

# **South-South Experience Exchange between Practitioners (SEETF) project for Moldova**

## **Corporate financial reporting exchange program**

**REPORT**

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THE WORLD BANK  
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## MAIN ABBREVIATIONS AND ACRONYMS

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ACAP	Association of Professional Accountants and Auditors of the Republic of Moldova
CFRR	Centre for Financial Reporting Reform
EFRAG	European Financial Reporting Advisory Group
EU	European Union
IAS	International Accounting Standards (included in IFRS)
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards (including IAS)
ISA	International Standards on Auditing
MoF	Ministry of Finance
NAS	National Accounting Standards
NCFM	National Commission of Financial Market
NBM	National Bank of Moldova
PIEs	Public Interest Entities
REPARIS	Road to Europe: Program of Accounting Reform and Institutional Strengthening
ROSC	Reports on the Observance of Standards and Codes
SMEs	Small and Medium-Sized Enterprises
ToRs	Terms of Reference
TTL	Task Team Leader
WB	World Bank

## EXECUTIVE SUMMARY

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1. In the framework of the program for the exchange of experience in corporate financial reporting for the Republic of Moldova, financed by the World Bank, a series of activities was organized for representatives of government and other entities involved in regulating corporate sector financial reporting, including the development and implementation of accounting standards, under terms of reference agreed by all parties. These activities comprised: (i) study visits for government/regulatory officials which included learning from the experience of specific models and practices of both more advanced countries and countries which had undertaken reforms relatively recently; (ii) follow-up workshops and seminars on the specific topics which had been covered by the study visits (the main purpose of the workshops and seminars was to disseminate knowledge and expertise among a larger group of stakeholders in Moldova); and (iii) an international workshop on financial reporting regulation organized in Moldova.
2. Four study visits were undertaken to Estonia, Croatia, the Czech Republic and Slovakia; one video-conference was held with the Slovenian Institute of Auditors; and 5 local seminars and an International Workshop on Financial Reporting Regulation were organized. Such a broad mix of activities allowed the program to cover all the proposed topics for the exchange of experience, namely (i) the process for setting accounting standards; (ii) the content of financial reporting standards for small and medium enterprises (SMEs); (iii) the public oversight system of auditing; (iv) the enforcement of financial reporting requirements by regulators; (v) the functioning of the public registry of financial statements.
3. Policy notes under each topic were prepared and discussed with stakeholders during the local seminars. A short paper was prepared, summarizing the policy notes for each area of experience sharing, and outlining how the experience gained could be used in the context of Moldova (see Annex 1 for further details). However, it should be noted that effective action to implement these policy notes will be possible only if there is broad consensus within the country. This will require a participatory process, in which all parties affected by these reforms, including the general public, can contribute to their development. The key conclusions of the policy notes are summarized in the following paragraphs:
4. **The development of a concordance table on compliance with the EU *acquis communautaire* in the area of financial reporting in the corporate sector and identifying proposals for improvement and alignment of the legislation with the *acquis*.** Local stakeholders have highlighted the importance of urgently reviewing the existing laws, in order to prepare a gap analysis and to draw up a roadmap for the further alignment of the national legislation with the EU *acquis communautaire*.
5. **The accounting and audit community realized the urgent need to build the foundation for including the appropriate accounting standards and auditing standards in university curricula and professional certification.** Only in this way will it be possible to help universities build the foundations for sustainable curricula for accounting and auditing education. This will allow further progress to be made in the future, such as the development of appropriate teaching materials and textbooks, and their practical implementation in universities.
6. **To establish the Financial Reporting Standards Board.** The Board should be financed from the State Budget, and will be responsible for the development and interpretation of local accounting standards for non-public interest entities, in accordance with IFRS principles and the requirements of the relevant EU directives. The members of the Board should be accounting specialists, experts in accounting theory and practicing accountants and auditors. The establishment of the Financial Reporting Standard Board

would represent an important milestone in assuring transparency to the process of setting accounting standards for SMEs. The **Financial Reporting Standards Board should be solely responsible for the interpretation and/or adjustment of the national accounting standards**, in order to assure the sustainability of this process.

7. **To revise the definition of public interest entity (PIE) and to broaden the scope of entities that should be defined as PIEs.** Under the existing definition, the PIE category comprises financial institutions, investment funds, insurance companies, non-state pension funds, and commercial companies listed on the stock exchange of the Republic of Moldova. There were suggestions to include some other legal entities with a significant public impact, as judged by their dominant position on the market, or their area (type) of activity, size and number of employees. The criteria should be defined after consultations with relevant counterparts and will probably add large state owned entities to the existing list of PIEs.
8. As regards accounting standards for non-public entities, two broad alternatives were identified:
  - (i) **Development of national accounting standards (NAS), based on the Estonian experience.** The main difference between IFRS and NAS, as drafted, would be the volume of disclosures in the notes to financial statements. At the same time, it will be possible for NAS to incorporate the requirements of the EU Directives. If this approach is taken, it will: (i) permit the adoption of identical definitions and accounting principles for all entities; (ii) ease the transition from NAS to IFRS when the entity is required by law to do and/or when the entity would like to apply IFRS instead of NAS; (iii) use language that is easier to understand for practitioners; and (iv) be implementable in a relatively short period of time.
  - (ii) **Acceptance of the IFRS for SMEs, developed and published by the International Accounting Standards Board (IASB).** The standard is a simplified version of IFRS, specifically developed for SMEs. IFRS for SMEs may be applied by any entity which (i) is an entity without public accountability and (ii) publishes general purpose financial statements. If this approach is adopted, there will be no need to develop NAS. This option has the following advantages: (i) improved access to capital; (ii) improved comparability; (iii) better reporting compared with NAS; (iv) the ability to take advantage of standardized computer system; simplified consolidation procedures and standardized training for multinational operations; and (v) the availability of the training modules developed and published by the IASB<sup>1</sup>. **However, one significant disadvantage of this option is that the European Commission has not taken an official position on whether the IFRS on SMEs can be adopted in the EU. The Commission has recently completed a public consultation exercise on whether to allow Member States to use the IFRS for SMEs, given that some of its provisions are contrary to the EU Directives. More generally, it is not yet clear how the present EU accounting directives will be reformed.**
9. **To amend the regulatory framework for banking regulation and supervision and to reduce the discrepancies between financial and prudential reporting in the banking sector.** It is recommended that regulation and supervision methods are improved, in particular in the areas of classifying assets, provisioning for doubtful assets and determining the level of regulatory capital. **The National Bank of Moldova should set specific requirements for financial and prudential reporting in the banking sector, in order to determine the relationship between “accounting capital” and**

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<sup>1</sup> Accounting Methodological Council under the Ministry of Finance is examining the alternative to allow the non-PIEs to choose between application of the IFRS for SMEs and NAS.

**“prudential capital”.** This would allow European guidelines on the joint reporting framework to be adopted by lending and investment institutions for reporting the solvency ratio (the EU Directive on capital adequacy), as well as the standard framework for financial reporting for EU lending institutions.

**10. Gradual implementation of financial reporting requirements in the insurance sector.** The first steps would be to amend the regulatory framework by transposing Directive 91/674/EEC of 19/12/1991 on the annual and consolidated accounts of insurance companies, respectively, and to approve the structure of the balance sheet and profit and loss account for insurance companies. **In addition, the requirements for the information systems to be implemented in the NCFM should be expanded to include additional options for automated messaging to inform reporting entities of possible changes** and to allow information stored in the database to be connected to programs that can generate various charts and diagrams (e.g. Microsoft Vision) which may be required for further analysis.

**11. The main function of the public registry for financial statements, the institution responsible for collecting financial statements, should be the proper collection of financial statements and their storage, ensuring free access for all users to the information from financial statements submitted by individual entities.** Functions related to the provision of advice to entities on how to prepare and submit financial statements, checking their compliance with accounting rules, and carrying out inspections to monitor the quality of information disclosed in financial statements, are not appropriate for this institution. It was therefore recommended that the current legislation regarding the operation and functions of the Public Registry of Financial Statements be revised in order to exclude the functions related to inspecting the quality of information disclosed in financial statements.

**12. The Public Registry of Financial Statements should ensure transparency and accessibility of information to all users of financial statements, including the general public.** Public authorities should have free access to individual data from financial statements (based on bilateral agreements); other categories of users may be granted paid access to individual information. Based on a paid request, the Registry could provide additional services like processing and generalization of various data contained in the financial statements.

**13. Implementing a system for electronic submission of financial reports and applying the digital signature** would significantly reduce the maintenance costs associated with the storage of financial statements on paper and would also make it easier for users to access data contained in financial statements. The practice of scanning financial reports submitted on paper and then storing them only in electronic format is a useful one and could also be implemented in Moldova. The registry should be granted the authority to impose sanctions on entities which fail to submit financial reports in a timely manner.

**14. Establishment of the Chamber of Auditors of Moldova, as a new body with mandatory membership for all auditors.** The Chamber could play a certain regulatory role and its creation would help to unite the audit profession. The main functions of the Chamber of Auditors would be education, continuous professional training for auditors, quality control in respect of audit firms and individual auditors, professional development, and act as a body representing the professional interests of auditors. The aim would be that this body would satisfy all the requirements of IFAC's Statements of Membership Obligations (SMOs).

**15.** The achievements of particular activities are summarized in Annex 2.

## A. INTRODUCTION

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16. Following the Accounting and Auditing Report on the Observance of Standards and Codes (A&A ROSC)<sup>2</sup>, the Government of Moldova adopted the Country Action Plan for strengthening corporate financial reporting in December 2008. The document was adopted on the basis of the Country National Development Plan, where corporate financial reporting is included as part of the section “Macroeconomic Stability”. The Country Action Plan is a complex set of activities that requires significant commitment from a range of stakeholders, including government agencies, regulators and the accounting and auditing professions.
17. While there is basic knowledge in Moldova about the principles of a modern EU compliant financial reporting regime, there is still a significant knowledge gap as to how such a system should operate in practice, particularly with regard to the following key elements: (i) the accounting standards setting process; (ii) the content of financial reporting standards for small and medium-sized enterprises (SMEs); (iii) the public oversight system for auditing; (iv) the enforcement of financial reporting requirements by regulators; and (v) the functioning of the public registry of financial statements.
18. The Moldovan counterparts therefore expressed their willingness to learn from other countries, particularly from new EU Member States, in these areas (request from the Ministry of Finance received on January 17, 2009), and committed themselves to apply the relevant knowledge in implementing corporate financial reporting reforms in Moldova.

