

CFRR>>

Centre for Financial
Reporting Reform



WORLD BANK GROUP
Governance



Strengthening Auditing and Reporting in
the Countries of the Eastern Partnership

STAREP Annual Update

Progress Report 2015
and
Plan 2016

This document was prepared by:

CFRR»

**Centre for Financial
Reporting Reform**



Centre for Financial Reporting Reform (CFRR)
Governance Global Practice, The World Bank
Praterstrasse 31
1020 Vienna, Austria

Web: www.worldbank.org/cfrr

Email: cfr@worldbank.org

Phone: +43-1-217-0700

List of Abbreviations and Acronyms

ACCA	Association of Chartered Certified Accountants (UK)
ADA	Austrian Development Agency
A&A	Accounting and Auditing
A&ACoP	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
IESBA	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
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 and medium- sized practices
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

Table of Contents

1. EXECUTIVE SUMMARY.....	1
2. ACTIVITIES AND PROGRESS 2015.....	3
Overview	3
Details by Component.....	3
3. PLANNED ACTIVITIES 2016.....	9
Overview	9
Details by Component.....	10
4. PROGRAM ADMINISTRATION AND FINANCIAL SUMMARIES	14
Program Governance and Partners.....	14
Financial Information	15
 ANNEX 1: PROGRAM BACKGROUND.....	 17
ANNEX 2: RESULTS FRAMEWORK	20
ANNEX 3: DESCRIPTIONS OF ACTIVITIES COMPLETED IN 2015.....	24
ANNEX 4: DESCRIPTIONS OF ACTIVITIES PLANNED FOR 2016	30

1. Executive Summary

The *Strengthening Auditing and Reporting in the Eastern Partnership* (STAREP) Program was launched by the World Bank's Centre for Financial Reporting Reform (CFRR) in October 2013 as a regional capacity development and knowledge transfer program for Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. The program aims to encourage and assist with the design and implementation of sound corporate financial reporting reforms that strengthen business and investment climates and bring about closer integration with the European Union. In accordance with international accounting, auditing and accounting education standards, STAREP assists the accounting and auditing profession, regulators, students and other stakeholders. It aims to help them build capacity through learning activities, facilitated expert input as well as peer exchange, and through ad-hoc technical assistance interventions.

As per the program's results framework, outcomes that contribute to STAREP's development objective include:

- Creating and maintaining momentum for reform at all levels of national administrations;
- Modernization of legal frameworks, including the adoption of international accounting and auditing standards;
- Modernized accounting education systems and enhancement of the profession's capacity;
- Strengthened technical capacity of prudential regulators in the area of accounting and auditing

While the program aims to support countries in their efforts, successful reforms will depend on actions taken by each country, including activities implemented outside of STAREP.

High attendance rates in program activities and strong repeated participation in Community of Practice activities indicate increased levels of interest and engagement in financial reporting reform. A number of recently launched country-level actions and initiatives confirm the reform momentum and the impact these activities are having on the ground. The progress sections of this report reflect on the activities carried out and intermediate outcomes achieved during 2015; project activities for 2016 are planned in line accordingly.

Highlights of program year 2015 included:

- Senior government officials, including deputy ministers of finance responsible for accounting and auditing reforms in Eastern Partnership countries, continue to build capacity to develop EU aligned financial reporting and auditing frameworks in their countries. Practical knowledge and tools were shared during a workshop with Romanian counterparts.
- Multiple regional and in-country capacity building activities as well as in-country technical assistance were carried out in the areas of accounting education, accounting and auditing standards, public oversight, and with regard to the respective EU directives. Direct or indirect results include preparation of transposition tables, draft laws in closer alignment with EU requirements, and reform concepts for accounting education, public oversight, *inter alia*.



- Increased dialogue between financial sector supervisors and bank auditors was initiated through a conference that presented a publication prepared by CFRR. The conference was attended by over 100 of Europe's leading banking supervisors and bank auditors.

