



Centre for Financial
Reporting Reform



WORLD BANK GROUP
Governance



Road to Europe – Program of Accounting Reform and Institutional Strengthening

Annual Update

Progress Report 2015 and Program Plan 2016

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This document was prepared by:

CFRR»

**Centre for Financial
Reporting Reform**



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List of Abbreviations and Acronyms

| | |
|--------|-------------------------------------------------------------------|
| ACCA | Association of Chartered Certified Accountants (UK) |
| ADA | Austrian Development Agency |
| A&A | Accounting and Auditing |
| AACoP | Accounting and Auditing Community of Practice |
| AO | Audit and Oversight |
| CAPSAP | Corporate and Public Sector Accountability Project for Azerbaijan |
| CFR | Corporate Financial Reporting |
| CFRR | Centre for Financial Reporting Reform |
| CoP | Community of Practice |
| CPD | Continuing Professional Development |
| DAC | Donor Advisory Council |
| EaP | EU Eastern Partnership |
| EBRD | European Bank for Reconstruction and Development |
| ECA | Europe and Central Asia |
| ECAFM | Financial Management Unit of the ECA |
| EduCoP | Accounting Education Community of Practice |
| EU | European Union |
| EPI | Economic Prosperity Initiative of USAID |
| FR | Financial Reporting |
| FSB | Financial Stability Board |
| GDLN | Global Development Learning Network |
| IASB | International Accounting Standards Board |
| IAESB | International Accounting Education Standards Board |
| ICE | In-Country Engagement |
| IDF | Institutional Development Fund (World Bank) |
| IES | International Education Standards for Professional Accountants |
| ESBA | International Ethics Standards Board for Accountancy (IFAC Board) |
| IFAC | International Federation of Accountants |
| IFRS | International Financial Reporting Standards |
| ISA | International Standards on Auditing |
| KM | Knowledge Management |
| MDTF | Multi-Donor Trust Fund |
| M&E | Monitoring and Evaluation |
| MoF | Ministry of Finance |
| MSMEs | Micro, Small and Medium-sized Enterprises |
| PAO | Professional Accountancy Organization |
| PB | Professional Body |
| PIE | Public Interest Entity |
| POB | Public Oversight Board |
| POS | Public Oversight System |
| QAS | Quality Assurance System |

| | |
|---------|------------------------------------------------------------------------------|
| REPARIS | Road to Europe: Program of Accounting Reform and Institutional Strengthening |
| ROSC | Report on the Observance of Standards and Codes |
| SAD | Statutory Audit Directive |
| SOE | State-owned enterprise |
| SME | Small or Medium-sized Enterprise |
| SMP | Small or Medium-sized Practice |
| SOW | Senior Officials' Workshop |
| STAREP | Strengthening Auditing and Reporting in the Eastern Partnership |
| TA | Technical Assistance |
| USAID | United States Agency for International Development |
| WB | World Bank |

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1. Executive Summary

In the process of promoting economic growth and closer integration with the EU, the countries of Southeast Europe (Albania, Bosnia and Herzegovina, Kosovo¹, FYR Macedonia, Montenegro and Serbia) are aligning their respective legislative frameworks with the EU *acquis communautaire*. Financial reporting, an important factor in enabling private sector development, is a relevant aspect of these reform efforts which are supported by the EU-REPARIS program.

EU-REPARIS, organized on a regional basis, provides seminars and peer-to-peer learning activities along with country-level assistance to help build capacity among countries to initiate and implement reforms. However, successful transformation will depend on actions taken by each country, including through activities outside of EU-REPARIS. The program is funded by the EU and is part of the Western Balkans Enterprise Development and Innovation Facility (WB EDIF).

EU-REPARIS seeks to support:

- The development of statutory frameworks for corporate financial reporting by ensuring that they are more effective and aligned with the *acquis*;
- Improvements in accounting education systems and the capacity of the accounting profession;
- Enhancements in reporting practices in the financial sector and improved understanding of how IFRS and financial reporting can facilitate access to finance;
- Sustained reform momentum, regional collaboration and active knowledge transfer.

Launched in May 2015 as part of a senior officials meeting, highlights of the first program year included:

- A renewed commitment to reform and the launch of EU-REPARIS with a Senior Officials' Workshop to discuss challenges and priorities for financial reporting reforms in EU-REPARIS countries;
- Increased capacity among senior decision makers and multiple in-country actions regarding transposing EU requirements into national law;
- The completion of the university education benchmarking tool for undergraduate and master accountancy programs at selected universities, which will play a key role in helping countries modernize their accounting education systems;
- Improving the quality and range of business support services delivered by small and medium accountancy practices by helping to strengthen the capacity of the accounting profession in teaching IES compliant audit training courses.

A range of activities are planned for 2016, including:

¹ This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

- The Ministerial Conference and the associated Senior Officials' Workshop to review progress on financial reporting reforms, and discuss the next steps and areas of mutual interest in light of financial reporting being a catalyst for growth;
- The third regional Professional Accountancy Organization (PAO) Forum to discuss the contribution of PAOs from central, southeast and eastern Europe to stimulating economic growth;
- Technical trainings, community of practice workshops and in-country activities addressing technical challenges in accounting education, accounting and auditing standards, and beyond.

2. Activities and Progress 2015

Overview

EU-REPARIS activities commenced in March 2015 with an SME workshop in Serbia carried out in collaboration with THE European Bank for Reconstruction and Development (EBRD). A Senior Officials' Workshop conducted in May 2015 marked the official launch of the program, and many activities followed suit. The following provides an overview of the activities and a summary of outcomes achieved in 2015. Detailed descriptions of the activities are available in the Annex. Activities marked with * indicate joint activities with the *Strengthening Auditing and Reporting in Countries of the Eastern Partnership* [STAREP](#) program.

Noteworthy highlights of the program year across the different program and thematic areas include:

- Successful transition from REPARIS to EU-REPARIS marked by a workshop with senior government representatives to take stock of reform progress and agree on priorities ahead;
- Enhanced capacity among senior decision makers and key stakeholders to determine and support the most effective ways of adopting good international practice and aligning national legislation with EU requirements. Draft of amendments to the accounting and auditing laws are available in several EU-REPARIS countries;
- Modernization of accountancy education and professional development including through:
 - (i) the increased capacity of trainers to deliver sustainable local training programs in audit for statutory auditors and audit firms tailored for the small to medium-sized practice (SMP) auditor; and
 - (ii) the completion of university education benchmarking for both undergraduate and master accountancy programs at selected universities in all countries participating in the program;
- Enhanced ability of financial sector regulators to use IFRS standards and greater ability to apply reconciliation approach between financial statements and prudential capital;
- Country-specific developments include:
 - Adoption of International Financial Reporting Standards (IFRS) for small-and medium-sized entities (SMEs) in Kosovo;
 - Country-level project established in Serbia ready for launch in early 2016; country-level project draft available for Kosovo.