## B. OBJECTIVE OF THE CORPORATE FINANCIAL REPORTING EXCHANGE PROGRAM

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19. The main objective of the program is to learn from experiences in other countries, particularly new EU Member States such as Slovenia, Slovakia and Estonia, and other South-East European countries, such as Croatia, which have completed accession negotiations with the EU related to accounting and auditing, in the five areas described above.
20. The activities under each area included study visits, local workshops, and an international workshop disseminating and summarizing the knowledge and experience gained through the program.

## C. STUDY VISITS AND LOCAL WORKSHOPS

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### ACCOUNTING STANDARD SETTING PROCESS

21. This topic was covered through two study visits to **Tallinn, Estonia** on November 9-13, 2009 and to **Zagreb, Croatia** on 3-6 February 2010. Study visits were performed in accordance with ToRs developed by the local consultant and coordinated with the Ministry of Finance of Moldova.
22. The main purpose of the visits was to study Estonian and Croatian practices in the area of accounting standards setting. There was a particular focus on how an effective standards setter should operate, what should the governance arrangements be, and how the entire process of developing and approving the standards should be handled. The

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<sup>2</sup> [http://www.worldbank.org/ifa/rosc\\_aa\\_mdv.pdf](http://www.worldbank.org/ifa/rosc_aa_mdv.pdf)

specific objectives could be summarized as follows: (i) to learn about the procedures and mechanisms for implementing IFRS in Estonia and Croatia, taking into account mechanisms at the EU level and individual country responsibilities; (ii) to learn from local practice about the methodology of compliance and approving the first set of the accounting standards for SMEs and their relation to IFRS requirements, including the IFRS for SMEs recently published by IASB, and EU directives; and (iii) to be able to visit a public interest entity, whose financial statements are prepared in accordance with IFRS requirements and also a non-public interest entity, whose financial statements are prepared in accordance with local accounting standards.

23. Participants involved in the study visit to Tallinn, Estonia were: (1) **Alexandru Nederita**, Deputy Head of the accounting methodology council in the Ministry of Finance, and university professor within the faculty of accounting; (2) **Lidia Foalea**, Chief Deputy of the Department of the audit and accounting methodology of the Ministry of Finance; (3) **Natalia Zlatina**, Member of the accounting methodology council in the Ministry of Finance, and vice-dean of the faculty of accounting; (4) **Tatiana Prisacar**, Member of the accounting methodology council in the Ministry of Finance, director of „Audit Spectru Servicii” Ltd; and (5) **Marina Rufa**, translator. The participants involved in the study visit to Zagreb, Croatia were: (1) **Victor Barbaneagra**, Deputy Minister of Finance; (2) **Alexandru Nederita**, deputy head of the accounting methodology council in the Ministry of Finance, and university professor within the faculty of accounting; (3) **Viorel Turcanu**, member of the accounting methodology council in the Ministry of Finance, and university professor within the faculty of accounting, Head of the Chair of Accounting and Audit; (4) **Vasile Bucur**, member of the accounting methodology council in the Ministry of Finance, and university professor within the faculty of accounting; (5) **Ludmila Grabarovschi**, associate professor within the Chair of Accounting and Audit; (6) **Andrei Craciun**, National Statistics Bureau, chief deputy of the statistical infrastructure and financial reports division; and (7) **Marina Rufa**, translator, World Bank.
24. Meetings were arranged for the Moldovan delegates covering the topics of interest in both Estonia and Croatia. Thus, the Moldovan delegation met Mr. Ago Vilu, vice-chair of the Estonian Accounting Standards Board and Mr. Ivica Smiljan, President of the Croatian Financial Reporting Standards Board. One specific issue discussed during both visits was how the first set of accounting standards for SMEs had been approved, their relation to IFRS requirements and EU Directives and how the transition to the new standards had been organized
25. According to the Accounting Act of Estonia, the **Estonian Accounting Standards Board (EASB)** is responsible for issuing national accounting standards (“Estonian GAAP”). The members of the EASB are appointed for 3 year terms by the Estonian Government, on the recommendation of the Minister of Finance. The main objective of the EASB is to issue accounting standards and guidelines explaining and specifying the Estonian GAAP. It consists of 7 members, including a specialist in accounting (either an expert in accounting theory or a practicing accountant), 3 auditors or ex-auditors (from large audit firms), 1 regulator (Financial Supervisory Authority), 1 representative from the public sector (Ministry of Finance); 1 representative of the Chamber of Commerce and one representative of the Association of Accountants. Although it is financed from the state budget, the EASB is independent in its decisions and the MoF and the Estonian Government do not interfere with the content of the guidelines issued by the EASB or with the process of preparation. The EASB has no full time members and no permanent technical staff and so administrative and support services are provided by the MoF, while the drafting of new standards is either made by the Board members or outsourced (e.g. to audit firms). The EASB’s strategy could be defined as “do not reinvent the wheel, use the work done by others (IASB)”. The regular update of local standards to keep them in line with new and revised IAS/IFRS standards is done by EASB as well.



26. The Croatian Financial Reporting Standard Board (CFRSB) is an expert body authorized to analyze and monitor the development of the accounting theory and practice, to adopt the Croatian Financial Reporting Standards (CFRSs), and to provide interpretations of the CFRSs and publish them. The Board translates and publishes the IFRS and will continue to do so until Croatia becomes a full EU member. The CFRSB is comprised of nine members with a five-year term of office, who are appointed and relieved of their duty by the Government on the recommendation of the Minister of Finance. Any citizen of Croatia with a university degree, appropriate professional knowledge and work experience in the field of finance, accounting or audit can be appointed as member of the Board. The Board shall file a report on its work to the Government on a yearly basis.
27. The results of the study visits to Estonia and Croatia covering the *accounting standard setting process* were *publicly* disseminated through two **local seminars organized on December 17, 2009 and March 2, 2010**, each of which were attended by participants from various institutions of Moldova. It is important to note that the participants included several individuals who were able to influence key policy decisions, as they were members of important bodies such as the accounting methodology council in the Ministry of Finance and the National Coordination Committee established to co-ordinate reforms in the area of corporate financial reporting.
28. The **main conclusions**, reached by the Moldovan delegates and participants in the local seminars related to **the accounting standard setting process** are outlined below:
- **To establish the Financial Reporting Standards Board**, taking into account the Estonian and Croatian experience. The Board should be financed from the State Budget, and be responsible for the development and interpretation of local accounting standards for the non-public interest entities, in accordance with IFRS principles and the requirements of EU directives. The members of the Board should be accounting specialists, experts in accounting theory and practicing accountants and auditors. The establishment of the Financial Reporting Standards Board would represent an important milestone in assuring transparency to the process of setting accounting standards for SMEs. Currently accounting standards are developed by the Ministry of Finance, and endorsed by the accounting methodology council. The process is not always participatory and there is a lack of staff dedicated to setting accounting standards. The current National Accounting Standards were developed by several working groups and published in 1998 with the assistance of a World Bank financed project that also offered some training. This approach is adequate for the short term. However, experience has shown that this is not a sustainable process, as accounting standards require further interpretation and/or adjustments and, under the present approach, the connection between development and interpretation and/or adjusting standards may be lost. The Ministry of Finance, which took over the functions of drafting, approving and publishing accounting standards after the World Bank project was finalized, lacks sufficient capacity for this work. The establishment of the Financial Reporting Standard Board will ensure that the process for setting or adopting (in case the Government decides to adopt IFRS for SMEs) standards for SMEs becomes more transparent.
  - **The Financial Reporting Standard Board should be solely responsible for the interpretation of national accounting standards** in order to ensure the sustainability of this process. The Ministries of Finance of Estonia and Croatia do not consult the entities on applying the IFRS and/or the NAS and do not make interpretations of the IFRS and/or NAS. Only the Accounting Standards Boards are able to make interpretations of the NAS, just as the IASB is responsible for interpretation of the IFRS. When consultations on the practical application of specific requirements of the NAS or IFRS are necessary, the entities can contact consulting or audit companies. This valuable experience could also be applied in Moldova.

## CONTENT OF FINANCIAL REPORTING STANDARDS FOR SMALL AND MEDIUM-SIZED ENTERPRISES (SMES).

29. This topic was covered through two study visits to **Tallinn, Estonia** on November 9-13, 2009 and to **Zagreb, Croatia** on 3-6 February 2010, and was one of the subjects discussed during the video-conference organized in cooperation with the **Slovenian Institute of Auditors** on January 21, 2010. Study visits were performed in accordance with ToRs developed by the local consultant and coordinated with the Ministry of Finance of Moldova.
30. **The main purpose** of the visits was to study Estonian and Croatian practices in implementing simplified financial reporting requirements in the SMEs sector and aligning them with international best practice in general, and EU requirements in particular. **The specific objectives** could be summarized as follows: (i) to learn from the local practice concerning the approval of the first set of accounting standards for SMEs, as well as their relation to IFRS, EU requirements and the IFRS for SMEs recently published by IASB and the transition process for implementing these standards; (ii) to study the normative acts adopted in Croatia and Estonia for the regulation of accounting of small and medium enterprises such as (a) accounting and financial reporting requirements for SMEs (simplified double entry accounting system; chart of accounts, if any; structure of financial statements, etc.); and (b) norms for simple entry accounting if such exist for micro-entities (i.e. recognition methods; reporting requirements, etc.); and (iii) to study Croatian and Estonian experience related to the charts of accounts applied by corporate sector entities.
31. The discussions and meetings with Croatian colleagues were interesting and informative and helped Moldovan delegates to fill gaps in their knowledge of several important areas of financial reporting. During the study visit they met with the representatives of the Ministry of Finance, Croatian Accounting Standards Board, Registry of Annual Financial Statements (FINA) and also the Croatian non-public interest company BENKO KOTRULJIC, whose financial statements are prepared in accordance with the local accounting standards. The press release on this event was placed on the official website of the Ministry of Finance<sup>3</sup>.