STAREP activities will continue in 2016. Key activities will include, *inter alia*:

- A Ministerial Conference and the associated Senior Officials' Workshop to review progress on financial reporting reforms in the Europe and Central Asia region, discuss the next steps and areas of mutual interest in light of financial reporting being a catalyst for growth.
- A regional Professional Accountancy Organization (PAO) Forum to discuss the contribution of PAOs from central, southeast and eastern Europe to stimulating economic growth.
- Communities 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

The following provides an overview of the main activities and a summary of outcomes achieved in 2015. Detailed descriptions of these activities are available in the Annex. Activities marked with * indicate joint activities with the EU-REPARIS program.

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

- Increased capacity among key stakeholders and enhanced level of reform momentum:
 - Self-assessments by program participants, activity surveys, and observations by senior CFRR staff indicate significantly improved understanding of EU directives among senior policy makers and financial-sector supervisors;
 - Actions taken in several countries show increasing levels of commitment by governments and in-country stakeholders to corporate financial reporting reform. These include: discussions on and the drafting of laws; the publication of transposition tables in Accounting and Auditing on Ministry websites, *inter alia*;
- The CFRR monitors increased levels of knowledge and engagement in the program's Communities of Practice. Examples include:
 - Deepened understanding of the transposition of EU accounting and auditing directives into domestic legislation;
 - Development of concepts for public oversight;
 - Greater awareness of the advantages of using the university and professional profiling tools;
 - Enhanced institutional capacity development through a draft syllabus structure;
- Strengthened capacity of financial supervisors in the area of accounting and auditing and improved knowledge of International Financial Reporting Standards.

Details by Component

Component 1 - Reform Momentum and Support

Activities

Activity	Topic	*	Date	Location
Workshop	Senior Officials Workshop: "Taking forward Financial Reporting Reform in the countries of the Eastern Partnership"		April 29	Bucharest
Publication/ Research	Corporate Sector Accounting and Auditing in the EU <i>Acquis Communautaire</i>	✓	May	N/A
	Financial Reporting in State Owned Enterprises (SOE FACT)	✓	Expected in 2016	N/A

Activity	Topic	*	Date	Location
Knowledge management	Video: Benefits of financial reporting reform II	✓	TBD	N/A
	Website pages: topics, events, countries Newsletter	✓	N/A (ongoing)	N/A

Progress towards Program Outcomes

- Increased understanding among senior policy makers of the mechanisms used by the EC to monitor progress, including the transposition and implementation of EU directives, such as learning from the Romanian experience.
- Continued strong demand for knowledge transfer indicated by newsletter and website data;
- See component 5 for country-level results.

Unforeseen Challenges and Actions taken in response

- The SOE Fact Study has been delayed slightly due to late responses from countries, which caused a subsequent delayed in data compilation; scheduled to be available by mid-2016.
- The video is being reconsidered and a decision is expected in 2016.

Component 2 – Accounting Education Reform

Activities

Activity	Topic	*	Date	Location
Workshop	Accounting Education Community of Practice (EduCoP): Education for Opportunity: Developing Accounting Curriculum for Universities		February 25-26	Kyiv
Workshop	EduCoP: Education for Opportunity: The Bachelor Degree, a Foundation for Professional Education		May 20-21	Baku
Workshop	Workshop for Teachers of Accountancy: “Introducing IFRS Framework- based teaching”		November 18-19	Kyiv
Workshop	EduCoP: “From Diagnostic to Reform: Enhancing University and Professional Accounting Education in STAREP Countries”		November 20	Kyiv
Virtual seminar	Teaching IFRS for SMEs (3)	✓	Moved to 2016	N/A

Progress towards Program Outcomes

- Improved capacity among EduCoP members, particularly in understanding:
 - The consequences of aligning university accounting programs with professional qualifications and the practical issues associated with the accreditation process;
 - The role of assessment within the degree program;
 - The purpose and benefits of using the university and professional profiling tools, and the ability to use them and interpret the findings;

- Institutional capacity development through a draft syllabus structure that can be referenced to country specific legislation in each participating STAREP country.

Unforeseen Challenges and Actions taken in response

- To maximize impact of training, it was decided to schedule the IFRS for SMEs training in early 2016 allowing for more time to identify suitable participants.