Details by Component

Component 1a – Financial Reporting Community of Practice

Activities

| Activity | Topic | Date | Location |
|----------|---------------------------------------------------------------------------------------------------------------------------------------------|-----------------|----------|
| Workshop | Financial Reporting Community of Practice (FRCoP): Implementing the EU <i>acquis communautaire</i> : common challenges and shared solutions | October 14 - 15 | Tirana |

| Activity | Topic | Date | Location |
|-----------------------|---------------------------------------------------------------------------|--------------------------------|----------|
| | FRCoP workshop | Moved to 2016 | |
| Virtual seminar | IFRS for SMEs | Moved to 2016 | N/A |
| | Auditing and SMPs | Moved to 2016 | N/A |
| | Two online presentations on Professional Accountancy Organizations (PAOs) | December 2015 | N/A |
| Research/ Publication | Standardizing formats for better comparability – research and drafts | On track (as planned for 2016) | N/A |

Progress towards Program Outcomes

Policy experts from the EC and the CFRR worked with over 40 participants from Ministries of Finance, other policymakers and members of professional accountancy organizations from EU-REPARIS countries to determine the most effective ways of implementing the EU's new accounting and auditing directives. Participants sketched out the way forward for their countries, including implementation challenges.

Unforeseen Challenges and Actions taken in Response

During the early stages of the program year, the CFRR team recognized the need to reshuffle activities slightly in line with available resources and the latest developments. The FRCoP workshop and the virtual seminar on auditing were rescheduled for 2016 in order to make available the resources necessary to organize a conference for financial sector supervisors in component 3a. This conference had not been planned initially but was highly relevant as follow up to the publication. The virtual seminar on auditing was moved to 2016 to synchronize it with the Audit ToT schedule of activities (component 2b).

Component 1b – In-Country Implementation Support

Component 1b “In-Country and Implementation Support” is closely linked with the other components of this program. It aims to provide support to countries at the local level, including applying and implementing concepts presented as part of regional events and workshops. CFRR country relationship managers regularly visit the six EU-REPARIS countries to engage in direct dialogue with senior government representatives, working level counterparts as well as representatives from the profession, academia, the business community, and other stakeholder groups. Mission travels are co-funded by the trust fund, companion country-level projects, and World Bank budget. A list of travels and meetings is available upon request.

| Country | Activity/Topic | Progress towards Program Outcomes and Lessons Learned |
|---------|----------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| Albania | <ul style="list-style-type: none"> Support activities through a companion country project “Enhancing the Quality of Financial Reporting”. | <ul style="list-style-type: none"> Documentation from companion country project can be made available upon request. |

| Country | Activity/Topic | Progress towards Program Outcomes and Lessons Learned |
|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Bosnia and Herzegovina | <ul style="list-style-type: none"> Policy dialogue, mission travels and just-in-time technical assistance. | <ul style="list-style-type: none"> The draft amendments to the accounting and auditing law have been prepared and benchmarking with the EU Directives have been reviewed; Discussions have been held with counterparts from both entities on specific needs for technical assistance. |
| Kosovo ² | <ul style="list-style-type: none"> Just-in-time technical support provided to the Ministry of Finance and Kosovo Financial Reporting Council (KFRC) regarding the financial reporting law amendments; Education Community of Practice (EduCoP) Workshop: Achieving Excellence in Education: Aligning University Accounting Curricula to International Benchmarks, Pristina, September 2015. | <ul style="list-style-type: none"> IFRS for SME have been adopted; Draft amendments to the law have been prepared; A proposal for a country-level project has been prepared, which aims to address recommendations of the Accounting & Auditing Report on the Observance of Standards and Codes (A&A ROSC). Resource mobilization ongoing. |
| FYR Macedonia | <ul style="list-style-type: none"> Policy dialogue, mission travels and just-in-time technical assistance provided; Dissemination of the Accounting and Auditing (A&A) Report on the Observance of Standards and Codes (ROSC), Dec. 2015; EduCoP Workshop: Achieving Excellence in Education: Aligning University Accounting Curricula to International Benchmarks, Skopje, June 2015. | <ul style="list-style-type: none"> Awareness raised among a broad stakeholder group, including the business community, on the key findings and policy recommendations of the A&A ROSC; importance of implementing financial reporting reforms for sustainable economic growth and improving enterprise competitiveness has been reinforced; Discussions and technical advice have been provided to the Ministry of Finance on key findings of the ROSC and the need to implement legislation changes has been discussed; Discussions have been held and technical advice provided to the Oversight body on a broad range of topics, including sources of funding and quality assurance. |
| Montenegro | <ul style="list-style-type: none"> Support activities through a companion country project “Capacity Building for Effective Audit Oversight Project” (World Bank IDF grant). | <ul style="list-style-type: none"> Documentation from companion country project can be made available upon request. |

² This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.

| Country | Activity/Topic | Progress towards Program Outcomes and Lessons Learned |
|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Serbia | <ul style="list-style-type: none"> CFRR/European Bank for Reconstruction and Development (EBRD) workshop on SME financial reporting; Support to Government regarding country-level project “STAR-CFR”. | <ul style="list-style-type: none"> Collaboration established with EBRD and Serbian Chamber of Commerce; Awareness raised among SME community for financial reporting and Serbian financial reporting reform; stakeholder interest is high but SME interest is rather low; Country-level project has been established. Resources have been mobilized and the launch is expected in early 2016. |

Component 2a – Education Community of Practice

Activities

| Activity | Topic | * | Date | Location |
|--------------------------|-----------------------------------------------------------------------------------------------------------------------------|---|------------|----------|
| Workshop/ Event | EduCoP Workshop: Achieving Excellence in Education: Aligning University Accounting Curricula to International Benchmarks | | June 10 | Skopje |
| | EduCoP Workshop: Achieving Excellence in Education: Aligning University Accounting Curricula to International Benchmarks | | Sept 14-15 | Pristina |
| Research/ Publication | Education Benchmarking Study – 1st draft | | November | N/A |

Progress towards Program Outcomes

University education benchmarking is complete for both undergraduate and master accountancy programs at selected universities in all EU REPARIS countries.

Short term outcomes/results of the education benchmarking results include the following:

- A baseline showing the level of alignment of university education curricula with International Education Standards (IES) and professional benchmarks at the beginning of the program;
- A profiling tool has been developed to further facilitate in-country curricula reform in order to modernize university education and align it with IES (closing the gaps).

Intermediate outcomes/results include:

- Material and documentation that have been prepared as part of the benchmarking constitute verifiable accreditation schedules that each participating university can use to seek recognition/accreditation with EU-based universities and professional bodies;

- Material produced as part of the study provides international comparability among programs in different countries and with several recognized education benchmarks.

Unforeseen Challenges and Actions taken in response

- Difficulties in attracting deans and university high-level decision makers. Due to factors such as travel cost and migration situation, it is necessary to consider alternative locations for future events, particularly Vienna.
- CFRR regional workshops represent a platform to connect stakeholders and decision makers from a diverse profile (universities, accountancy profession, ministries) because their combined involvement is necessary to ensure that reform happens locally. As such, future EduCop workshops should bring together policy decision makers and representatives from universities and the profession.

Component 2b – Training of Trainers

Activities

| Activity | Topic | * | Date | Location |
|-----------------|----------------------------------|---|----------------|----------|
| Workshop | Audit Training of Trainers (TOT) | | Nov. 30-Dec. 1 | Vienna |
| Virtual seminar | Practical tools and examples | | Moved to 2016 | N/A |

Progress towards Program Outcomes

- Raised the capacity of professional bodies to comply with IES and, in particular, with: IES2 – Professional Education – technical competence; IES 7 – continuing professional development (CPD); IES 8 – competence requirements for audit professionals and others;
- Developed the capacity of trainers to deliver sustainable local training programs for statutory auditors and audit firms tailored for the SMP auditor;
- Produced tailored materials and case studies based on ISA for PAOs to deliver high-quality training in line with IES and International Federation of Accountants' (IFAC) Statements of Membership Obligations.