32. The participants involved in the study visits have already been mentioned in paragraph 23 above.

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<sup>3</sup> <http://www.minfin.md/ro/newsitem/413>

33. At the video conference organized on January 21, 2010 in cooperation with the Slovenian Institute of Auditors, the Moldovan participants were able to learn about Slovenian experience of the criteria applied for defining SMEs and the normative acts adopted in Slovenia for the regulation of accounting of small and medium-sized enterprises. The participants could also ask questions on specific issues concerning the content of Slovenian accounting standards for non-public interest entities.



34. It is important to mention that according to the Estonian Accounting Law, the following general “quality requirements” shall apply to the national standards: they must be generally based on IFRS, but can include departures and simplified applications, if justified; any differences from IFRS must be explained and justified in the respective national standard; that must be cross-referenced to applicable IAS/IFRS paragraphs; and draft standards must be available on the EASB’s website ([www.easb.ee](http://www.easb.ee)) for public discussion for at least two months before approval. 17 national standards (about 300 pages) were developed and published, covering most accounting areas relevant for the majority of Estonian companies. In fact, **Estonian GAAP is a simplified summary of IFRS**, cross-referenced to corresponding paragraphs in IAS/IFRS standards, focusing on SMEs and accounting areas which are more relevant for the Estonian companies. There are no significant differences in recognition and measurement principles, and moreover, the standards are written using “simpler language”. In some accounting areas local standards restrict the choice of alternatives offered by IFRS (e.g. revaluation of fixed assets) and simplifications are allowed, if the impact is not material. The main difference is that Estonian GAAP requires less disclosure than IFRS, i.e. IFRS Disclosure Checklist is around 100 pages, while Estonian GAAP disclosure Checklist is around 20 pages. In Estonia, the vast majority (99%) of companies use Estonian GAAP, including larger companies, where the cost of preparation of full IFRS financial statements would exceed the benefits achieved. A relatively small number of enterprises in Estonia (around 200-300) use IFRS i.e. listed entities, other public interest entities (e.g. significant state-owned entities) and companies required to do so by their shareholders, foreign investors or creditors. The approach taken by Estonia may also facilitate eventual adoption of IFRS for SMEs, since they are developed using the same bases, i.e. full IFRS.
35. Enterprises in Croatia are obliged to prepare and present annual financial statements in accordance with Croatian Financial Reporting Standards adopted by the Croatian Financial Reporting Standards Board – which are entirely harmonized with EU Directives (the First, the Fourth and the Seventh). Exceptionally, large enterprises and enterprises whose securities are either listed or in preparation for listing at the stock market are required to present their financial statements in accordance with IFRS. After Croatia’s accession to the European Union, large enterprises will be subject to IFRS endorsed by the EU. Croatian GAAP is developed with due account to the requirements to illustrate the information in the balance sheet, i.e. Long-term Intangible Assets; Long-

term Tangible Assets; Investments in Property; Non-current Assets Held for Sale and Discontinued Operations, etc. This approach is welcomed by Moldovan practitioners but needs considerable financial efforts and adequate human capacity. A press release about the valuable experience on financial reporting reform, gained in Croatia was placed on the website of the CFRR<sup>4</sup>.

36. The experience gained during the study visits to Estonia and Croatia covering *accounting standards for SMEs* was publicly disseminated through two **local seminars organized on December 17, 2009 and March 2, 2010**, which were attended by participants from various Moldovan institutions, including the Ministry of Finance, professional associations of accountants and auditors, the National Bureau of Statistics, the National Commission of Financial Market, SMEs, academics and practitioners. At the seminar held on December 17, 2009 participants had the opportunity to meet with **Andrei Busuioc**, TTL of the program, from the Vienna Centre for Financial Reporting Reform of the World Bank. The press release on this event was placed on the official website of the Ministry of Finance<sup>5</sup>.



37. The **main conclusions**, reached by the Moldovan delegates and participants in the local seminars related to *Content of accounting standards for SMEs* are outlined below:

- **To revise the definition of public interest entity (PIE) and to broaden the scope of entities that should be defined as PIEs.** According to the provisions of Accounting Law, PIEs are obliged to apply IFRS requirements as from January 1, 2011. Under the existing definition, PIEs comprise financial institutions, investment funds, insurance companies, non-state pension funds, and commercial companies listed on the stock exchange of the Republic of Moldova. There were suggestions to include also some other legal entities with a significant public impact, as judged by their dominant position on the market, or their area (type) of activity, size and number of employees. The criteria should be defined after consultations with relevant counterparts and will probably add large state owned entities to the existing list of PIEs.
- As regards *accounting standards for non-public entities*, at least two alternatives were identified:
  - (i) **Development of national accounting standards (NAS), based on the Estonian experience.** The main difference between IFRS and NAS, as drafted, would be the volume of disclosures in the notes to financial statements. At the same time, it will be

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<sup>4</sup> <http://www.worldbank.org/cfrr/news>

<sup>5</sup> <http://www.minfin.md/ro/newsitem/436>



possible for NAS to incorporate the requirements of the EU Directives. If this approach is taken, it will: (i) permit the adoption of identical definitions and accounting principles for all entities; (ii) ease the transition from NASs to IFRS when the entity is required by law to do and/or when the entity would like to apply IFRS instead of NAS; (iii) use language that is easier to understand for practitioners; and (iv) be implementable in a relatively short period of time.

**(ii) Acceptance of the IFRS for SMEs, developed and published by the International Accounting Standards Board (IASB).** The standard is a simplified version of IFRS, specifically developed for SMEs. IFRS for SMEs may be applied by any entity which (i) is an entity without public accountability and (ii) publishes general purpose financial statements. If this approach is adopted, there will be no need to develop NAS. This option has the following advantages: (i) improved access to capital; (ii) improved comparability; (iii) better reporting compared with NAS; (iv) the ability to take advantage of standardized computer system; simplified consolidation procedures and standardized training for multinational operations; and (v) the availability of the training modules developed and published by the IASB<sup>6</sup>. **However, one significant current disadvantage is that the European Commission has not taken an official position on whether the IFRS on SMEs can be adopted in the EU. The Commission has recently completed a public consultation exercise on whether to allow Member States to use the IFRS for SMEs, given that some of its provisions are contrary to the EU Directives. More generally, it is not yet clear how the present EU accounting directives will be reformed.**

- **The development of a concordance table on compliance with the EU *acquis communautaire* in the area of financial reporting in the corporate sector and identifying proposals for improvement and alignment of the legislation with the *acquis*.** Local stakeholders have highlighted the importance of urgently reviewing the existing laws, in order to prepare a gap analysis and to draw up a roadmap for the further alignment of the national legislation with the EU *acquis communautaire*.
- **The accounting and audit community realized the urgent need to build the foundation for including the appropriate accounting standards and auditing standards in university curricula and professional certification.** Only in this way it will be possible to help universities build the foundations for sustainable curricula for accounting and auditing education. This will allow further progress in the future, such as the development of appropriate teaching materials and textbooks, and their practical implementation in universities.

## ENFORCEMENT OF FINANCIAL REPORTING REQUIREMENTS IN THE BANKING SECTOR

**38.** This topic was covered through a study visit conducted to **Tallinn, Estonia** on November 9-13, 2009. The study visit was performed in accordance with ToRs developed by the local consultant and coordinated with the National Bank of Moldova.

**39.** The main purpose of the visit was to study Estonian practices in enforcing financial reporting requirements in the banking sector and also the links between financial and prudential reporting. The specific objectives of the study visit were: (i) to study the role of the Bank of Estonia and the financial sector supervisor in the process of the transition to IFRS for the banking sector and the approach adopted in the Estonian banking system for accounts used by banking sector entities; (ii) to study the approach applied by the

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<sup>6</sup> Accounting Methodological Council under the Ministry of Finance is examining the alternative to allow the non-PIEs to choose between application of the IFRS for SMEs and NAS.

Bank of Estonia and/or the financial sector regulator to the relationship between financial reporting and prudential reporting in the banking sector; (iii) to obtain relevant knowledge about the institutional arrangements concerning regulation and prudential supervision and financial reporting; and (iv) to understand the procedures applied by the Bank of Estonia and/or the financial sector regulator in monitoring the adequate interpretation of the IFRS and prudential standards by banking institutions and also practical aspects of interpretations of the information disclosed in the financial statements.

