

- Identifying the need to do the following:
 - Revise policies and procedures related to QCR because they are ineffective or inappropriately designed.
 - Improve compliance with of PKF Econometrica policies and procedures related to QCR.

Inspection procedures include reviewing a cross-section of engagements using the following criteria in selecting engagements:

- Significant specialized industries with emphasis on high-risk engagements.
- First-year engagements.
- Significant client engagements.
- Level of service performed (that is, audit and attest, review, or compilation).
- Engagements for which there have been complaints or allegations from PKF Econometrica personnel, clients, or other third parties that the work performed by the Firm failed to comply with professional standards, regulatory requirements.
- Engagements in which there were significant disagreements of opinion

Establish an approach and timetable for performing the inspection procedures and determining the forms and checklists to be used during the inspection and the extent of documentation required (Annual Monitoring Plan).

- Deciding how long to retain detailed inspection documentation (as opposed to summaries).

Inspection documents will be retained for 6 years, similar with audit documentation retention requirements set in Chapter 10. Forms and checklists from the Appendix 15 will be used, together with other templates provided on PKF Hub.

- Reviewing correspondence regarding consultation on independence, integrity, and objectivity matters and acceptance and continuance decisions.
- Reviewing the resolution of matters reported by professional personnel regarding independence to determine that matters have been appropriately considered and resolved.
- Selecting a sample of engagements for review to determine compliance with the PKF Econometrica's QC policies and procedures, re-evaluating that selection throughout the process, and reviewing the selected engagements.
- Preparing a summary inspection report for the partner or management group that evaluates the overall results of the inspection and sets forth any recommended changes that should be made to the PKF Econometrica's policies and procedures.

Quality Control Responsible will issue an annual Monitoring Report and sent to the Managing Partner, by the end of the annual monitoring cycle.

- Reviewing the recommended corrective actions and reaching final conclusions about the actions to be taken.
- Following up on planned corrective actions to determine whether those actions were taken and whether they achieved the intended objective(s).
- Reviewing and evaluating PKF Econometrica practice aids, such as audit programs, forms, and checklists, and considering whether they reflect the most recent professional pronouncements.
- Providing information during staff meetings regarding new professional standards, regulatory requirements, and the related changes that should be made to PKF Econometrica practice aids.
- Reviewing other administrative and personnel records pertaining to the QC elements.
- Soliciting information from the PKF Econometrica's personnel during staff meetings regarding the effectiveness of training programs.

Please see [Appendix 15](#) Monitoring Checklists to be used for documenting the internal monitoring activities.

9.2 Evaluating, Communicating, and Remedyng Deficiencies

PKF Econometrica implements this policy through the following procedures:

The Quality Control Responsible shall:

- discuss the engagement related observations of the inspection with the engagement partner and seeking his concurrence therewith.
- prepare a summary report that evaluates the overall results of the monitoring and sets forth any recommended changes that should be made to the PKF Econometrica's policies and procedures and sent it for review to the Managing Partner.

The Managing Partner, as ultimate responsible for SQM shall:

- Review the recommended corrective actions and reaching final conclusions as to the actions to be taken.
- Communicate to all professional personnel the deficiencies noted and the related changes in QC procedures.
- Follow up on planned corrective actions to determine whether those actions were taken and whether they achieved the intended objective(s).

9.3 Complaints and Allegations

The firm will deal appropriately with;

- (a) Complaints and allegations that work performed fails to comply with professional standards and regulatory and legal requirements; and
- (b) Allegations of non-compliance with the firm's system of quality control.

Complaints and allegations may originate from within or outside PKF Econometrica. They may be made by firm personnel, clients or other third parties. They may be received by engagement team members or other firm personnel.

The Partner is also responsible for consulting lawyers and ensuring the firm's insurers are informed where appropriate.

Any complaint received from a client or other third party will be responded to at the earliest practical moment, with an acknowledgement that the matter is being attended to, and that a response will be forthcoming after it has been appropriately investigated.

The Partner maintains a defined policy with accompanying procedures that details the procedures to be followed if a complaint or allegation arises.

9.4 Appropriate documentation

PKF Econometrica prepares appropriate documentation to provide evidence of the operation of each element of its system of QC, including the following:

- Monitoring procedures, including the procedure for selecting on-going & completed engagements to be inspected.

The selection of engagements to be monitored shall be made based on a certain % of engagements from total assurance & non-assurance engagements which is to be assessed on an annual basis, as well as other services provided such as accounting, tax & fiscal consultancy, internal audit from both offices in Timisoara and Cluj-Napoca.

In selecting the engagements, priority will be given to the following, selecting 1 engagement from each type, if applicable:

- Significant specialized industries with emphasis on high-risk engagements.