Unforeseen Challenges and Actions taken in response

- N/A

Component 3a – Financial Reporting Exchange Forum

Activities

| Activity | Topic | * | Date | Location |
|------------|--------------------------------------------------------------|-----|-------------|----------|
| Conference | Supervisors and Auditors: Partnering for Financial Stability | Yes | Sept. 28 | Vienna |
| Seminar | Supervisors and Auditors: Partnering for financial stability | Yes | May 29 | Vienna |
| | Executive IFRS Workshop for Regulators | Yes | Sept. 29-30 | Vienna |

| Activity | Topic | * | Date | Location |
|-----------------------|---------------------------------------------------------------------------------|-----|----------|----------|
| Virtual seminar | IFRS Practices for Banking and Insurance Supervisors | Yes | June 15 | N/A |
| Research/ Publication | Banking Supervisors and External Auditors: Building a Constructive Relationship | Yes | December | N/A |

Progress towards Program Outcomes

Activity surveys, self-assessment, and observations by senior CFRR staff regarding participants' level of understanding and quality of discussion show:

- Increased capacity of supervisors in the area of A&A, and IFRS including IFRS 9;
- Enhanced ability to apply a reconciliation approach between financial statements and prudential capital; increased understanding of the application of prudential filters;
- Greater awareness of the work performed by external auditors and the benefits of closer collaboration.

Unforeseen Challenges and Actions taken in response

Given the increasing difficulties financial supervisors are facing to secure funding for capacity-building activities, the travel and accommodation for participants was covered by the program. Going forward, financial planning will need to factor in the new circumstances to ensure there are no negative impacts regarding the program's ability to achieve its objectives.

Component 3b – Pilot Project on SME Reporting

This activity is at the concept stage and will comprise two major steps: (i) a research step using data to review the link between the quality of financial information and loan extension/credit conditions, (ii) the design of a pilot project to enhance the financing of SMEs. Initial stocktaking has been undertaken and a presentation was made to the Enterprise Development & Innovation Facility (EDIF) Platform Advisory Group (PAG) community in December 2015. The activity will formally start in 2016.

Component 4 – Regional Cooperation and Knowledge Sharing

Activities

| Activity | Topic | * | Date | Location |
|-------------------|-----------------------------------------------------------------------------------------------------|-----|----------------------------------------|----------|
| Workshop/ Meeting | EU-REPARIS launch and Senior Officials Workshop | | May 27-28 | Vienna |
| | Meeting with development partners | Yes | Nov. 30 | Vienna |
| Publication | Corporate Sector Accounting and Auditing in the EU <i>Acquis communautaire</i> | Yes | May | N/A |
| | Croatia's EU Accession: Case Studies on Reform and the Transposition of the Community <i>Acquis</i> | | Nearly completed, delivery in May 2016 | N/A |

| Activity | Topic | * | Date | Location |
|----------------------|----------------------------------------|-----|-----------------------------------|----------|
| | EU Audit Public Oversight Systems | | As scheduled delivery by mid-2016 | N/A |
| Knowledge management | Newsletter covering REPARIS activities | Yes | Quarterly | N/A |
| | Website pages: topics, events, country | Yes | Ongoing | N/A |

Progress towards Program Outcomes

- Launch of the program jointly with senior officials;
- Joint evaluation of reform status; discussion of common challenges faced in carrying out reform in select areas as well as possible solutions;
- Increased capacity of senior decision makers through several knowledge transfer activities.

Unforeseen Challenges and Actions taken in response

- N/A

3. Planned Activities for 2016

Overview

The tables in this section describe the planned activities and expected outcomes for each component. More detailed information about each activity is available in the Annex. Activities marked with * indicate joint activities with the STAREP program.

Key events planned for 2016 include:

- The April 27 Ministerial Conference to review progress on financial reporting reforms in the Europe and Central Asia (ECA) region. This biennial event will convene some 250 high-level delegates from the ECA region in support of the development of financial reporting systems that can act as a catalyst for generating investment and sustainable economic growth. Preceding the conference will be a Senior Officials' Workshop that gathers senior government officials from each country to discuss reform progress and issues of mutual concern;
- The April 28 regional Professional Accountancy Organization (PAO) Forum to discuss the contribution of PAOs from central, southeast and eastern Europe to stimulating economic growth. There will be a special focus on the difficulties PAOs often encounter in achieving sustainability and growth in smaller countries, and ways that these challenges might be overcome;
- Several technical workshops and research activities addressing challenges and developing solutions in the areas of accounting education, the transposition of accounting and auditing laws, and the relationship between auditors and financial sector regulators.

Expected progress toward intermediate outcomes

- Continued strong reform momentum and adequate capacity to transpose international good practice as well as EU requirements;
- Strengthened process of alignment with EU law facilitated through completion of transposition tables and draft of revised laws on accounting and auditing in select countries;
- Modernization of accounting education systems through increased capacity of trainers among the profession to deliver relevant local training programs with a focus on audit, and application of university benchmarking tool;
- Support for a stronger relationship between external auditors and banking supervisors facilitated through the development of a policy action tool based on the recent publication.

Details by Component

Component 1a – Corporate Financial Reporting Reform Community of Practice (FRCoP)

Activities

| Activity | Topic | * | Date | Location |
|-----------------------|---------------------------------------------------------------------------------------------------|-----|-----------|----------|
| Workshop | FRCoP: Better regulations for the accounting profession to achieve more effective support of SMEs | | May | Vienna |
| | FRCoP: QA and POS – key elements in ensuring quality of SME financial statements | | October | Vienna |
| Virtual meeting | Update on IFRS for SMEs | Yes | April | N/A |
| Research/ Publication | Standardized SME Financial Statements for Better Comparability | | September | N/A |
| | EU Audit Public Oversight Systems | Yes | TBC | N/A |

Expected Outcomes

- Selected countries will have updated concordance tables in regard to the new accounting and auditing directives; selected countries will have drafted new laws on accounting and auditing to approximate new accounting and auditing directives;
- The copyright constraints for the translation of the accounting and auditing standards will be understood;
- A partnership on quality assurance for SMPs will have been discussed between members of the Financial Reporting Community of Practice and key steps for enhancing cooperation will have been agreed.