Component 3 – Accounting and Auditing Standards

Activities

Activity	Topic	*	Date	Location
Workshop	Accounting and Auditing Community of Practice (A&ACoP) “Modernizing accounting and auditing legislation by transposing EU requirements and good international practices”		April 27-28	Bucharest
	A&ACoP “Audit oversight and quality assurance: from setting the requirements to practical implementation”		October 8-9	Chisinau
Virtual seminar	Key features of the Statutory Audit Directive explained and an overview provided of the regulation on specific requirements regarding statutory audit of public-interest entities		January 15	N/A
	Realizing the power of Professional Accountancy Organizations	✓	December 04	N/A
Publication	EU Audit Public Oversight Systems (see below)	✓	In progress	N/A

Progress towards Program Outcomes

A&ACoP members developed:

- A deeper understanding of the 2013 accounting directive and recently revised directive on statutory audits, including transposing the EU *acquis communautaire* in the field of accounting and auditing into domestic legislation;
- Concepts for public oversight, in particular in the three countries which signed Association Agreements in 2014 with the EU, and Armenia.

Unforeseen Challenges and Actions taken in response

- The number of attendees of virtual seminars could be further increased. The A&ACoP team has sent invitations to more relevant stakeholders in each country and posted announcements on the CFRR’s web page before each virtual seminar;
- A draft of the EU Audit Public Oversight publication is available and is currently being reviewed for publication in 2016.

Component 4 – Financial Regulators Practice Forum

Activities

Activity	Topic	*	Date	Location
Conference	Supervisors and Auditors: Partnering for Financial Stability	✓	September 28	Vienna
Seminar	Supervisors and auditors: Partnering for financial stability	✓	May 29	Vienna
	Executive IFRS Workshop for Regulators	✓	September 29-30	Vienna
Virtual seminar	IFRS Practices for Banking and Insurance Supervisors	✓	June	N/A
Publication	Banking Supervisors and External Auditors: Building a Constructive Relationship	✓	November	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, 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 need for stronger collaboration.

Unforeseen Challenges and Actions taken in response

- Low levels of participation from Belarus and Ukraine require enhanced communication efforts in both countries.

Component 5 – Country-level Implementation Support

In addition to supporting country-level reform efforts, component 5 is closely linked with components 1 to 4. As such it serves as the vehicle for participating countries and the CFRR to support the application and implementation of concepts presented as part of regional workshops. CFRR country relationship managers frequently travel to STAREP countries to engage in direct dialogue with senior government representatives such as deputy ministers of finance, working level counterparts in the ministries, as well as representatives from the profession, academia, the business community and other stakeholder groups. Mission travels are co-funded by the trust fund and World Bank budget. A list of travel and meetings can be made available upon request.

Country	Activity/Topic	Progress towards Program Outcomes and Lessons Learned
Armenia	Policy dialogue including mission travels; follow up for Country Action Plan	<ul style="list-style-type: none"> The CFRR has provided ongoing feedback throughout the legislative process in Armenia on: a draft Accounting Law, a draft Audit Law, and a draft Law on Regulation and Public Oversight of Accounting and Auditing. Going forward, the CFRR will be able to share its expertise on establishing new institutions, building capacity, and establishing mechanisms for the effective oversight of the accounting and auditing activities in Armenia.
Azerbaijan	Policy dialogue including mission travels; CAPSAP support (closed June 30, 2015)	<ul style="list-style-type: none"> The country-level CAPSAP project has been completed. Beyond that, in-country engagement in Azerbaijan has been rather limited. The team is looking to increase collaboration through more frequent missions and increased collaboration with local staff on the ground.
Belarus	Round table: “Modern Education Framework for Accountants: Meeting the Expectations”, May 28	<ul style="list-style-type: none"> Dialogue between stakeholders was initiated and the next steps were agreed on. Follow-up discussions are scheduled for 2016.
Georgia	Policy dialogue including mission travels Publication: A&A Reports on the Observance of Standards and Codes (ROSC) Dissemination, September 24 Roundtable: “Shaping Audit Legislation in Georgia”, April 17	<ul style="list-style-type: none"> The ROSC update and dissemination raised additional awareness among many stakeholders on the importance of good financial reporting practices and the need for further reforms. The Ministry of Finance (MOF) was assisted in preparing the transposition tables in accounting & audit (A&A). Reform in the area of A&A started with drafting the new A&A Law in closer alignment with the EU <i>acquis communautaire</i>. The MOF requires more assistance to ensure that the public audit oversight system is structured and rolled out.
Moldova	Policy dialogue including mission travels and technical assistance on transposition tables in A&A and adoption of IFRS; Workshop on “Audit Training”, May 13-14; Round table on public oversight and quality assurance system re-design, October 6;	<ul style="list-style-type: none"> Transposition tables in A&A published on the MOF’s website¹; Improved understanding of ISA by policy makers and supervisors; Increased number of exemptions offered by ACCA to ASEM (exemption for F6 was offered in 2015 and now there are 7 exemptions available, namely F1-F7);