40. The following four representatives of the National Bank of Moldova participated in the mentioned study visit: **Cibotari Stella**, deputy head of the banking authorization and regulation division, and head of prudential regulation section; **Vasilciuc Elizaveta**, economist coordinator, prudential regulation section; **Veverita Ion**, head of accounting regulation division; and **Spataru Grigore**, coordinating expert, section of accounting regulation in banks, as well as **Inesa Coman**, translator, World Bank.
41. The meeting with Bank of Estonia representatives focused on discussions about the responsibilities of the Bank of Estonia in the field of financial supervision, taking into account the fact that the Bank of Estonia is not responsible for the supervision of commercial banks. The other issues discussed were related to the integrity of supervisory and statistical reporting and how reporting looks through the eyes of credit institutions.
42. The Moldovan delegates benefited from a one day-training activity delivered by the Financial Supervisory Authority on the Estonian practices of financial reporting in the banking sector, conducted by **Helene Trušina**, head of the Prudential Policy and Financial Reporting Division and **Maire Otsus**, methodologist in the Prudential Policy and Financial Reporting Division. The Financial Supervisory Authority is responsible for developing prudential reports (i.e. the types of reports, their frequency and presentation). At the same time, it does not directly regulate or control financial statements, which are prepared in accordance with the IFRS requirements. There are no additional interpretations or regulations on IFRS imposed by the FSA, nor are there any additional requirements on information to be disclosed in financial statements. The FSA is responsible for the development of prudential reports, while the regulatory framework is the responsibility of the Bank of Estonia. Commercial banks must submit their financial reports using electronic digital signature. The FSA receives both the financial and prudential statements from banks. These reports are analyzed monthly, quarterly and annually. There is a monthly monitoring of essential indicators and a quarterly analysis across all sectors, while the risk assessment of systemically important entities is done annually. Additionally, there is close and continuous supervision of the largest market participants in each sector. The FSA has the right to request additional information if necessary. The financial statements prepared by banks are also used for supervisory purposes by the FSA. The accounting principles for prudential reporting are in compliance with IFRS and reporting formats are standardized. In this context there are no differences in definitions, recognition, and valuation between financial and prudential reports. Also, there is a co-operation agreement between the Central Bank, the FSA and the Ministry of Finance, in order to ensure the exchange of information. This practice is particularly relevant to the reforms in Moldova. There are some differences between IFRS and prudential reporting requirements (for example in loan loss provisioning). As regards loan loss provisioning in particular, the FSA holds many discussions with banks and auditors. In some cases, the FSA can issue ordinances to increase provisions or prohibit payment of dividends. Additionally, provisioning can be done in the course of on-site inspections of credit risk management. The FSA uses various methods to check the data and information received from banks in order to monitor the quality of information in general purpose financial statements as well as in prudential reports. These include automatic verification, visual check and financial and

analytical analysis of the reports. There is close and fruitful cooperation between the FSA and internal and external auditors and the FSA takes into consideration the opinion of external auditors regarding the financial reporting by banks.

43. The experience gained during the study visit to the Bank of Estonia and Financial Supervisory Authority was *publicly* disseminated through a **local seminar organized on May 28, 2010**, which was attended by participants from various institutions of Moldova including, the National Bank of Moldova, the Ministry of Finance, commercial banks, and the Moldovan Bankers' Association. At this local seminar, participants had the opportunity to meet with representatives of the Vienna Centre for Financial Reporting Reform of the World Bank, namely **John Hegarty, Andrei Busuioc and Pascal Frèrejacque**. Their presentations were focused on financial reporting and financial stability; the transition to IFRS for banks: lessons learned from EU Banks; and Key Elements in IFRS Conversion.
44. The **key conclusions** reached by the Moldovan delegates related to the topic of *Enforcement of financial reporting requirements in the banking sector* are presented below.
- **Development of a concordance table on compliance with the EU *acquis communautaire* in the banking sector, identifying proposals for improvement and alignment of the legislation in general and concerning financial reporting legislation in particular.** Local stakeholders from the banking sector have highlighted the importance of an urgent review of existing laws, in order to prepare a gap analysis and proposals for a roadmap for the further alignment of national legislation with the EU *acquis communautaire*.
  - **To amend the regulatory framework for banking regulation and supervision and to reduce discrepancies between financial and prudential reporting in the banking sector.** It was recommended that regulation and supervision methods be improved in order to maintain banking stability, in particular with regard to the classification of assets, provisioning for doubtful assets and determining the level of regulatory capital.
  - **The National Bank of Moldova should set specific requirements for financial and prudential reporting in the banking sector, in order to determine the relationship between “accounting capital” and “prudential capital”.** This would allow European guidelines on the joint reporting framework to be adopted by lending and investment institutions for reporting the solvency ratio (the EU Directive on capital adequacy), as well as the standard framework for financial reporting for EU lending institutions.

## **ENFORCEMENT OF FINANCIAL REPORTING REQUIREMENTS IN OTHER REGULATED SECTORS, SUCH AS THE SECURITIES MARKET AND INSURANCE**

45. This topic was covered through a study visit conducted to **Prague, Czech Republic** on February 24 -27, 2010. The study visit was performed in accordance with ToRs, developed by the local consultant and coordinated with the National Commission of Financial Market.
46. The main purpose of the visit was to study the Czech approach to enforcement of financial reporting in the securities and insurance market sectors; the role of the regulator and the stock exchange in enforcing general purpose financial reporting requirements of regulated entities; and how a regulator and stock exchange should carry out these activities in practice. The specific objectives of the study visit included the following: (i) to study the role of the Czech National Bank and of the Stock Exchange in the process of transition to IFRS for listed entities (and potentially other regulated entities) and the approach adopted in the Czech Republic to financial reporting for listed entities; (ii) to

study the Czech experience in aligning the national legislation related to financial reporting in the insurance sector with the requirements of European legislation; (iii) to obtain relevant knowledge about the institutional arrangements concerning the regulation and supervision of the securities market and insurance sectors (e.g. the reporting required by the securities regulator and stock exchange from entities, and the reporting required by the insurance regulator, i.e. the types of reports, frequency and presentation); (iv) to take notes on the peculiarities of applying IFRS for listed entities and the insurance sector (in particular IFRS 4) in the Czech Republic and the procedures used to determine and enforce disclosure requirements and indicators in financial statements (including additional indicators that are not present in general purpose financial statements); (v) to study the experience of the Czech National Bank /Stock Exchange in ensuring the quality of information in financial statements in the securities and insurance market sectors; (vi) to take notes on the procedures applied by the Czech National Bank to monitor the adequate interpretation of the IFRS and prudential standards by entities from the insurance sector as well as practical aspects related to the interpretation of information disclosed in the financial statements; and (vii) to study the Czech experience on aligning the legal framework regulating listed entities and insurance sector with the provisions of European legislation on financial reporting, i.e. (a) Regulation nr.1606/2002 of the European Parliament and of the Council; (b) Directive on prospectuses (2003/71/EC) and Regulation nr.809/2004; (c) Directive on transparency requirements for listed companies (2004/109/EC); and (d) Regulation nr.1606/2002 of the European Parliament and of the Council and Directive on financial accounts of insurance companies (91/674/EEC);

47. This study visit included representatives of (i) the National Commission of Financial Market, namely: **Mariana ARDELEANU**, director of Administrative Department, **Viorica COCARCEA**, leading inspector, Insurance Supervision Department, **Marcel LAZĂR**, senior inspector, Securities Department; and (ii) the Stock Exchange, namely **Ludmila MORARU**, vice-president of the Stock Exchange, **Ala GOLBAN**, director of Supervision Department, **Corneliu DODU**, president, and **Stanislav BUDZA**, trade system administrator, as well as **Mihai MANOLI**, president of the association of insurance companies of Moldova. Translation was done by **Sergiu BUFTEAC**. The expenses related to the study visit for Corneliu Dodu and Stanislav Budza were financed by the Stock Exchange.



48. The participants took full benefit of the opportunity to learn about the alignment of the legal framework for listed entities and insurance sector with the provisions of European legislation on financial reporting, i.e. Regulation nr.1606/2002 of the European Parliament and of the Council; Directive on prospectuses (2003/71/EC) and Regulation nr.809/2004; Directive on transparency requirements for listed companies (2004/109/EC); Regulation nr.1606/2002 of the European Parliament and of the Council and Directive on financial accounts of insurance companies (91/674/EEC) as



well as about the application of minimum transparency requirements for disclosing information from financial statements by listed entities, according to the Directive on transparency, Regulation 1606/2002 and Directive on prospectuses. The participants from the Czech Republic prepared comprehensive presentations about the approach applied by the Czech National Bank to the enforcement of financial reporting requirements and the publication of financial statements of listed entities, the alignment of national legislation on insurance with the requirements of European legislation, and the reporting duties of brokers and insurance companies. One of the main conclusions was that a successful regulator must ensure high standards of proof; provide clear rules and regulations (and be predictable in interpreting them); and respect the procedural rights of regulated entities.

49. The experience gained during the study visit to the Prague Stock Exchange and Czech National Bank was *publicly* disseminated through a **local seminar organized on May 24, 2010**, which was attended by participants from various institutions in Moldova, including the National Commission of Financial Market, the Stock Exchange, insurance companies, representatives of listed companies, and the National Association of Insurance Companies. The **key conclusions** reached by the Moldovan delegates on the topic of *Enforcement of the financial reporting requirements in the regulated sectors, such as securities market and insurance* are outlined below:

- **A concordance table should be developed showing the extent of compliance with the EU *acquis communautaire* in the regulated sectors, such as the securities market and insurance, and identifying proposals for improvement and alignment of the legislation.** Local stakeholders from the securities market and the insurance sector have highlighted the need for an urgent review of existing laws in these areas, in order to prepare a gap analysis and draw up proposals for a roadmap for the further alignment of the national legislation with the EU *acquis communautaire*, including financial reporting legislation.
- Financial reporting requirements should be gradually implemented in the insurance sector. The first step would be to amend the regulatory framework by transposing Directive 91/674/EEC of 19/12/1991 on the annual and consolidated accounts of insurance companies, respectively, approving the structure of the balance sheet and profit and loss account for insurance companies.
- The requirements for the information systems to be implemented in the NCFM should be expanded to include additional options for automated messaging to inform reporting entities of possible changes and, for connecting the information stored in the database to programs that allow generating of charts and diagrams (e.g. Microsoft Vision) which may be required for further analysis.
- Expansion of the system for supervision of prudential and financial statements by establishing early warning systems, including systems for risk evaluation, investment analysis and assessment for the insurance sector.

## FUNCTIONING OF PUBLIC REGISTRY OF FINANCIAL STATEMENTS.

50. This topic was covered through two study visits to **Tallinn, Estonia** on November 9-13, 2009 and to **Zagreb, Croatia on February 4–6, 2010**. The study visits were performed in accordance with ToRs developed by the local consultant and coordinated with the National Bureau of Statistics and Ministry of Finance.