- First-year engagements.
- Significant client engagements – if criteria is met an EQCR is performed.
- If applicable - Engagements for which there have been complaints or allegations from PKF Econometrica personnel, clients, or other third parties that the work performed by the Firm failed to comply with professional standards, regulatory requirements.
- If applicable - Engagements in which there were significant disagreements of opinion

- A record of the evaluation of the following:
 - Adherence to professional standards and regulatory and legal requirements.
 - Whether the quality control system has been appropriately designed and effectively implemented.
 - Whether the PKF Econometrica's QC policies and procedures have been appropriately applied so that reports that are issued by the Firm or engagement partners are appropriate in the circumstances.
- Identification of the deficiencies noted an evaluation of their effects, and the basis for determining whether further action is necessary and what that action should be.

Monitoring checklist from [Appendix 15.2](#) will be used for documentation by the Quality Control Reviewer.

10 Documentation

PKF Econometrica requires appropriate documentation to be maintained to provide evidence of the operation of each element of its system of quality control. These include independence confirmations, acceptance and continuation of client's considerations, performance evaluations and the results of monitoring inspections.

Each office retains this documentation for a period of time sufficient to permit those performing monitoring procedures (including those from regulatory bodies) to evaluate compliance with the firm's system of quality control, or for a longer period if required by law or regulation.

10.1 Documentation of the Engagement

It is the Partner's policy that engagement documentation shall include:

- Engagement planning checklist or memorandum;
- Identified issues with respect to ethics requirements (including demonstration of compliance);
- Compliance with independence requirements and documentation of any discussions related to these issues;
- Conclusions reached with respect to acceptance and continuance of client relationship;

- Procedures performed to assess the risk of material misstatement due to fraud or error at the financial statement and assertion level;
- Nature, timing, and extent of procedures performed in response to assessed risk including results and conclusions;
- Nature, scope, and conclusions drawn from consultations;
- All communications issued and received;
- Results of the EQCR which has been completed on or before the date of the report;
- Confirmation that no unresolved matters exist that would cause the reviewer to believe that the significant judgments made and conclusions drawn were not appropriate;
- Conclusion that sufficient, appropriate audit evidence has been accumulated and evaluated, and supports the report to be issued; and
- File closing, including appropriate sign-off.

PKF Econometrica's policy requires that final assembly of the engagement file be completed no more than 60 days after the date of the auditor's report.

10.2 Documentation of the Engagement Quality Control Review

Each professional engaged by the Partner serving in the capacity of QCR must complete the SP's standardized EQCR checklist, in order to provide documentation that the review was performed. This must include confirmation and supporting evidence or cross-references to it, affirming that:

- Appropriately qualified external professional(s) have performed the procedures required for an EQCR;
- The review was completed on or before the date of the engagement report;
- No unresolved matters have come to the EQCR's attention that would cause him or her to believe that the significant judgments the engagement team made and the conclusions reached were not appropriate.

10.3 File Access and Retention

PKF Econometrica has established policies and procedures designed to maintain the confidentiality, safe custody, integrity, accessibility, and retrievability of the engagement documentation.

All working papers, reports, and other documents prepared by the employees of PKF Econometrica, including client-prepared worksheets, are confidential and shall be protected from unauthorized access.

The Partner must approve all external requests to access working papers.

Working papers will not be made available to third parties unless:

- The client has authorized disclosure in writing;
- There is a professional duty to disclose the information;
- Disclosure is required by a legal or judicial process; or
- Disclosure is required by law or regulation.
- Agreement to indemnify us against claims arising as a consequence of the access being given or the information provided.

In the event of litigation or potential litigation, or regulatory or administrative proceedings, working papers shall not be provided without obtaining consent from the PKF Econometrica's legal counsel.

The successors' request for co-operation will likely be part of their procedures to satisfy themselves regarding the opening balances and comparatives in the period(s) they are providing assurance on. Successors will normally perform other procedures in this respect and their request for co-operation shall be limited to obtaining:

- Information concerning particular areas which they regard as important; and
- Clarification of any significant accounting matters that are not adequately dealt with in the client's records.

It is the successor auditors' responsibility to determine their audit approach, to document and evaluate accounting and internal control systems and to design audit programs. Member Firms shall not normally, therefore, make available to successor auditors information from the planning and risk assessment documentation, audit programs, records of accounting systems or internal control assessments.

Copies of documentation providing information in respect of the above may be made available to successors, but any indications of audit or other assurance work (e.g. descriptions of work performed or conclusions) shall be removed. It will not normally be appropriate to provide copies of work programs or schedules of work performed.

There are circumstances where Member Firms would ordinarily not wish to make information available to successors. These include situations where the former client is withholding payment of fees for the particular service rendered, or where the former client has initiated or threatened legal action against the Member Firm. As a matter of courtesy the successors could be informed of the reason for the refusal.

See [Appendix 20](#) for an example successor auditor client consent letter and [Appendix 21](#) for an example successor auditor access letter.