¹ <http://mf.gov.md/actnorm/audit/altele>

Country	Activity/Topic	Progress towards Program Outcomes and Lessons Learned
	<p>Round tables on accountancy education (profiling tool)</p> <ul style="list-style-type: none"> - Modernizing curricula in accounting and auditing, December 18; - Establishment of learning objectives in line with good international practices, December 21; <p>Round table on key policy areas for new accounting legislation, in line with the EU <i>acquis communautaire</i>, December 17;</p> <p>Round table on key policy areas for new auditing legislation, in line with the EU <i>acquis communautaire</i>, December 18;</p> <p>Round table on concept for improving functionality of the public register of financial statements, December 21.</p>	<ul style="list-style-type: none"> • Concept on key policy areas for new accounting and auditing legislation developed and published by MOF; • Draft concept on improving functionality of the public register of financial statements has been developed.
Ukraine	<p>Policy advice and mission travel; Practice Forum “Improving Ukrainian Audit Quality”, January 21;</p> <p>Round table “Modern Accounting Education Framework: Meeting the Expectations”, July 16;</p> <p>Conference/Forum: “Promoting Better Auditing Practices in Ukraine”, October 15;</p> <p>Workshop: “Completing the Transition to IFRS in the Ukrainian Banking Sector I”, September 16-17;</p> <p>Workshop: “Completing the Transition to IFRS in the Ukrainian Banking Sector II”, November 16-17;</p> <p>Conference: Audit Reform, December 17.</p>	<ul style="list-style-type: none"> • Roughly 120 representatives of the Ukrainian audit profession and local regulators were updated on recent statutory audit reforms in the EU, and the impact of these reforms on audit quality in EU member states; • Dialogue was initiated between leading universities on improving the accounting curricula and the next steps were agreed on. Follow-up discussions are scheduled for 2016; • Over 350 participants attended the Forum to discuss ongoing audit reform in Ukraine and to focus on the “European Future of the Auditing Services Market”; • Over 110 participants attended the two IFRS workshops in September and November, and updated their understanding on the new IFRS 9 and updates of other IFRS; • More support is needed in Ukraine to establish the public audit oversight body in line with the EU <i>acquis</i>; • SOEs are a growing concern to the Government of Ukraine. The CFRR is exploring ways to increase its assistance to SOEs through capacity building and improvements in corporate governance.

3. Planned Activities 2016

The following tables 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 EU-REPARIS program.

Overview

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;
- Community of Practice workshops 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

- Further enhanced reform momentum and increased levels of capacity to transpose international good practice as well as EU requirements. Particular attention will be given to the Statutory Audit Directive;
- Strengthened accounting education systems through:
 - Increased capacity of the profession to deliver more relevant local training programs including IFRS for SMEs;
 - Identification of gaps in university curricula and actions needed through completion of a university profiling tool for one university; harmonization of university programs in accounting education through agreement on a regional curriculum;
- 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 1 - Reform Momentum and Support

Activities

Activity	Topic	*	Date	Location
Conference	Ministerial Conference “Financial Information: Catalyst for Growth”	✓	April 27	Vienna
Workshop	Senior Officials Workshop (SOW)	✓	April 26	Vienna
Virtual meeting	Enhanced Briefing for the Ministerial Conference and SOW	✓	February	N/A
Publication	To be confirmed: Financial Reporting in State Owned Enterprises (SOE FACT)	✓	TBC	N/A
Knowledge management	Video: Benefits of financial reporting reform (to be confirmed)	✓	TBD	N/A
	Newsletter covering STAREP activities		Quarterly	N/A
	Website pages: topics, events, country	✓	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.