Component 1b – In-Country Implementation Support

| Country | Activity/Topic | Expected outcomes |
|------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Albania | <ul style="list-style-type: none"> Activities through companion country project “Enhancing the Quality of Financial Reporting”. | <ul style="list-style-type: none"> Documentation from companion country project can be made available upon request. |
| Bosnia and Herzegovina | <ul style="list-style-type: none"> Technical assistance: alignment of A&A draft laws with the <i>acquis communautaire</i> (Q1); Roundtable on Public Oversight System/ Quality Assurance System (POS/QAS) (Q2); Workshop for banking regulators (Q4). | <ul style="list-style-type: none"> Closer alignment of legal framework with EU requirements; Better understanding of POS among key stakeholders. |

| Country | Activity/Topic | Expected outcomes |
|------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Kosovo | <ul style="list-style-type: none"> Policy dialogue, mission travels and technical assistance to the Kosovo Financial Reporting Council and the Ministry of Finance on the amendments to the Law on Financial Reporting, Accounting and Auditing; Resource mobilization for country-level project. | <ul style="list-style-type: none"> Greater alignment of legislation with EU requirements through legislation amendments and improvements; SCAAK professional education benchmarking will be complete (baseline and gap analysis); Country project available to implement ROSC findings. |
| Macedonia | <ul style="list-style-type: none"> Knowledge paper: comparative experiences to adopt ROSC recommendations on legal frameworks; Workshop: IFRS 9 training for financial supervisors of central national banks. Targeted support to PoB regarding establishing effective QA (technical assistance and capacity building) | <ul style="list-style-type: none"> Greater alignment of legislation with EU requirements, through legislation amendments; Institute of Certified Auditors (IORM) professional education benchmarking will be complete (baseline and gap analysis); Raised capacity of financial regulators to monitor banks' compliance with IFRS 9. |
| Montenegro | <ul style="list-style-type: none"> Activities through companion country project "Capacity Building for Effective Audit Oversight Project" (World Bank IDF grant). | <ul style="list-style-type: none"> Documentation from companion country project can be made available upon request. |
| Serbia | <ul style="list-style-type: none"> Activities through companion country project "STAR-CFR". | <ul style="list-style-type: none"> Launch of country-level project. |

Component 2a – Education Community of Practice (EduCoP)

Activities

| Activity | Topic | * | Date | Location |
|--------------------------|----------------------------------------------|-----|-------|----------|
| Workshop/ Event | Regional PAO Forum | Yes | April | Vienna |
| Research/ Publication | Education Benchmarking Study – draft results | | March | N/A |

Expected Outcomes

With a view to increasing PAO's capacity, members will:

- Learn about IFAC's new compliance model, and benefit from the experiences of PAOs that have successfully implemented a sustainable business model;
- Better understand the expectations of the investment community, and how PAOs and their members can meet those expectations;
- Continued work to increase the capacity of professional bodies to comply with IES and especially with IES2 – Professional Education – technical competence, IES 7 Continuing

professional development (CPD), IES 8 – Competence requirements for audit professionals and others.

Component 2b – Training of Trainers (ToT)

Activities

| Activity | Topic | * | Date | Location |
|-----------------------|---------------------------------------------------|-----|----------------|----------|
| Workshop | Audit ToT: Module 1 | | February | Vienna |
| | ToT: IFRS for SMEs | Yes | February | Vienna |
| | Audit ToT: Module 2 | | October | Vienna |
| Virtual seminar | IFRS for SMEs (2 sessions) | | March, April | N/A |
| | Audit ToT: New Audit Reporting (2 sessions) | | June, November | N/A |
| Research/ Publication | Audit ToT: Good CPD Practices – short PAO Guide | | January | N/A |
| | Audit ToT: Small Audits – Insights and Challenges | | March | N/A |

Expected Outcomes

- Enhanced ability of trainers to deliver local and sustainable training programs for statutory auditors and audit firms tailored for the SMP auditor;
- Develop tailored materials and case studies based on ISA designed to help PAOs deliver high quality training in line with IES and IFAC SMOs;
- Provide simple and informative, user friendly guidance to PAOs on the application of IES 7, *Continuing Professional Development*, and the EU Audit Directive through the publication on “Good CPD Practices”.
- Provide simple and informative, user friendly guidance to PAOs on the application of ISA when performing small audits as well as the EU requirements regarding the classification and audit of small entities.

Component 3a – Financial Reporting Exchange Forum

Activities

| Activity | Topic | * | Date | Location |
|-----------------------|-----------------------------------------------------------------------------------------------|-----|-----------------|----------|
| Seminar | Implementation Tool for Enhancing the Relationship between Auditors and Financial Supervisors | Yes | June | Vienna |
| | IFRS Executive Seminar for Regulators | Yes | September | Vienna |
| Virtual seminar | Preparation of IFRS Seminar (2) | Yes | June, September | N/A |
| Research/ Publication | Implementation Tool to Enhance Relationship between Auditors and Regulators | Yes | June | N/A |

Expected Outcomes

- Continued capacity development for banking and insurance regulators and supervisors on IFRS as well as an enhanced ability to monitor the quality of financial statements;
- Greater cooperation facilitated between both sides;
- Tool developed to implement the policy actions stemming from findings of the survey on the relationship between external auditors and banking supervisors (published in December 2015).

Component 3b – Pilot Project on SME Reporting

Activities

| Activity | Topic | * | Date | Location |
|--------------------------|-------------------------------------------------------------------|---|-----------------|----------|
| Research/ Publication | Stocktaking, literature review, data collection | | January – March | N/A |
| | Initial design/concept | | | |
| | Survey questionnaires and interviews | | April – July | N/A |
| | Working group meetings | | | |
| | Roundtable – “Contribution of SME Reporting to Access to Finance” | | Sept. – Nov. | N/A |

Expected Outputs

- Review whether the role of financial information in lending practices can be confirmed through a quantitative model that would link financial reporting quality with a loan extension or better financing conditions for SMEs;
- Initial design of a pilot project to facilitate the demand for financing for SMEs and enhance loan application processes for SMEs;
- Delivery of first conclusions based on a quantitative model and surveys of banks and SMEs.

Component 4 – Regional Cooperation and Knowledge Sharing

Activities

| Activity | Topic | * | Date | Location |
|----------------------|---------------------------------------------------------------------------------------------------------|-----|-----------|----------|
| Conference | Ministerial Conference “Financial Information: Catalyst for Growth” | Yes | April 27 | Vienna |
| Workshop | Senior Officials’ Workshop | Yes | April 26 | Vienna |
| Publication | Croatia’s EU Accession: Case Studies on Reform and the Transposition of the <i>Acquis Communautaire</i> | | April | N/A |
| Knowledge management | Video: Benefits of FR reform | Yes | TBD | N/A |
| | Newsletter covering REPARIS activities | Yes | Quarterly | N/A |
| | Website pages: topics, events, country | Yes | Ongoing | N/A |

Expected Outcomes

- Maintain and increase reform momentum and awareness of the financial reporting agenda and reform needs through a high-level Ministerial Conference leading to further increased levels of activity in countries;
- High-level opportunities for networking, experience sharing and international exchange;
- Joint discussions on reform status and progress through senior officials' gatherings, including discussions on program activities.

4. Program Administration and Financial Summaries

Program Governance and Partners

EU-REPARIS is managed by the Vienna-based World Bank Centre for Financial Reporting Reform (CFRR), with a core team of experts and a panel of short-term consultants. Each of the program's components is led by a senior specialist. The country dialogue is led by designated country relationship managers supported by World Bank colleagues in the local offices.

Senior Officials representing the governments of the program's participating countries, typically Deputy Ministers of Finance, meet at least annually to review progress of the program and to endorse the work-plan. A ministerial level conference is held every two years.

A group of stakeholders is consulted regularly. The group comprises market participants from the region, foreign investors and other stakeholders, and provides insights into improving the design and implementation of EU-REPARIS.

EU-REPARIS is an integral part of the Western Balkans Enterprise Development and Innovation (WB EDIF) Facility, an EC-led initiative to support the development and growth of SMEs in the Western Balkans region. The program is funded by the European Commission, Directorate General for European Neighbourhood Policy and Enlargement Negotiations, with which the CFRR partners closely throughout the implementation of this program. The CFRR drafts program plans and progress reports for discussion with the EC.