51. The main purpose of the visits was to study Estonian and Croatian practices for operating an effective Financial Statements Information Service (FSI Service), with a particular focus on the governance arrangements required to ensure that the activity of

the FSI service and the framework for collecting, processing, publishing and filing financial information are in accordance with the EU legislation. The specific objectives of these study visits can be summarized as follows: (i) to study the Estonian and Croatian regulatory frameworks for the establishment and operation of the Financial Statements Information Service/Register (subordination, financing, rights and obligations); (ii) to study the procedures for keeping the public register of financial statements and the practices for simplifying access to information by users, including the general public, whether published on paper or in electronic format according to the legal requirements; (iii) to obtain information about the regulatory framework and Estonian and Croatian practices concerning the FSI Service's access to the databases of other public and private bodies; (iv) to study local practices for ensuring the transparency of financial information in the financial statements of entities; (v) to study local practices for the exchange of information between the FSI Service and other government bodies; (vi) to obtain relevant knowledge about the IT system of the Estonian FSI Service (hardware, software) and to study the policies and procedures for collecting, processing, publishing and filing financial information; and (vii) to study the practices used in setting sanctions to ensure compliance with the requirements for filing information from individual and consolidated annual accounts of entities.

52. The participants involved in the study visit to **Zagreb, Croatia** are mentioned in paragraph 23 above. The participants from the National Statistics Bureau involved in the study visit to **Tallinn Estonia on this topic** were: **Iurie Mocanu**, head of the Statistical infrastructure and financial reports Division, **Andrei Craciun**, chief deputy of the Statistical infrastructure and financial reports Division and **Lucia Aprodu**, translator.
53. During the visits to Tallinn and Zagreb several meetings were arranged for the Moldovan delegates, allowing them to learn from the practical experience of the FSI's in Estonian and Croatia and to see how the legal requirements were implemented at the national level.



54. The experience gained during the study visits to Estonia and Croatia covering the *Functioning of public registry of financial statements* were publicly disseminated through two **local seminars organized on December 17, 2009 and March 02, 2010**, which were attended by participants from various institutions in Moldova, including the Ministry of Finance, professional associations of accountants and auditors, the National Bureau of Statistics, the National Commission of Financial Market, SMEs, academics and practitioners. The press release on this event was placed on the official website of the Ministry of Finance<sup>7</sup>.

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<sup>7</sup> <http://www.minfin.md/ro/newsitem/436>

55. The key conclusions reached by the Moldovan delegates related to the *Functioning of a public registry for financial statements* are outlined below:

- **The main function of the public registry for financial statements, the institution responsible for collecting financial statements, should be the proper collection of financial statements and their storage, ensuring free access for all users to the information from financial statements submitted by individual entities.** Functions related to the provision of advice to entities on how to prepare and submit financial statements, checking their compliance with accounting rules, and carrying out inspections to monitor the quality of information disclosed in financial statements, are not appropriate for this institution. It was recommended that the current legislation regarding the operation and functions of the Public Registry of Financial Statements be revised in order to exclude the functions related to inspecting the quality of information disclosed in financial statements.
- **The Public Registry of Financial Statements should ensure transparency and accessibility of information to all users of financial statements, including the general public.** Public authorities should have free access to individual data from financial statements (based on bilateral agreements); other categories of users may be granted paid access to individual information. Based on a paid request, the Registry could provide additional services like processing and generalization of various data contained in the financial statements.
- **Implementing a system for electronic submission of financial reports and applying the digital signature** would significantly reduce the maintenance costs associated with the storage of financial statements on paper and would also make it easier for users to access data contained in financial statements. The practice of scanning financial reports submitted on paper and then storing them only in electronic format is a valuable one and could also be implemented in Moldova. The registry should be granted the authority to impose sanctions on entities which fail to submit financial reports in a timely manner.

## AUDIT PUBLIC OVERSIGHT SYSTEM

56. This topic was covered through a study visit conducted to **Bratislava, Slovakia** on March 28 - April 1, 2010 and, was one of the subjects of the video-conference organized in cooperation with the **Slovenian Institute of Auditors** on January 21, 2010. The study visit was performed in accordance with ToRs developed by the local consultant and coordinated with the Ministry of Finance.

57. The main purpose of the study visit was to obtain a detailed understanding of Slovakia's practical experience in implementing various aspects of the Statutory Audit Directive. In particular, the study visit was focused on Slovakia's experience in establishing a public oversight system, including its overall structure and governance arrangements, as well as practical implementation considerations. In addition, the visit aimed to establish relationships that would facilitate future cooperation between Moldova and Slovakia in the technical areas covered by the visit.

58. All the arrangements concerning the study visit in Bratislava were facilitated by the representative of the Slovak Auditing Oversight Authority (UDVA). As a result, the Moldovan delegates had a good opportunity to see how Slovakia has implemented a system of public oversight of statutory auditors, consistent with the requirements of the Statutory Audit Directive. This included details of the structure, composition, governance

and financing of the oversight body. The presentations made by the Slovak colleagues offered the Moldovan delegates a general overview of the structure and operations of the quality assurance system, including details of who carries out quality assurance inspections and how they are trained, the respective roles and responsibilities of the public oversight body and the relevant professional bodies, and how inspections of audits of public interest entities are carried out in the light of the Commission recommendation on external quality assurance for statutory auditors of public interest entities. The Moldovan delegates learned how the UDVA implemented a process consistent with the Statutory Audit Directive for the approval of statutory auditors and audit firms, including the development and maintenance of a public register of statutory auditors and audit firms. They also looked at how the UDVA operated its system of investigations and penalties designed to detect, correct and prevent inadequate execution of the statutory audit, including the measures taken against auditors in the event of audit failures.

59. Seven participants took part in this study visit: **Victor BARBANEAGRA**, deputy minister of finance; **Natalia TONU**, head of the Unit for Audit Regulation in the Corporate Sector, Ministry of Finance; **Ala VIZIR**, consultant within Department of Regulations in Audit Activity of Financial Statements, Ministry of Finance; **Alexandru NEDERITA**, deputy head of the accounting methodology council in the Ministry of Finance, university professor; **Mariana MUTU**, head of the Control and Verification Service in the Auditing Supervision Council; **Tatiana PRISACAR**, auditor (the expenses related to study visit were financed by the "Auditex" SRL); and **Sergiu BUFTEAC**, translator.
60. The experience gained during the study visit to Slovakia covering *Public oversight system over the auditing profession and quality control* was publicly disseminated through a **local seminar organized on May 21, 2010** in cooperation with the **Association of Professional Accountants and Auditors of the Republic of Moldova, which is a full member of IFAC**. This event was attended by the majority of active auditors in Moldova as well as representatives from Ministry of Finance, other professional associations of accountants and auditors, academics, and the Chamber of Auditors from Romania. The press release from this event was placed on the official site of ACAP <sup>8</sup>.



61. The key conclusions reached by the Moldovan delegates on the topic of *Public oversight system over the auditing profession and quality control* are outlined below:
  - The current legislation should be revised, with some adjustments regarding public oversight, i.e. (i) public oversight functions should be centralized in a single institution;

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<sup>8</sup> [http://www.acap.md/Evenimente/Comunicat\\_Revazut2010.pdf](http://www.acap.md/Evenimente/Comunicat_Revazut2010.pdf)



(ii) the capacity of the Auditing Supervision Council should be strengthened by creating technical committees/working committees; (iii) the Auditing Supervision Council should include a minority of practitioners; and (iv) the mandate of the Auditing Supervision Council should be extended to be longer than two years.

- The Chamber of Auditors of Moldova should be established as a new body with mandatory membership for all auditors. The Chamber could play a certain regulatory role and its creation would help to unite the audit profession. The main functions of the Chamber of Auditors would be education, continuous professional training for auditors, quality control in respect of audit firms and individual auditors, professional development, and to act as a body representing the professional interests of auditors. The aim would be that this body would satisfy all the requirements of IFAC's Statements of Membership Obligations (SMOs).
- The accounting and audit community accepted the need to develop appropriate auditing curricula in university education and professional certification. Only in this way it will be possible to help the Ministry of Finance and the Auditing Public Oversight Council to build the foundations for sustainable curricula in accountancy and auditing certification.

#### D. INTERNATIONAL WORKSHOP ON FINANCIAL REPORTING REGULATION

62. An International Workshop on financial reporting regulation was held in Chisinau on May 27-28, 2010. The workshop was the final event of the exchange experience program between Moldovan specialists and their counterparts in Slovenia, Slovakia, Estonia, the Czech Republic and Croatia. During the two day workshop speakers from EU countries, as well as representatives of the European Commission and the IASB delivered presentations to the local participants. Each topic was followed by an open questions and answers session. The detailed agenda of the workshop is shown in annex 4.



63. Fifty participants from various institutions in Moldova attended the workshop, including the Ministry of Finance, the National Bank of Moldova, the National Commission of Financial Market, the Stock Exchange, the Tax Authority, professional accountancy bodies, practitioners and academics. During the workshop representatives from Croatia, Estonia, Slovenia, and the Czech Republic as well as the representatives of the European Commission, the IASC Foundation and EFRAG discussed their experiences and outlined the main challenges. There was a particular focus on six main topics: (i) the transposition of the EU Accounting & Auditing *acquis* into national law; (ii) institutional arrangements for standard setting; (iii) the content of financial reporting standards for SMEs; (iv) the enforcement of financial reporting requirements by regulators; (v) the operation of the

public oversight system for the auditing profession and quality control in accordance with EU directives; and (vi) the functioning of the public registry of financial statements.

64. The deputy head of the accounting methodology council in the Ministry of Finance gave a presentation on “The Concept of reforms in the area of financial reporting in the corporate sector in Moldova”, which used the results of the study visits to trace the path of reforms in the areas of accounting and audit in Moldova and to set out the next steps in the reform process.
65. Participants were able to meet John Hegarty, Andrei Busuioc and Pascal Frèrejacque from the Vienna Centre for Financial Reporting Reform (CFRR) of the World Bank. They could also meet the representatives of the REPARIS countries, who were attending the events organized by the CFRR in Chisinau at the same time. This allowed several relationships to be established which could be useful for future cooperation between Moldova and the other REPARIS countries. The overall feedback of the participants on the workshop was very positive.