Component 2 – Accounting Education Reform

Activities

Activity	Topic	*	Date	Location
Workshop	Training of Trainers (ToT): IFRS for Small or Medium-sized Enterprises (SMEs)	✓	February	Vienna
	Regional Professional Accountancy Organization (PAO) Forum	✓	April	Vienna
	EduCoP: Achieving Excellence in Accounting Education		June	Yerevan
	ToT: Audit		TBD	TBD
	EduCoP: Fostering Integrative Knowledge and Lifelong Learning		November	Vienna
Virtual seminar	ToT: IFRS for SMEs (2)	✓	April-May	N/A

Activity	Topic	*	Date	Location
Publication	Accounting Education Best Practice Guide (1 st component)	✓	November	N/A

Expected outcomes

- Wider adoption of principle-based standards and enhanced capacity of PAOs to deliver more relevant local training programs;
- Increased capacity of PAO members through:
 - Learning about IFAC's new compliance model;
 - Learning from the experiences of PAOs that have successfully implemented a sustainable business model;
 - Better understanding the expectations of the investment community, and how PAOs and their members can meet those expectations;
- Increased understanding of gaps in university curriculum and actions needed through the completion of a profiling tool for at least one university from each STAREP country;
- Increased levels of harmonization across the region through development of a regional curriculum, and cooperation and knowledge exchange between participating universities, other universities in the EU and national PAOs.

Component 3 – Accounting and Auditing Standards

Activities

Activity	Topic	*	Date	Location
Workshop	Accounting and Auditing Community of Practice (AACoP): Differentiated financial reporting requirements: from setting the requirements to practical implementation		March 17-18	Warsaw
	AACoP (partially overlapping with EduCoP) on transposing the qualification requirements of the Statutory Auditing Directive		November	Tbilisi
Virtual seminar	Regional Dialogue Series on EU <i>acquis communautaire</i> in the field of accounting and auditing (3)	✓	April-October	N/A
Publication	EU Audit Public Oversight Systems (finalization) and publication of second paper discussing the HR capacity of public oversight institutions	✓	October	N/A

Expected outcomes

- A&ACoP members will have improved their understanding of appropriate financial reporting regimes for various types of entities.
- Country delegations will develop and present national plans and receive feedback from experts and peers.

- Increased capacity to transpose requirements of the Accounting and Statutory Audit Directives.
- Improved knowledge of other EU Directives linked to corporate financial reporting (banking, insurance and transparency directives).

Component 4 – Financial Regulators Practice Forum

Activities

Activity	Topic	*	Date	Location
Seminar	Implementation Tool for Enhancing the Relationship between Auditors and Regulators	✓	June	Vienna
	IFRS Executive Seminar for Regulators	✓	September	Vienna
Virtual seminar	IFRS for Regulators (2)	✓	June, September	N/A
Publication	Implementation Tool for Enhancing the Relationship between Auditors and Regulators	✓	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 5 – Country-level Implementation Support

Country	Activity/Topic	Expected Outcomes
Armenia	Policy dialogue and technical support regarding new accounting, audit and audit oversight laws; Technical assistance to government and chamber will be established as a result of the new law.	<ul style="list-style-type: none"> • Once legislation has been approved, the CFRR will share its expertise to establish new institutions, build capacity, and create mechanisms for the effective oversight of Accounting and Auditing activities.
Azerbaijan	Policy Dialogue: Review curricula of three universities to perform a gap analysis to obtain additional ACCA exemptions; TBC Workshop: Replication of STAREP EduCoP.	<ul style="list-style-type: none"> • Work plan for universities to obtain additional exemptions. • Improved capacity.
Belarus	Policy dialogue; Accounting Education Roundtable (2nd); SOE Reform Workshop .	<ul style="list-style-type: none"> • Dialogue established between Ministry of Finance and leading universities on improving the accounting and audit curricula. • Enhanced cooperation and understanding of IFRS by SOEs and their respective line ministries.