Management

| | |
|------------------|---------------------------|
| Practice Manager | Soukeyna Kane |
| CFRR Head | Henri Fortin ³ |

Country-relationship responsibilities

| Country | CFRR | Country- based Support |
|------------------------|--------------------|--------------------------|
| Albania | Andrei Busuioc | Keler Gjika |
| Bosnia and Herzegovina | Pascal Frerejacque | Lamija Marijanovic |
| Kosovo | Kalina Sukarova | - |
| FYR Macedonia | Kalina Sukarova | Atanasko Atanasovski |
| Montenegro | Kalina Sukarova | Danijela Vukajlovic-Grba |
| Serbia | Jarrett Decker | Aleksandar Crnomarkovic |

³ Henri Fortin was the Head of the CFRR until 31 January 2016; the process to select the new CFRR Head was under way at the time this report was being prepared.

Activity responsibilities

| | | |
|---------------------------|--------------------------------------------|--------------------|
| Overall program oversight | | CFRR Head |
| Component 1 | Corporate Financial Reporting Reform | Pascal Frerejacque |
| Component 2 | Education and Capacity Development | Kalina Sukarova |
| Component 3 | Access to Finance and Financial Sector | Pascal Frerejacque |
| Component 4 | Regional Cooperation and Knowledge Sharing | John Hodge |
| Program Administration | | Reinhard Haslinger |

Financial Information

Status as of 31 December 2015

The overall status in the trust fund window for EU-REPARIS looks as follows:

| Status – EU-REPARIS Trust Fund Window | |
|----------------------------------------|----------------|
| Receipts | 1,764,000 |
| Disbursements | 836,557 |
| Balance as of 31 Dec 2015 | 927,443 |
| Expected receivables | 1,764,000 |
| Balance including expected receivables | 2,691,443 |

The table provides an overview of disbursements 2015 as well as the budget for 2016, by component:

| Overview by Component | | |
|-----------------------|--------------------|------------------|
| Component | Disbursements 2015 | Budget 2016 |
| C1a | 122,725 | 186,940 |
| C1b | 144,058 | 172,140 |
| C2a | 211,667 | 123,690 |
| C2b | 62,412 | 182,240 |
| C3a | 129,561 | 104,115 |
| C3b | 9,683 | 91,065 |
| C4 | 156,451 | 222,685 |
| Total | 836,557 | 1,082,875 |

The following table provides details by disbursement categories for disbursements made in 2015:

| Disbursement Details | | | | | | | |
|--------------------------------------|----------------|----------------|----------------|---------------|----------------|--------------|----------------|
| | C1a | C1b | C2a | C2b | C3a | C3b | C4 |
| Staff and Consultants | 85,021 | 129,540 | 168,153 | 34,299 | 91,146 | 9,459 | 108,613 |
| Travel | 2,547 | 5,309 | 2,961 | 974 | 375 | 0 | 1,221 |
| Media and Workshops including Travel | 28,751 | 7,241 | 37,392 | 26,470 | 30,971 | 224 | 40,236 |
| Goods | 6,371 | 1,875 | 3,076 | 670 | 3,455 | 0 | 2,010 |
| Associated Overheads | 35 | 92 | 86 | 0 | 3,614 | 0 | 4,371 |
| Total | 122,725 | 144,058 | 211,667 | 62,412 | 129,561 | 9,683 | 156,451 |

Annex 1: Program Background

The program is structured along three thematic components, and one cross cutting component:

- Corporate Financial Reporting Reform: To support the implementation of a framework for accounting and auditing that meets international standards. Key themes include the specific reporting needs of SMEs, the application of International Financial Reporting Standards (IFRS), the enforcement of financial reporting requirements, and the introduction of public oversight and quality assurance arrangements for statutory audit. The component includes two sub-activity streams with the following objectives:
 - Financial Reporting Community of Practice: To provide direct technical assistance for the alignment of company law with the *acquis communautaire*, and for candidate countries to transpose the *acquis communautaire*, drawing on the experience of countries that have completed this process, especially Croatia. Ensuring increased transparency and confidence, this activity promotes and supports the enforcement of high standards of financial reporting that meet the needs of business management as well as potential investors, thus contributing to an improved business environment and investment climate fostering private sector and particularly SME development. The focus of this activity is on peer learning, seminars, facilitated knowledge exchange with relevant EU and global bodies, and the identification of common solutions to shared challenges. Technical assistance is provided to the community of practice to address challenges in the financial reporting needs of SMEs, the application of International Financial Reporting Standards (IFRS), the enforcement of financial reporting requirements, and the introduction of public oversight and quality assurance systems.
 - In-Country and Implementation Support: To help create effective links between the regional program and country-level implementation of national activities. Tailored to the needs of individual countries, help-desk type of assistance and on-demand technical assistance is being provided and addresses country or institutional specific needs/requests. Assistance allows for trouble-shooting specific technical issues during the program delivery phase, as well as providing individual and specific institutions with tailored technical advice, as appropriate. The activity is also intended to facilitate monitoring and evaluation of progress made in financial reporting reforms and related capacity development in beneficiary countries.
- Education and Capacity Development: To promote the development of accounting education aligned with International Accounting Education Standards and the educational requirements of the EU's Statutory Audit Directive: (i) at university level; (ii) for professional qualifications; and (iii) for continuing professional development of those already qualified. The component includes two main activity streams with the following objectives:
 - Education Community of Practice: Supporting the educating and training of individuals to become and remain highly qualified accountants, this activity contributes to the development of internationally compatible accounting education for professional qualification, continuing professional development, and at university level. There is substantial commonality of curriculum content, qualification systems, and lifelong learning requirements which are being addressed on a regional basis by the community

- of practice. Topics include the implementation of International Accounting Education Standards, application of the education requirements of the EU Statutory Audit Directive, and identification and replication of the experiences of EU universities in accounting education.
- Training of Trainers: To provide training sessions and tools for professional accounting organizations to train accountants in delivering effective financial reporting support to SMEs and private sector enterprises. This helps accounting organizations provide assistance to the private sector, particularly high-potential SMEs, to create fundable business plans, raise finance, take advantage of fiscal and other incentives, and generate credible financial information that meets the needs of investors, lenders and guarantors. This also includes support for the implementation of international auditing standards and the quality assurance of auditors that are necessary for a credible information infrastructure underpinning SME private sector financing.
 - Access to Finance and Financial Sector to: (i) provide practical guidance and solutions to facilitate easier access to finance, and (ii) build capacity among financial sector regulators in the use of financial reporting standards to effectively monitor the financial sector, particularly the bank and insurance sectors. The component includes two activity streams with the following objectives:
 - Pilot Project on SME Reporting: To support an ongoing dialogue with banks, chambers of commerce, and business associations to develop a common understanding of the financial information required for a loan application and the relevance of financial statement audits. Workshops will discuss and benchmark financial information required from SMEs in existing loan applications, which will be used to develop a set of financial information to be tested during focus groups. The activity will also build on the experience of EU countries and best practices in other regions.
 - Financial Reporting for Supervisors: To help financial regulators acquire the skills necessary to analyze financial statements of banks prepared under IFRS and explore regulations that would require banks to obtain audited financial statements or other type of assurance for loans over certain thresholds. It also gives financial regulators a better understanding of the work of auditors, and the various types of assurance and types of opinion that an auditor can issue on financial statements.
 - The cross-cutting component, Regional Cooperation and Knowledge Sharing: (i) helps maintain the momentum for accounting and audit reform among policy makers, including ministers of finance, their deputies and other senior officials; and (ii) facilitates knowledge capturing and sharing through an online information portal and other knowledge management activities. It aims to nurture continued reform momentum and facilitate greater regional cooperation and regulatory coordination. Activities seek to ensure decision makers are fully aware of the issues at hand, have a solid financial reporting knowledge base, are up-to-date with regard to requirements and developments at the EU and international level, and are in a position to master the much needed financial reporting reform agenda. Additionally, a range of knowledge sharing activities, such as a comprehensive online information portal, are supported.