## E. FINANCIAL REPORT

All Amounts are shown in USD			
Expense Category	Planned	Disbursed	Undisbursed
<b>I. Study tours for experience exchange in financial reporting regulation.</b>			
Short Term Consultant	8 400	8 694	-294
Experience Exchange Workshops in Moldova to disseminate results of study visits	15 000	10 062	4 938
Study visits	69 550	65 108	4 442
Publication of the concept papers	5 000	0	5 000
<b>Total</b>	<b>97 950</b>	<b>83 864</b>	<b>14 086</b>
<b>II. International workshop in Moldova for change experience in financial reporting regulation.</b>			
Short Term Consultant	1 200	1 200	0
International Consultant	6 320	0	6 320
International Workshop	14 530	22 392	-7 862
<b>Total</b>	<b>22 050</b>	<b>23 592</b>	<b>-1 542</b>
<b>GRAND TOTAL</b>	<b>120 000</b>	<b>107 456</b>	<b>12 544<sup>1</sup></b>

**Note 1.** The savings in amount of USD 12,544.00 were achieved due to economies of scale and savings in the budget. The spent funds in amount of USD 107,456.00 enabled delivery of the entire program as it was initially planned.

# Experience Exchange between Practitioners (SEETF) project for Moldova

## Corporate financial reporting exchange program

POLICY NOTES

May, 2010



## OBJECTIVES

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This set of policy notes is intended to provide stakeholders with recommendations on policy actions to address the challenges in financial reporting and auditing in the corporate sector. These notes were developed as a result of study visits in EU countries that have recently undertaken reforms in this area and local workshops in which these results were discussed with the public. This guidance for accelerating reforms is followed by a short-term agenda, which outlines possible policy measures for promoting and supporting a sustainable financial reporting in the corporate sector. However, it should be noted that effective action on these policy notes will be possible if there is broad consensus within the country. This will require a participatory process, in which all parties affected by these changes, including the general public, may contribute to their development.

## BACKGROUND

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The harmonization of national regulations in financial reporting and auditing in the corporate sector with those existing at the European level, is an important factor in maintaining a well functioning business and investment climate in an economy. It constitutes one of the fundamental elements in the Moldovan economy's ability to interact with international business and so is potentially an area which can help to improve the Moldovan economy's performance in the European market. In addition, a modern financial reporting system which is harmonized with international and European best practices will contribute to greater transparency in the corporate sector and will help to improve the stability of the country's financial system.

The efforts that Moldova has made over the past years to promote reforms in this area show that the country considers and accepts the *aquis-communitaire* as the basic framework for policy in this area. Reforms in the area of corporate sector financial reporting in the Republic of Moldova started in 1996. However, these reforms gained new momentum after 2004 when the World Bank carried out a rigorous analysis and published its Report on Observance of Standards and Codes in the accounting and auditing area (A&A ROSC)<sup>9</sup>. The policy recommendations included in this report represented the basis for creating new legislation in the accounting and auditing area, which was adopted in 2007.

In compliance with provisions of the accounting law and the law on audit, as well as the plan for corporate sector accounting and audit, developed by the Ministry of Finance, a series of steps have already been undertaken. These include:

- Acceptance of IFRS, the signing of an agreement on the use of IFRS with the International Accounting Standards Board Foundation and the publication of IFRS in a special edition;
- The setting up of the Council for the Oversight of Audit Activity and the establishment of a division for audit activity control and review;
- Development of legislation on audit quality assurance and the regulation and transparency of audit firms, in accordance with the international regulations;
- Acceptance of licensing requirements for local auditors in accordance with the provisions of the European Union Eighth Directive;

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<sup>9</sup> [http://www.worldbank.org/ifa/rosc\\_aa\\_mdv.pdf](http://www.worldbank.org/ifa/rosc_aa_mdv.pdf)

- Recognition of international licenses in the accounting and auditing area.

The government's reform priorities, as outlined in the plan for developing corporate sector accounting and auditing for the years 2009-2011, which was approved by Government Decision no. 1507 of 13.12.2008, are based on four key pillars:

- Improving the financial reporting legal framework
- Strengthening the main institutions responsible for financial reporting
- Supporting the audit profession
- Modernizing the system of education and professional development and improving the public availability of financial statements, in accordance with international standards.

It is essential to recognize that these reforms not only require the adoption of high quality legislation and standards. The biggest challenge is for this legislation to be implemented, properly enforced and respected by the participants in the market.

## THE MAIN CHALLENGES

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In the framework of the program for the exchange of experience in corporate financial reporting for the Republic of Moldova, financed by the World Bank, a series of study visits was organized for representatives of government and other entities involved in regulating corporate sector financial reporting, including the development and implementation of accounting standards, under terms of reference agreed by all parties.

The exchange of experience with European countries that have recently undertaken reforms, such as Estonia, Slovenia, Slovenia, Czech Republic and Croatia, included studying their practices in specific areas including: (i) the process of setting accounting standards, (ii) the content of the Financial Reporting Standard for Small and Medium-sized Enterprises (SMEs), (iii) the public oversight system of auditing, (iv) the enforcement of reporting requirements by financial regulators; and (v) the functioning of the Public Registry of Financial statements.

The issues which emerged from the study visits formed the basis for discussions and debates organized at local seminars, with participation of experts in the field. These led to the preparation of recommendations on policy issues concerning financial reporting reforms in the corporate sector intended to ensure alignment with the EU *acquis*.

## SUGGESTIONS ON POLICY NOTES

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### ACCOUNTING STANDARD SETTING PROCESS

- **To establish the Financial Reporting Standards Board**, taking into account the experience of Estonia and Croatia. The Board should be financed from the State Budget, and will be responsible for the development and interpretation of local accounting standards for non-public interest entities, in accordance with IFRS principles and the requirement of the relevant EU directives. The members of the Board should be accounting specialists, experts in accounting theory and practicing accountants and auditors. The establishment of the Financial Reporting Standard Board would represent an important milestone in assuring transparency to the process of setting accounting standards for SMEs. Currently accounting standards are developed by the Ministry of

Finance, and endorsed by the accounting methodology council. The process is not always participatory and the number of staff dedicated to setting accounting standards is insufficient.

- **The Financial Reporting Standards Board should be solely responsible for the interpretation and/or adjustment of the national accounting standards**, in order to assure the sustainability of this process.

## **CONTENT OF FINANCIAL REPORTING STANDARDS FOR SMALL AND MEDIUM-SIZED ENTERPRISES (SMES)**

- **To revise the definition of public interest entity (PIE) and to broaden the scope of entities that should be defined as PIEs.** According to the provisions of the present Accounting Law, PIEs are obliged to apply IFRS requirements as from January 1, 2011. Under the existing definition, PIEs comprise financial institutions, investment funds, insurance companies, non-state pension funds and commercial companies listed on the stock exchange of the Republic of Moldova. There were suggestions to include also some other legal entities with a significant public impact, as judged by their dominant position on the market, or their area (type) of activity, size and number of employees. The criteria should be defined after consultations with relevant counterparts and will probably add large state owned entities to the existing list of PIEs.
- As regards *accounting standards for non-public entities*, two broad alternatives were identified:
  - (i) **Development of national accounting standards (NAS), based on the Estonian experience.** The main difference between IFRS and NAS, as drafted, would be the volume of disclosures in the notes to financial statements. At the same time, it will be possible for NAS to incorporate the requirements of the EU Directives. If this approach is taken, it will allow for: (i) the adoption of identical definitions and accounting principles for all entities; (ii) ease the transition from NAS to IFRS when the entity is required by law to do and/or when the entity would like to apply IFRS instead of NAS; (iii) use language that is easier to understand for practitioners; and (iv) be implementable in a relatively short period of time.
  - (ii) **Acceptance of IFRS for SMEs, developed and published by the International Accounting Standards Board (IASB)**<sup>10</sup>. The standard is a simplified version of IFRS, specifically developed for SMEs. IFRS for SMEs may be applied by any entity which (i) is an entity without public accountability and (ii) publishes general purpose financial statements. In accordance with IFRS for SME, an entity has public accountability if: (i) its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or (ii) it holds assets in a fiduciary capacity for a broad group of outsiders, as one of its primary businesses. General purpose financial statements are prepared on

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<sup>10</sup> Accounting Methodological Council under the Ministry of Finance is examining the alternative to allow the non-PIEs to choose between application of the IFRS for SMEs and NAS.

a basis that is designed to provide useful information to a wide range of users (e.g. investors and creditors) who are not in a position to demand reports tailored to meet their particular needs. If this approach is adopted, there is no need to develop NAS. This option has the following advantages: (i) improved access to capital; (ii) improved comparability; (iii) better reporting compared with NAS; (iv) the ability to use standardized computer system; simplified consolidation procedures and standardized training for multinational operations; and (v) the availability of the training modules developed and published by the IASB<sup>11</sup>.

- **The development of a concordance table on compliance with the EU *acquis communautaire* in the area of financial reporting in the corporate sector. This would make it easier to draw up proposals for improvement and alignment of the legislation with the *acquis*.** Local stakeholders have highlighted the importance of urgently reviewing the existing laws, in order to prepare a gap analysis and to draw up a roadmap for the further alignment of the national legislation, in particular concerning the content of accounting standards for SMEs, with the EU *acquis communautaire*.
- **The accounting and audit community realized the urgent need to build the foundations for including the appropriate accounting standards in university curricula.** Only in this way will it be possible to help universities build the foundations for sustainable curricula for accounting and auditing education. This will allow further progress to be made in the future, such as the development of appropriate teaching materials and textbooks, and their practical implementation in universities.