Country	Activity/Topic	Expected Outcomes
Georgia	<p>Policy dialogue; Conference: Public Audit Oversight; Accounting Education Roundtable (1st); New Audit Law Support Events (several); Workshop: Replication of STAREP regional events (A&ACoP (1) and EduCoP (1)).</p>	<ul style="list-style-type: none"> • Policy advice provided as part of technical discussions with the Ministry of Finance on transposition tables to align Accounting and Auditing legislation with the requirements of the EU <i>acquis communautaire</i>. • Support for finalization of draft Accounting and Audit Law based on the EU <i>acquis communautaire</i> and its presentation to Parliament.
Moldova	<p>Policy dialogue and technical support particularly on progress with drafts of new A&A laws, second phase of improving functionality of the public register of financial statements and developing a public register of auditors; Technical support to Moldova State University (USM) in improving its accounting and auditing curricula; Workshop: Key policies of draft accounting law; Workshop: Key policies of draft auditing law; Workshop: Replication of STAREP regional events (A&ACoP (1) and EduCoP (1)).</p>	<ul style="list-style-type: none"> • Support for an improved legal framework in both accounting and auditing reflecting substantial alignment with the respective Directives and sent for Government approval. • Enhanced SME financial reporting standards, as measured by transposing the classification of entities and related disclosure requirements. • Increased number of local universities that align their curricula with good international practices (as measured by the exemption application request sent to ACCA by USM) covering seven subject curricula and related tests modernized. • Increased understanding among key stakeholders of EC <i>acquis communautaire</i> requirements as measured by the number of participants involved in local workshops and replication events. • Enhanced functionality of the Public Register of Financial Statements, as measured by the development of technical specifications for a functional register; • Increased transparency, as measured by the availability of the public registry of auditors, in line with the provisions of the Auditing Directive.
Ukraine	<p>Public Audit Oversight Presentation to the Parliament Audit Reform Roundtable; New Audit Law Support Events (several); Workshop: Replication of STAREP regional events (A&ACoP (1) and EduCoP (1)).</p>	<ul style="list-style-type: none"> • Policy advice provided as part of technical discussions with the MOF on transposition tables to align Accounting and Auditing legislation with the requirements of the EU <i>acquis communautaire</i>. • Support for draft Accounting and Audit Law based on the EU <i>acquis communautaire</i> and presented to the Ukrainian parliament. • Dialogue established between MOF and leading universities on improving the accounting and audit curricula.

4. Program Administration and Financial Summaries

Program Governance and Partners

Program priorities, planned activities as well as progress made are reviewed in regular meetings with senior officials representing the governments of the STAREP countries, typically Deputy Ministers of Finance. Meetings take place at least once a year and, in addition to addressing technical questions, provide an opportunity to review progress of the program and to endorse the work-plan.

Representatives from donors, regulators and standard setters, as well as market participants, are regularly consulted by the CFRR on technical questions as well as issues of program governance, and join select sessions of the senior officials' meetings. A Donor Advisory Council gathers formally once a year.

Financial support for STAREP and its activities is being provided by two sources: a Single-Donor Trust Fund with the European Commission; and the REPARIS Multi-donor Trust Fund and its donors – the Austrian Finance Ministry, the Austrian Development Agency, the Swiss State Secretariat for Economic Affairs, and the Finance Ministry of Luxembourg.

STAREP is managed by the Vienna-based World Bank Centre for Financial Reporting Reform (CFRR). Located in Vienna, the CFRR is a World Bank unit specialized in the area of corporate financial reporting reform with a core team of experts and a panel of specialized short-term consultants. The CFRR is an integral part of the Governance Global Practice of the World Bank. The program is structured along five components, with each component led by a senior specialist, ensuring high technical quality and the efficient use of the program's resources. Key team members include:

Management

Soukeyna Kane	Practice Manager
Henri Fortin*	Head, CFRR

* Henri Fortin was Head, CFRR, until 31 January 2016; the process to select the new CFRR Head is under way.