Annex 2: Results Framework

| Program Development Objective | Outcome Indicators | Means of Verification | Institutional Constraints and Assumptions |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The objective of EU-REPARIS is to support the implementation of corporate financial reporting frameworks in line with the EU <i>acquis communautaire</i> in the countries of Southeast Europe with a view to promoting enhanced availability, transparency and reliability of financial information. | <ul style="list-style-type: none"> Progress in aligning existing frameworks with the <i>acquis</i>; Enhanced capacity of the profession for applying international and EU standards of corporate financial reporting; Presence of a functional audit quality assurance system. | <ul style="list-style-type: none"> Transposition tables; EC Country Progress Reports; Surveys; Reports and statistic published by the International Federation of Accountants (IFAC) Official Gazettes; A&A ROSC reports; Regulatory and oversight agencies' annual reports. | <ul style="list-style-type: none"> Continuing support of the beneficiary countries to corporate financial reporting reforms; Commitment to collaboration and regional harmonization by the beneficiaries; Support for reforms and capacity development efforts by the beneficiary countries' business communities. |
| Intermediate Outcomes | Outcome Indicators | Means of Verification | Institutional Constraints and Assumptions |
| Statutory frameworks for corporate financial reporting more effective and aligned with the <i>acquis</i> . | <ul style="list-style-type: none"> Progress in implementing standards compliant with the EU Accounting Directive, including financial reporting standards and process for audit quality assurance; Published strategies to improve corporate financial reporting frameworks and practices; International Financial Reporting and Auditing Standards (IFRS and ISA) available in local languages. | <ul style="list-style-type: none"> Official Gazettes, government websites and other official communications; EC Country Progress Reports; Transposition tables; A&A ROSC reports; Government and PAO websites; Published financial statements; Independent auditor reports; Regulators' enforcement reports; Financial Sector Stability Assessment (FSSA) reports; Perception surveys. | <ul style="list-style-type: none"> Efforts to sustain reform momentum can help overcome resistance by vested interests to modernizing the statutory framework and mobilize support of national parliaments. |

| Intermediate Outcomes | Outcome Indicators | Means of Verification | Institutional Constraints and Assumptions |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Improved accounting education systems and capacity of the accounting profession. | <ul style="list-style-type: none"> Professional bodies comply with IFAC statements of membership obligations; Accounting education systems comply with International IES; Academic qualification of local universities are recognized by EU-based universities and professional accountancy bodies. | <ul style="list-style-type: none"> IFAC website and publications Analytical reports and published research on accounting education systems; A&A ROSC reports. | <ul style="list-style-type: none"> Tertiary and professional education institutions in EU countries willing to cooperate with peers in beneficiary countries; Accounting organizations and regulatory agencies cooperate to develop audit quality assurance systems. |
| Enhanced reporting practices in the financial sector and improved understanding of how IFRS and financial reporting can facilitate access to finance. | <ul style="list-style-type: none"> Capacity of financial supervisors to monitor quality of financial statements; Application of reconciliation approach using prudential filters; Financial institutions using accounting information for credit decisions and risk monitoring. | <ul style="list-style-type: none"> Participation in technical workshops and training courses; Central bank and banking supervisory body reports; Surveys of SMEs and banks. | <ul style="list-style-type: none"> Continued commitment of financial supervisory authorities to building their capacity for monitoring and enforcing IFRS. |
| Sustained reform momentum, regional collaboration and active knowledge transfer. | <ul style="list-style-type: none"> Continued commitment to peer exchange Translations of international standards and education materials shared by relevant countries Participation of Ministers and other senior officials in program events | <ul style="list-style-type: none"> Government, professional accounting organizations, CFRR and IFAC websites; REPARIS Progress Reports; Website and newsletter traffic monitoring tools; Surveys; Self-assessment; Degree of participation in meetings and seminars. | Beneficiary countries commit to achieving single economic space through collaboration and harmonization of their corporate financial reporting systems. |

Annex 3: Descriptions of Activities Completed in 2015

Component 1a – Corporate Financial Reporting Reform

Financial Reporting Community of Practice (FRCoP): Financial Reporting Community of Practice: Implementing the EU *acquis communautaire*: common challenges and shared solutions, October 14-15, Tirana

The new FRCoP met to consider strategies for implementing EU accounting and auditing requirements in a way that takes into account national circumstances and needs. Over 40 participants, representing Ministries of Finance and other policymakers and members of professional accountancy organizations from EU-REPARIS countries, together with CFRR and European Commission experts, discussed essential changes and identified challenges. A range of common issues emerged, including: effectively transposing EU directives into local law; improving public oversight and quality control; defining the size and scope of entities; a lack of staff with appropriate training and experience, and limited training facilities in the field of accounting and auditing. The policy experts offered guidance on tackling these and other challenges, and outlined the support available from the CFRR and European Commission in taking forward national implementation and regional coordination. See [press release](#).

A virtual seminar in December 2015, which featured two presentations, was designed to help online participants:

- Understand what PAOs are and how they may participate in the supervision of auditors and audit firms;
- Gain an overview of the audit oversight and quality assurance requirements of the EU *acquis communautaire* focusing on what activities PAOs may be able to undertake;
- Understand the evolution of a PAO from a traditional registration body model to a more corporate model;
- Understand how evolving PAO strategies can boost the capacity of members to prepare quality financial statements and undertake quality audits.

Component 2a – Education Community of Practice

EduCoP Workshop: Achieving Excellence in Education: Aligning University Accounting Curricula to International Benchmarks, June 10, Skopje

EduCoP members met for the first of a series of workshops addressing issues related to modernizing education systems and integrating university education with the initial professional development of accountants and auditors in the participant countries. Youth employability is a shared dilemma and the workshop looked at how to develop the skills and competencies of accounting graduates in the region to improve their readiness for work. One important solution was to incorporate international accounting and auditing methodology, and modern teaching practices and tools, into university education. Members of the EduCoP have been piloting a CFRR-developed an Undergraduate Accounting Program Profiling Tool, which seeks to address the learning outcomes appropriate to bachelor level accounting programs and investigate the gap with internationally recognized benchmarks. The workshop looked at the results of the piloting and discussed further

implementation of the tool and how to address other shared educational issues. The host country also offered some interesting perspectives on Macedonian efforts to tackle the challenges to improve accounting and auditing.