#### **ENFORCEMENT OF FINANCIAL REPORTING REQUIREMENTS IN THE REGULATED SECTORS SUCH AS BANKING, SECURITIES MARKET AND INSURANCE**

- **Development of a concordance table on compliance with the EU *acquis communautaire* in regulated sectors such as banking, securities market and insurance. This would make it easier to identify proposals for improvement and alignment of the legislation in general and that concerning financial reporting legislation in particular.** Local stakeholders from these regulated sectors have highlighted the need for a review of existing laws in these areas, in order to prepare a gap analysis and draw up proposals for a roadmap for the further alignment of the national legislation with the EU *acquis communautaire*.
- **To amend the regulatory framework for banking regulation and supervision and to reduce the discrepancies between financial and prudential reporting in the banking sector.** It was recommended that regulation and supervision methods are improved, in particular in the area of classifying assets, provisioning for doubtful assets and determining the level of regulatory capital.
- **The National Bank of Moldova should set out specific requirements for financial and prudential reporting in the banking sector, in order to determine the**

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<sup>11</sup> However, one significant disadvantage of this option is that the European Commission has not taken an official position on whether the IFRS on SMEs can be adopted in the EU. The Commission has recently completed a public consultation exercise on whether to allow Member States to use the IFRS for SMEs, given that some of its provisions are contrary to the EU Directives. More generally, it is not yet clear how the present EU accounting directives will be reformed.

**relationship between “accounting capital” and “prudential capital”.** This would allow European guidelines on the joint reporting framework to be adopted by lending and investment institutions for reporting the solvency ratio (the EU Directive on capital adequacy), as well as the standard framework for financial reporting for EU lending institutions.

- **Gradual implementation of financial reporting requirements in the insurance sector.** The first step would be to amend the regulatory framework by transposing Directive 91/674/EEC of 19/12/1991 on the annual and consolidated accounts of insurance companies, respectively, and to approve the structure of the balance sheet and profit and loss account for insurance companies.
- The requirements for the information systems to be implemented in the NCFM should be expanded to include additional options for automated messaging to inform reporting entities of possible changes and, to allow information stored in the database to be connected to programs that can generate various charts and diagrams (e.g. Microsoft Vision) which may be required for further analysis.
- The expansion of the system for supervision of prudential and financial statements by establishing early warning systems, and systems for risk evaluation, investment analysis and assessment for the insurance sector.

## FUNCTIONING OF PUBLIC REGISTRY OF FINANCIAL STATEMENTS

- **The main function of the institution responsible for collecting financial statements should be the proper collection of financial statements and their storage, ensuring free access for all users to the information from financial statements submitted by individual entities.** Functions related to the provision of advice to entities on how to prepare and submit financial statements, checking their compliance with accounting rules, and carrying out inspections to monitor the quality of information disclosed in the financial statements, are not appropriate for this institution. It was recommended that the current legislation regarding the operation and functions of the Public Registry of Financial Statements be revised in order to exclude the functions related to inspecting the quality of information disclosed in the financial statements.
- **The Public Registry of Financial Statements should ensure the transparency and accessibility of information to all users of financial statements, including the general public.** Public authorities should have free access to individual data from financial statements (based on bilateral agreements); other categories of users may be granted paid access to individual information. Based on a paid request, the Registry could provide additional services like processing and generalization of various data contained in the financial statements.
- **Implementing a system for electronic submission of financial reports and applying the digital signature** would significantly reduce the maintenance costs associated with the storage of financial statements on paper and would also make it easier for users to access data contained in financial statements.
- The registry has to be granted the authority to impose sanctions on those entities that fail to submit financial reports in a timely manner.

## AUDIT PUBLIC OVERSIGHT SYSTEM

- It was recommended that the current legislation be revised in order to make some adjustments regarding the system of public oversight, i.e. (i) centralizing the public

oversight functions in a single institution; (ii) strengthening the capacity of the Auditing Supervision Council by creating technical committees/working committees; (iii) specifying that the composition of the Auditing Supervision Council should include a minority of practitioners; and (iv) extending the mandate of the Auditing Supervision Council to be a period longer than two years.

- **Establishment of the Chamber of Auditors of Moldova, as a new body with mandatory membership for all auditors.** The Chamber could play a certain regulatory role and its creation will help to unite the audit profession. The main functions of the Chamber of Auditors could be education, continuous professional training for auditors, quality control in respect of audit firms and individual auditors, professional development, and to act as a body representing the professional interests of auditors. The aim would be that this body will satisfy all the requirements of IFAC's Statements of Membership Obligations (SMOs).
- The accounting and audit community accepted the need to develop appropriate auditing curricula in university education and professional certification. Only in this way it will be possible to help the Ministry of Finance and the Auditing Public Oversight Council to build the foundations for sustainable curricula in accountancy and auditing certification

## ANNEX 2: ACTIVITIES OF EXCHANGE PROGRAM

Proposed program activities	Achievements
<b>A. Study visits and Local Workshops</b>	
1. Accounting standard setting process. A study of how an effective standards setter should operate, what should the Governance arrangements be and how the entire process of developing and approving the standards is handled.	<ul style="list-style-type: none"> <li>- Specific ToRs developed and approved by TTL</li> <li>- Study visit to Estonia on November 09-13, 2009, including meeting with Mr. Ago Vilu, deputy Vice-Chair of the Estonian Accounting Standards Board</li> <li>- Study visit to Croatia on February 03-06, 2010 including meeting with Mr. Ivica Smiljan, President of the Croatian Financial Reporting Standards Board</li> <li>- Local seminar on December 17, 2009 and March 02, 2010</li> </ul>
2. Content of accounting standards for SMEs.	<ul style="list-style-type: none"> <li>- Specific ToRs developed and approved by TTL</li> <li>- Study visit to Estonia on November 9-13, 2009 including meetings with Mr. Ago Vilu, deputy Vice-Chair of the Estonian Accounting Standards Board and representatives of the Ministry of Finance</li> <li>- Video conference with Slovenian Institute of Auditors on January 21 2010</li> <li>- Study visit to Croatia on February 3-6, 2010 including meetings with Mr. Ivica Smiljan, President of the Croatian Financial Reporting Standards Board and representatives of the Ministry of Finance</li> <li>- Local seminar on December 17, 2009 and March 02, 2010</li> </ul>
3. Enforcement of financial reporting requirements in a regulated financial sector: banking, insurance and securities market as well as the link between financial reporting and tax reporting. A study of relevant knowledge on the role of a regulator in enforcing general purpose financial reporting requirements, and how a regulator should do it in practice.	<ul style="list-style-type: none"> <li>- Specific ToRs developed and approved by TTL</li> <li>- Study visit to Estonia on November 9-13, 2009, including several meetings with representatives of the Financial Supervisory Authority (for banking sector)</li> <li>- Study visit to Czech Republic on February 24-27, 2009, including several meetings with representatives of the Prague Stock Exchange and Czech National Bank (insurance and securities market sectors)</li> <li>- Local seminar on May 24, 2010 with representatives of insurance and securities market sectors</li> </ul>

4. Functioning of the public registry for financial statements.

- Local seminar on May 28, 2010 with representatives of banking sector
- Specific ToRs developed and approved by TTL
- Study visit to Estonia on November 9-13, 2009 including several meetings with representatives of the Public Registry of Financial Statements
- Study visit to Croatia on February 3-6, 2010 including meeting representatives of the Registry of Annual Financial Statements (FINA)
- Local seminar on December 17, 2009 and March 02, 2010

5. Public oversight system over the auditing profession and quality control. A study of national experience of establishing a public oversight system and how it functions in practice.

- Specific ToRs developed and approved by TTL
- Video conference with Slovenian Institute of Auditors on January 21, 2010
- Study visit to Slovakia on March 28 – April 01, 2010, including several meetings with representatives of Slovak Audit Oversight Authority (UDVA)
- Local seminars on May 21, 2010 with participation of more than 60 % of the registered auditors active Moldova

## **B. International Workshop**

International workshop on financial reporting regulation, to be organized in Moldova

- An international workshop on financial reporting regulation was held in Chisinau on May 27-28. This event was attended by participants from Estonia, Croatia, Slovenia, the Czech Republic, the European Commission, the Centre for Financial Reporting Reform of the World Bank, the International Accounting Standards Board and various local institutions



## **ANNEX 3: THE LIST OF INSTITUTIONS AND PEOPLE MET DURING THE STUDY VISITS**

### **ACCOUNTING STANDARD SETTING PROCESS AND CONTENT OF FINANCIAL REPORTING STANDARDS FOR SMES**

#### **ESTONIA**

1. Marika Taal - Ministry of Finance of Estonia, Entrepreneurship and Accounting Policy Department
2. Kurmet Ojamaa, Ministry of Finance of Estonia, Entrepreneurship and Accounting Policy Department
3. Gaili Parts, Ministry of Finance of Estonia, Entrepreneurship and Accounting Policy Department
4. Juta Maar, Ministry of Finance State Accounting Department, member of Estonian Accounting Standards Board.
5. Sergei Tšistjakov, Head of professional qualification committee for auditors.
6. Mati Nommiste, Auditor, Head of management board of the audit company Rimmes.
7. Toomas Vapper, Head of Estonian Board of Auditors.
8. Ago Vilu, Vice-Chair of the Estonian Accounting Standards Board.
9. Tauno Ounapuu, Vice Rector in Developmental and Financial Affairs Mainor Business School. All the staff of the accounting department was involved in this meeting.

#### **CROATIA**

10. Ivica Smiljan, President of Croatian Financial Reporting Standards Board
11. Ivan Cevizovic, member of Croatia Financial Reporting Standards Board
12. Siniša Petrović, Ph.D., Negotiator of Chapter 6 – Company Law and Professor at the Law Faculty Zagreb
13. Branka Augustinovic, Head of the Department for Financial Reporting, Ministry of Finance of Croatia
14. Iva Dodig, Expert Assistant, Ministry of Finance of Croatia
15. BENKO KOTRULJIC - non-public interest entity. All the staff of the accounting department was involved in this meeting.