Group auditors

Where possible, components and their auditors shall provide the group auditors with such information and explanations as they may reasonably require for the purposes of their duties as auditors of the group. In such cases, Member Firms shall make relevant audit documentation available for examination and review by the group auditors.

Some information, such as costs and fees, may not be relevant to the group auditor and shall therefore be removed from the documentation.

Other auditors/accountants in other circumstances

In circumstances not involving successor or group auditors or accountants, PKF Econometrica shall ascertain the objectives of their request for access to information, and in the light of this the engagement partner shall decide the extent to which documentation shall be made available.

As well as obtaining permission for the other firm to be given access to documentation, PKF Econometrica shall consider obtaining the written agreement of the client not to hold the firm liable in the event of misuse by the other firm of the information so obtained.

Where the purpose of the access or request for information is to facilitate a transaction, consideration shall be given to obtaining the client's agreement that they accept the risk and will not hold the PKF Econometrica liable if the disclosure of information results in the termination of, or amendment to, the proposed transaction.

Before allowing access to documentation or providing information, PKF Econometrica shall consider obtaining a 'release' letter from the investigating accountants and the principal for whom they are acting. This would set out the terms and conditions under which access is granted or information provided, and shall make clear any limitation on the use to which the information so obtained may be put and to whom it may be disclosed. Where the documentation was prepared for a purpose other than that for which it is being examined or reviewed, this shall be made clear. The letter shall establish that the PKF Econometrica has no duty of care to the investigating accountants or their principal and that they place reliance on the information at their own risk. Where possible it shall be ensured that the release letter contains an indemnity clause under which the investigating accountants' principal agrees to indemnify and hold harmless the Member Firm and its partners and staff against any claims arising as a result of the release of information to the investigating accountants.

Appendix 21 contains such an example letter in an audit context and may be amended for other circumstances.

Availability of documentation to clients

Clients may sometimes request copies of documentation. Where such a request is received PKF Econometrica shall ascertain the reason for it.

Documentation of audit or other assurance work (e.g. descriptions of work performed or conclusions), including work programs or schedules of work performed, shall not be made available to clients.

Provided there is a good reason for their request, other documentation may be made available to clients, subject to the specific approval of the engagement partner or Member Firm.

Where applicable, clients shall normally be supplied with copies of documentation, rather than originals, even if they undertake to return the documentation. Any assurance conclusions shall be removed from copies.

Documentation shall be reviewed to ensure that it contains no comments that it would not be desirable for the client to see.

10.4 Assurance opinion on information prepared under reporting framework not normally applied

When PKF Econometrica carries out work which requires an opinion to be given on financial information prepared using a reporting framework not normally applied in our home jurisdiction, we shall consider the need to consult with an expert on the required framework, to ensure that a correct opinion is given in respect of the application of the required framework. This consultation may be done with a Member Firm in a region where the required framework is usually applied.

PKF Econometrica will apply for each of the following types of files:

- Permanent files **6 years**
- Financial statements and reports **6 years**
- Annual or periodic working papers **6 years**
- Correspondence **6 years**
- The minimum retention period for former client working papers and files shall be **6 years**

11 Professional Standards Reporting To PKF International

Responsibility for professional standards within a Member Firm

The Managing Partner must assume ultimate responsibility for PKF Econometrica's system of quality control. Operational responsibility may be delegated to suitably qualified, experienced person(s), who are responsible for:

- (a) Preparing and executing a monitoring plan, to include review of the Member Firm's quality control and related policies and procedures, and the inspection of individual engagements in line with the requirements of Section 128.
- (b) Preparing the annual Member Firm Compliance Report (to be submitted for the year to 30 June).
- (c) If applicable, continuously updating the transnational entity listing for that Member Firm and annually confirming its accuracy. The definitions of a transnational entity and transnational audit are included in the introduction to the IPSM, and the definition of a transnational audit, together with further guidance, is contained in [Appendix 16](#).
- (d) Keeping abreast of professional developments and disseminating technical information within PKF Econometrica.
- (e) Serving as counsel to others in PKF Econometrica.
- (f) Notifying the regional member of the IPSC of any significant possible litigation which may reach the public domain, or have implications for PKF International or the network as soon as is practically possible, and including relevant information in the Member Firm Compliance Report.
- (g) Including with the Member Firm Compliance Report confirmation of the firm's professional liability insurance, copies of the latest versions of the Member Firm's quality control and professional practice manual(s), and copies of any peer, professional body or regulatory authority inspection reports issued in respect of the conduct of the Member Firm's professional practice, together with any related correspondence (subject to jurisdictional restrictions). A copy of the original report is required, together with an English translation of the key points,



findings and recommendations when necessary. Where distribution of such reports is restricted, Member Firms shall submit a summary of significant findings from the reports.

(h) Keep up to date on PKF-365 under Global Contacts the Member Firm's contacts for Audit / Assurance Technical, Accounting Technical, Training and Quality & Compliance.