EduCoP Workshop: Achieving Excellence in Education: Aligning University Accounting Curricula to International Benchmarks, September 14-15, Pristina

The workshop recapped the results of pilot studies in Skopje, Sarajevo and Belgrade and looked in detail at four more studies conducted at universities in Pristina, Tirana, Podgorica and Banja Luka. Drawing on the findings from the regional benchmarking analysis and profiling of undergraduate accounting curricula, participants identified and discussed key areas for improvements in university education, the resources and facilitations required, and the constraints and challenges faced. Key areas for consideration include the need to develop a better linkage between university programs and the needs of the profession as well as achieve further accreditation of programs. Participants were familiarized with IFRS framework-based teaching, and how to cover core financial accounting and reporting topics through sufficient incorporation of IFRS basic principles and rules.

Component 2b – Education: Training of Trainers

Audit Training of Trainers inception workshop, November 30 to 1 December, Vienna

Over 30 participants joined the first in a new series of Audit Training of Trainers workshops in Vienna. The two-day workshop convened trainers from PAOs and/or other organizations responsible for the design and delivery of continuing professional development (CPD) training programs for statutory auditors and audit firms. It provided a forum for participants to reconnect, discuss current CPD challenges and available resources, discuss common solutions and provide feedback on the design of the new cycle of Audit ToT. There was enthusiasm for the new modular approach and the topics addressed in this first workshop had been appropriate. Participants also welcomed the opportunity to reconnect and share current CPD challenges. A session sharing good practices and innovative solutions from each participating country was particularly useful particularly as some best practices in CPD were identified.

Component 3a – Financial Reporting Exchange Forum

Supervisors and Auditors: Partnering for Financial Stability, Vienna, 28 September 2015

Representing 25 countries across Europe, over 100 of the banking industry's leading practitioners at the supervisory and external auditing levels congregated at the Austrian National Bank to discuss the contribution of enhanced cooperation between external auditors and banking supervisors to financial stability. The main focus of the event was the presentation of a conference edition of the CFRR's new publication 'Financial Supervisors and External Auditors: Building a Constructive Relationship'. The publication aims to assist banking supervisors and external auditors in enhancing their relationship and is based on a survey conducted in 2014 in 35 countries, with the extended support of the European Banking Authority.

Three panel discussions featuring some of Europe's most highly regarded representatives from the banking supervision and auditing worlds offered participants a range of insights and experience from the Netherlands, the UK, France, South Africa, Belgium and Austria. The topics explored included:

the importance of high-quality audits for financial stability and the need for greater innovation in terms of reporting by the audit profession; the importance of understanding the objectives of IFRS; the issue of disclosure and data availability; and the importance of guidance in relation to the ‘professional scepticism’ of auditors; and the difficulties faced by audit committees especially in terms of resources. One point that participants seemed to agree on was the essential role of auditors and supervisors in maintaining quality of risk oversight, audit oversight and evaluations of audit quality.

Supervisors and auditors: Partnering for financial stability, May 29, Vienna (seminar)

Enhanced auditor/supervisor relationships have been directly linked to improvements in the quality of banks' external audits. Banking supervisors met in Vienna to give preliminary feedback on the findings of a survey on the relationship and interaction between auditors and supervisors. A panel discussion, including representatives from the DG FISMA, European Commission, European Central Bank, and EBA considered ways of improving cooperation. Discussions addressed the types of information that could be shared and confidentiality and legal restrictions. The workshop also took a broader look at work to produce guidelines for statutory audit. Participants were updated on recent and forthcoming International Auditing and Assurance Standards Board projects; and examined the individual roles and responsibilities which help ensure effective corporate governance systems for financial institutions.

IFRS practices for Banking and Insurance Supervisors, distance learning event, 25 June

This distant learning event focused on three important aspects of financial reporting for supervisors: (i) the clarity and quality of financial statements' disclosures; (ii) facts about the future implementation of IFRS 9; and (iii) the importance of sound governance and risk culture in banks.

Executive IFRS Workshop for Regulators, 29-30 September 2015, Vienna

Over 70 banking and insurance experts and regulators gathered in Vienna to discuss the use of International Financial Reporting Standards (IFRS) by financial regulators. The purpose of the workshop was to enable supervisors to engage confidently with IFRS-based financial information and understand its role in monitoring and supervision. Participants also learned about the valuation of assets and the insurance contract project of the International Standards Accounting Board, which is intended to improve and converge the financial reporting requirements for insurance contracts.

Publication: Banking Supervisors and External Auditors: Building a Constructive Relationship

This publication presents key findings from the World Bank CFRR survey: *Financial supervisors and external auditors: building a constructive relationship*, which was conducted during the second half of 2014, and discussions with regulators conducted in 2015. Responses from 35 supervisory authorities from the European Union and other countries in Eastern Europe, South Eastern Europe and the South Caucasus suggest that stronger two-way interaction between external auditors and supervisors can improve the quality of external audits and enhance banking supervision. This report highlights some actionable insights based on reported good practices that can be helpful to banking supervisors in managing their relationships with banks' auditors. The report can be used to define the policies and guidelines necessary for building enhanced collaboration between auditors and supervisors and thus contributing to better auditing and supervisory practices.

Component 3b – Pilot Project on SME Reporting

N/A

Component 4 – Regional Cooperation and Knowledge Sharing

EU-REPARIS launch and Senior Officials' Workshop, 27-28 May, Vienna

The new program for Albania, Bosnia and Herzegovina, Kosovo, FYR Macedonia, Montenegro and Serbia – EU-REPARIS – was launched in Vienna. Those attending the launch meeting reported that there have been improvements across the region in the following areas: the standard setting process; the development of active and engaged PAOs; and the introduction by universities of improved curricula and more modern teaching methods in accountancy education. Legislative frameworks were now largely in place. However, implementation remains a challenge. Funding also remains an issue, for example with regard to ensuring effective quality control and oversight.

The senior officials discussed the challenges and priorities for financial reporting reforms in their respective countries, which EU-REPARIS will seek to help them address. Key challenges were identified as effective implementation - especially in the area of audit oversight and quality assurance - and building support for reform, especially among the business community. Improving the quality of the accounting profession through better education and ongoing training remains a priority as well as assistance for SMEs in producing financial information of adequate quality to improve the conditions for accessing finance without being unduly costly.

Publication

The third edition of the CFRR's *Guide to Corporate Sector Accounting and Auditing in the Acquis Communautaire* was published in May 2015. It provides an overview of: (i) the EU's key institutions and legislative process; and (ii) the relevant provisions of the *acquis communautaire* in the area of corporate financial reporting and auditing. The latter have been significantly expanded and strengthened following the adoption of a new Accounting Directive in June 2013, the adoption of a Directive in April 2014 amending the 2006 Audit Directive, and a new Audit Regulation addressing oversight of the most significant audits.

Annex 4: Descriptions of Activities Planned for 2016

Component 1a – Corporate Financial Reporting Reform

- Community of Practice (FRCoP) workshop, March, Vienna. The workshop will focus on better regulations for the accounting profession to achieve more effective support of SMEs;
- FRCoP workshop, October, Vienna. The workshop will focus on QA and POS – key elements in ensuring quality of SME financial statements;
- Virtual meeting Update in March on IFRS for SMEs;
- Research/Publication in September: Standardized SME Financial Statements for Better Comparability;
- EU Audit Public Oversight Systems, TBC

Component 1b – In-Country and Implementation Support

Albania

Support activities through companion country project See documentation from companion country project.