#### **SLOVENIA (VIDEO CONFERENCE)**

16. Marjan Odar – Director of Slovenian Institute of Auditors
17. Meta Duhovnik - Senior Technical Adviser, Slovenian Institute of Auditors

## **ENFORCEMENT OF FINANCIAL REPORTING REQUIREMENTS IN THE BANKING SECTOR**

### **ESTONIA**

- 18. Bank of Estonia
- 19. Helene Trušina, Head of Prudential Policy and Financial Reporting Division, Financial Supervisory Authority
- 20. Maire Otsus, Methodologist of Prudential Policy and Financial Reporting Division, Financial Supervisory Authority

## **ENFORCEMENT OF FINANCIAL REPORTING REQUIREMENTS IN THE REGULATED SECTORS, SUCH AS SECURITIES MARKET AND INSURANCES**

### **CZECH REPUBLIC**

#### **PRAGUE STOCK EXCHANGE**

- 21. Jiri Kovarik, Director of Marketing Department,
- 22. Jiri Opletal, Deputy of CEO
- 23. Katerina Benesova, Listing Department
- 24. Radan Marek, Head of Legal Department

#### **CZECH NATIONAL BANK**

- 25. Vít Ossendorf, Financial Market Regulation Division
- 26. Vítěslav Praks, Supervision Support Division,
- 27. Ladislav Slaník, Securities and Regulated Markets Division
- 28. Luděk Pestr, Enforcement Division
- 29. Miroslav Kotaška, Financial Market Regulation Division
- 30. Jitka Svobodová, Financial Market Regulation Division
- 31. Petr Gavlas, Financial Market Regulation Division,
- 32. Elena Marcinová, Supervision Support Division
- 33. Monika Pokorná, Supervision Support Division
- 34. Leoš Jirman, Capital Market Supervision Division
- 35. Petra Korbášová, Supervision Support Division
- 36. Romana Karešová, Supervision Support Division
- 37. Mr. Pavel Nájemník, Insurance Sector Supervision Division

## **FUNCTIONING OF PUBLIC REGISTRY FOR FINANCIAL STATEMENTS**

### **ESTONIA**

- 38. Ingmar Vali, Head of Court Registry Department, RIK
- 39. Maris Tudre, Head of Commercial Registry Unit, RIK
- 40. Aleksandr Belousov, Project Manager, RIK
- 41. Kadri-Catre Kasak, Advisor, Legislative Drafting and Development Division, Judicial Administration Policy Department, Ministry of Justice
- 42. Meelis Somelar, International Cooperation Chief, Planning and International Cooperation Service General Department, Statistics Estonia
- 43. The regional office of the Court Registry Department

### **CROATIA**

- 44. Dragutin Kovacic, FINA

## **PUBLIC OVERSIGHT SYSTEM OVER THE AUDITING PROFESSION AND QUALITY CONTROL**

### **SLOVAKIA**

- 45. Ingrid Melicherova, Executive Director and Member of the Board, Auditing Oversight Authority
- 46. Peter Hrnčiar, Chairman of the Board, Auditing Oversight Authority
- 47. Chamber of Auditors
- 48. Vladimír Toth, secretary, National Council of the Slovak Republic, Committee on finance, Budget and Currency
- 49. Vera Laszova, Director, Accounting Legislation and Methodology Department, Ministry of Finance of the Slovak Republic

# **South-South Experience Exchange between Practitioners (SEETF) project for Moldova, financed by the World Bank**

## **Corporate financial reporting exchange program**

### **International workshop on financial reporting regulation**

**27-28 May 2010**

**Chisinau, Moldova**

#### **AGENDA**

THURSDAY, 27 MAY

**BUILDING THE FINANCIAL REPORTING AND AUDITING FRAMEWORK –  
THE EUROPEAN EXPERIENCE**

<b>1. Registration</b>	<b>8:30 – 9:00</b>
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<b>2. Welcome</b>	<b>9:00 – 9:25</b>
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**Objective:** To welcome the participants and introduce the agenda for the day.

**Speakers:**

- Victor Barbaneagra, Deputy Minister, Ministry of Finance of Moldova
- John Hegarty, Head, World Bank, Centre for Financial Reporting Reform (CFRR)
- Andrei Busuioc, TTL, World Bank, Centre for Financial Reporting Reform

<b>3. Transposition of EU Accounting &amp; Auditing acquis into national law</b>	<b>9:25 – 10:10</b>
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**Objective:** Sharing experiences and challenges in negotiating and implementing the accounting and auditing *acquis communautaire*

**Format:** Two presentations of 10-15 minutes each in which the Croatian and Estonian experiences in negotiating the company law chapter of the *Acquis Communautaire* will be outlined, and the key challenges faced in transposition into national law. This will be followed by an open Question and Answer session.

**Speakers:**

- Siniša Petrović, Ph.D., Negotiator of Chapter 6 – Company Law and Professor at the Law Faculty Zagreb, **Croatia**
- Marika Taal, Ministry of Finance of **Estonia**, Chief specialist

## THURSDAY, 27 MAY (CONT'D)

<b>4. Institutional arrangements: standard setting and content of accounting standards for SMEs</b>	<b>10:10 – 11:00</b>
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**Objective:** Sharing institutional structures and challenges relating to implementation of the A&A directives and regulation

**Format:** Two presentations of 10-15 minutes each in which the Estonian and Croatian experiences in the implementation of the A&A directives and in implementation of the mechanisms of the IFRS, taking into account the mechanisms at the EU level and country responsibilities. This will be followed by an open Question and Answer session.

**Speakers:**

- Ago Vilu, Chairman, **Estonian** Accounting Standards Board
- Damir Kaufman, Director, Ministry of Finance, **Croatia**

--- Break **11:00 – 11:30**

<b>5. The IFRS for SMEs</b>	<b>11:30 – 13:00</b>
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**Objective:** To obtain relevant knowledge on the general content of the IFRS for SMEs and to understand how IFRS for SMEs can be applied in practice, for which entities it is applicable and to discuss the advantages of choosing this option instead of the development of national accounting standards

**Format:** One presentation on the content of the IFRS for SMEs, including a technical part with description of *IFRS for SMEs*, using one or two sections as examples; learning materials content. The presentation will be followed by an open Question and Answer session

**Speaker:** Michael Wells, Director, IFRS Education Initiative, IASC Foundation

--- Lunch **13:00 – 14:00**

## THURSDAY, 27 MAY (CONT'D)

<b>6. IFRS for SMEs in European Union</b>	<b>14:00 – 15:30</b>
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**Objective:** To gain an understanding of EU stakeholders' views on the IFRS for SMEs issued by the IASB on 9 July 2009.

**Format:** One presentation in which different opinions about IFRS for SMEs in EU will be outlined as well as EFRAG's compatibility analysis and some possible future scenarios for the role of IFRS for SMEs. The presentation will be followed by an open Question and Answer session

**Speaker:** Saskia Slomp, Director, EFRAG

<b>7. Enforcement of financial reporting requirements in regulated financial sectors: insurance and securities market</b>	<b>15:30 – 16:00</b>
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**Objective:** To discuss and share experiences on the role of a regulator in enforcing general purpose financial reporting requirements, and how a regulator should do it in practice

**Format:** One presentation about Czech experience in enforcement of financial reporting requirements in regulated financial sectors, such as insurance and securities markets. The presentation will be followed by an open Question and Answer session

**Speaker:** Ludek Pestr, Czech National Bank, Legal officer

**--- Break** **16:00 – 16:30**

**--- Dinner at Cricova Winery** **18:00 - 22:00**

**Transfer by bus at 17.30**

## FRIDAY, 28 MAY

### BUILDING THE FINANCIAL REPORTING AND AUDITING FRAMEWORK – THE EUROPEAN EXPERIENCE AND THE WAY FORWARD FOR MOLDOVA

<b>8. Brief review of key conclusions from Day 1 of workshop</b>	<b>9:00 – 9:10</b>
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**Objective:** Short reminder of the key issues/challenges identified in the discussions on Day 1.

<b>9. Public oversight system over the auditing profession and quality control in accordance with EU directives</b>	<b>09:10 – 10:20</b>
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**Objective:** To learn through shared experiences about the implementation of the system for audit licensing and public oversight

**Format:** Three short presentations on the requirements for audit licensing (individual/firm) including arrangements for public oversight of the statutory audit function in Slovenia, taking into account the requirements of the 8<sup>th</sup> Directive, followed by a Q & A session.

**Speakers:**

- Juan-Maria Arteagoitia-Landa, Policy Officer, Auditing Unit, Directorate General for the Internal Market and Services, European Commission
- Meta Duhovnik, Senior Technical Adviser, **Slovenian** Institute of Auditors
- Mateja Cimerman, Agency for Public Oversight of Auditing, **Slovenia**

<b>Functioning of public registry for financial statements</b>	<b>10:20 – 12:00</b>
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**Objective:** To learn through shared experiences on how an effective Financial Statements Information Service should operate, what the governance arrangements should be, to ensure that the activity of the FSI service and the developed normative framework for collecting, processing, publishing and filing financial information are in accordance with the EU *acquis*.

**Format:** One short presentation on the functioning of the public registry for financial statements in Croatia, followed by a Q&A session

**Speaker:** Dragutin Kovačić, Head of the Registry, Financial Agency (FINA)

**--- Break** **11:00 – 11:30**



**FRIDAY, 28 MAY (CONT'D)**

<b>10. Presentation of the Concept of the reforms in area of financial reporting in corporative sector in Moldova</b>	<b>11:30 – 12:00</b>
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**Objective:** To outline the results of the study visits, to trace the path of the reforms in the area of accounting and audit in Moldova and to set out the next steps in the reform process

**Format:** One short presentation on how to use the gained experience in the context of Moldova

**Speaker:** Alexandru Nederita, Member of the accounting methodology council in the Ministry of Finance

<b>11. Closing remarks from participants and Workshop closing</b>	<b>12:00 – 12:30</b>
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**Objective:** To provide feedback on the workshop and to thank the participants

**Speakers:**

- Victor Barbaneagra, Deputy Minister, Ministry of Finance of Moldova
- John Hegarty, Head, World Bank CFRR

**--- Lunch** **12:30 – 13:30**