Country-relationship responsibilities

Country	CFRR	Country-based Support
Armenia	Alfred Borgonovo	Arman Vatsyan
Azerbaijan	Jerry Decker	Tural Jamalov
Belarus	Natalie Manuilova	Irina Babich (based in Kyiv)
Georgia	Natalie Manuilova	Galina Alagardova, Irina Gordeladze
Moldova	Andrei Busuioc	Oxana Druta, Svetlana Platon
Ukraine	Natalie Manuilova	Irina Babich, Natalia Konovalenko

Activity responsibilities

Overall program oversight		CFRR Head
Component 1	Reform Momentum and Support	Natalie Manuilova
Component 2	Accounting Education Reform	Alfred Borgonovo
Component 3	Accounting and Auditing Standards	Andrei Busuioc
Component 4	Financial Sector Practice Forum	Pascal Frerejacque
Component 5	Country-level Implementation Support	Natalie Manuilova
Program Administration		Reinhard Haslinger

Financial Information

Resources for this program are provided by two trust funds: the REPARIS Multi-Donor Trust Fund (MDTF), which includes the Austrian Finance Ministry, the Austrian Development Agency, the Swiss State Secretariat for Economic Affairs, and the Finance Ministry of Luxembourg; and a Single-Donor Trust Fund (SDTF) with the European Union.

It is expected that the MDTF finances about 80% of activities, and the SDTF about 20%..

The following financial information is indicative and unaudited.

Disbursements 2015 (EUR)

	REPARIS MDTF	STAREP EU SDTF	Total
C1	106,928	24,688	131,616
C2	213,289	60,064	273,353
C3	158,895	44,314	203,209
C4	119,715	12,409	132,124
C5	206,982	57,893	264,875
Program Administration	38,981	7,493	46,474
	844,790	206,861	1,051,651

Budget 2016 (REPARIS MDTF and STAREP-EU, in EUR)

		C1		C2		C3		C4		C5		Progr.Adm.		Total	
	Unit	No.	EUR	No.	EUR	No.	EUR	No.	EUR	No.	EUR	No.	EUR	No.	EUR
Technical/ KM staff	staff weeks	19	76,000	18	64,800	14	50,400	10	36,000	30	113,000	17	61,200	108	401,400
Technical/KM consultants	weeks	22	34,650	26	60,000	19	32,000	25	53,500	24	91,000	4	7,500	120	278,650
Support staff/temporary	staff weeks	7	10,600	10	14,800	10	14,800	10	14,800	4	6,400	4	6,400	45	67,800
Travel staff/consultants	travel days	10	7,000	25	17,500	20	14,000	10	7,000	45	31,500	6	4,200	116	81,200
Workshop (2 days)	2-day events	1	117,500	4	140,000	2	80,000	2	60,000	0	0	0	0	8	397,500
In-country WS	event	0	0	0	0	0	0	0	0	10	50,000	0	0	10	50,000
Virtual Seminar (2 hours)	VC/GDLN	1	500	2	1,000	4	2,000	2	1,000	4	2,000	0	0	13	6,500
Contractual services			5,000		0		5,000		0		0		5,000		15,000
Total			251,250		298,100		198,200		172,300		293,900		84,300		1,298,050

Annex 1: Program Background

Program Development Objective

The STAREP program works with Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine to build capacity in accounting and auditing, and develop and implement an institutional framework for corporate financial reporting which is in accordance with international accounting, auditing and accounting education standards. Progress towards achieving these aims is measured using a results framework. This sets out the intended outcomes supporting the overall development objective, the means of achieving these, and the method of assessment.