Bosnia and Herzegovina

- Technical assistance: alignment of A&A draft laws with the *acquis communautaire* (Q1);
- Roundtable on POS/QAS (Q2);
- Workshop for banking regulators (Q4).

Kosovo

- Technical assistance to the KFRC and MoF on the amendments to the Law on Financial Reporting, Accounting and Auditing to achieve greater alignment of legislation with EU requirements;
- Resource mobilization for country-level project to implement ROSC findings;
- Society of Certified Accountants and Auditors of Kosovo (SCAAK) professional education benchmarking complete (baseline and gap analysis).

FYR Macedonia

- Knowledge paper: comparative experiences at adopting ROSC recommendations on the legal framework
- Workshop: IFRS 9 to central bank aimed at:

- Greater alignment of legislation with EU requirements, through legislation amendment
 - IORM professional education benchmarking complete (baseline and gap analysis)
- Develop a targeted assistance program for the Public Oversight to enable it to conduct Quality Assurance;
- Raise capacity of financial regulators to monitor banks' compliance with IFRS 9.

Montenegro

Support activities through companion country project aimed at:

- Building effective audit oversight and quality assurance;
- Developing the capacity of the Ministry of Finance on policy for corporate financial reporting;
- Developing the capacity of the audit profession in Montenegro.

Serbia

- Support activities through companion country project Launch of country-level project

Component 2a – Education Community of Practice (EduCoP)

Regional Professional Accountancy Organization (PAO) Forum, 28 April, Vienna

PAOs from central, southeast and Eastern Europe will join colleagues, including representatives from the World Bank and the International Federation of Accountants (IFAC), to discuss the profession's contribution to gearing up for economic growth. The Forum will:

- Provide a unique opportunity for participants to discuss the future of PAOs;
- Explore how PAOs assist their members to deliver services which meet investors' needs;
- Examine the role of standards-setting in fostering economic growth, and the challenges they face regarding recognition and building a sustainable business model;
- Facilitate the sharing of knowledge and experience among PAOs in the region.

EduCoP/ round table: Benchmarking Study – results, country-level implications, next steps, November TBC

Publication

Completing education benchmarking for the profession is necessary in order to have a complete baseline of the accountancy education in EU-REPARIS countries. The draft results of the *Education Benchmarking Study* will be published in March 2016.

Component 2b – Education: Training of Trainers (ToT)

IFRS for SMEs – Train the Trainers Workshop, 22-24 February 2016, Vienna

The first of a ‘train the trainer’ workshop series focuses on in-person knowledge transfer and skills development will take place in Vienna. This series aims to promote the adoption of principle-based standards, thus supporting the goal of modernizing financial reporting, as well as building the capacity of Professional Accountancy Organizations (PAOs) to deliver more relevant local training programs. This three-day workshop will convene those responsible for training accountants and auditors, whether in Universities, Professional Accounting Organizations, or as professional trainers.

Developing the audit profession’s capacity to deliver high-quality training, Vienna, 25-26 February 2016

The two-day workshop will convene trainers from Professional Accounting Organizations and/or other organizations responsible for the design and delivery of continuing professional development (CPD) training programs for statutory auditors and audit firms. The event will provide a forum for participants to reconnect, discuss current CPD challenges and available resources, and identify common solutions. The workshop will cover Module F1 of the Fundamental Stream and includes the introduction to ISA, quality assurance, ethical requirements and preliminary engagement activities such as accepting the audit engagement and the terms of the engagement. It also covers the introduction to audit risk, understanding the entity and its environment, assessing the entity control environment and the risk of fraud, as well as the auditor's responsibility to consider laws and regulations.

Online Skills Development Workshop: Implementing the 2015 amendments to the IFRS for SMEs, 21 March 2016

This half-day video conference workshop will focus on implementing the 2015 amendments to the IFRS for SMEs. It is part of a series that aims to equip participants with the ability to develop their members’ capacity to apply general purpose financial reporting requirements (including the IFRS for SMEs).

Online Skills Development Workshop: Measuring fair value in accordance with IFRS for SMEs, 11 April 2016

This half-day video conference workshop will focus on measuring fair value in accordance with IFRS and the IFRS for SMEs. Participants will be able to join the workshop at the following World Bank Country Offices: Baku, Belgrade, Chisinau, Kyiv, Minsk, Podgorica, Pristina, Sarajevo, Skopje, Tbilisi, Tirana, Vienna, and Yerevan. After successful completion of the workshop, participants should be able to make the judgments necessary to implement new or amended financial reporting requirements.

Audit Training of Trainers (ToT): Module 2, will take place in October in Vienna.

Audit ToT: New Audit Reporting. Two sessions are scheduled for June and November.

Publication

Maintaining Professional Competence: A Practical Guide for PAOs providing CPD.

Component 3a – Financial Reporting Exchange Forum

Implementation Tool for Enhancing the Relationship between Auditors and Regulators, June 2016, Vienna

The Financial Regulator Regulators Practice forum will focus on:

- Building IFRS capacity for banking and insurance regulators and supervisors; and
- Enhancing the cooperation between banking regulators and external auditors.

The Forum will continue to provide regional training for banking and insurance supervisors to enhance their capacity to monitor the quality of banks' and insurance companies' financial statements and draw on published financial information to complement prudential returns and inform their supervision. The Forum will develop a tool for practical implementation of the policy actions stemming from findings of the survey on the relationship between external auditors and banking supervisors that was published in December 2015. In addition, a workshop will explore possible roadmaps for the banking supervisors to implement these policy actions.

Component 3b – Pilot Project on SME Reporting

- Research/Publication;
- Stocktaking, literature review, and data collection (January–February);
- Initial design/concept;
- Survey questionnaires and interviews from (March – July);
- Working group meetings;
- Focus groups (September–November);
- Presentation (Seminar TBD) on “Contribution of SME Reporting to Access to Finance (TBC)”.

Component 4 – Regional Cooperation and Knowledge Sharing

Senior Officials' Workshop, Vienna, 26 April 2016

Senior officials from participating countries (Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Georgia, Kosovo, Former Yugoslav Republic of Macedonia, Moldova, Montenegro, Serbia and Ukraine) will meet for further exchanges on progress on corporate financial reporting reform and explore avenues for improving the quality of financial information that supports decision-making and facilitates investment.

Ministerial Conference “Financial Information: Catalyst for Growth”, Vienna, 27 April 2016

The 2016 CFRR Ministerial Conference will review progress on financial reporting reforms in the Europe and Central Asia (ECA) region. The event aims to support the development of financial reporting systems that can help generate investment and sustainable economic growth. Some 250

high-level delegates are expected to attend. Ministers of finance, senior representatives of governments, and experts from the business, professional and academic communities from the ECA region will join experts from key international institutions and organizations to share and learn from each other's experiences.

Different users of financial information – investors, financiers, creditors and regulators – will have the opportunity to discuss how the quality, reliability and availability of financial information affects their capital investment decisions and contributes to transparency. Participants will also examine how to build trust in financial reporting and encourage its use as a catalyst for growth.

Publication

Croatia's EU Accession: Case Studies on Reform and the Transposition of the Community Acquis in April 2016.

Knowledge management

- Video: Benefits of FR reform (TBD)
- Newsletter covering REPARIS activities: quarterly
- Website pages: topics, events, country: ongoing