Program Approach and Structure

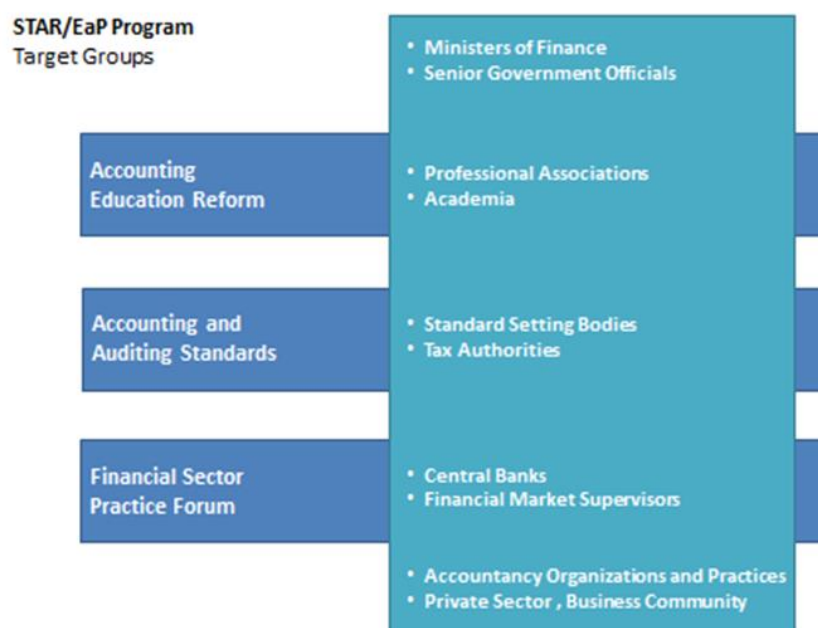
Eastern Partnership countries face common challenges as evidenced in A&A ROSCs, and have a common aspiration towards strengthening their relationship with the EU. The Centre for Financial Reporting Reform (CFRR), the World Bank's centre for technical expertise in corporate financial reporting in the Europe and Central Asia (ECA) region, launched the regional program for Strengthening Auditing and Reporting in the Eastern Partnership (STAREP) in October 2013. The program helps participating countries design and carry out reforms in corporate financial reporting. STAREP builds on the analysis and recommendations of the A&A ROSC program. It takes a broad view of the reform process, covering not only changes to the legal and regulatory framework but also the need to improve the capacity of the public and private institutions (standard-setters, oversight bodies, professional accountancy organizations, etc.) involved in financial reporting.

The program is structured around the notion of Engagement on Three Levels: knowledge and experience sharing; peer learning and targeted assistance; and supporting effective, sustainable implementation. Through expert presentations and professional facilitation, the program provides integrated advisory services, effective knowledge management, training, implementation support, and monitoring and evaluation assistance to the beneficiary countries.

The program puts a heavy focus on Learning from Each Other's Experiences. Regional knowledge transfer and experience-sharing activities achieve significant economies of scale, allowing countries to tackle common issues regionally, and fostering cooperation and coordinated actions among Black Sea countries within a common framework. A good command of Russian across the countries helps facilitate communication and peer exchange.

In addition, the program provides country-level reform implementation assistance, supporting improvements to CFR institutions and capacity building measures which increase sustainability and effectiveness.

The program aims to engage all those with an interest in corporate financial reporting, in both the public and private sectors, and including both users and preparers of financial statements.



The program is structured along three thematic components, and two cross cutting components plus program administration.



Component 1 - Reform Momentum and Support

To maintain the momentum for accounting and audit reform among policy makers, including ministers of finance, their deputies and other senior officials.

Component 2 - Accounting Education Reform

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; (iii) for continuing professional development of those already qualified.

Component 3 – Accounting and Auditing Standards

To support the implementation of accounting and auditing frameworks that meet the requirements of good international practices and of the *acquis communautaire*, addressing the specific reporting needs of MSMEs, the application of International Financial Reporting Standards (IFRS), the IFRS for SMEs and International Standards on Auditing (ISA), the enforcement of financial reporting requirements, and the introduction of public oversight and quality assurance arrangements for statutory audit.

Component 4 – Financial Regulators Practice Forum

To build capacity and knowledge of IFRS among financial regulators, ensuring proper implementation of IFRS to contribute to market discipline, and reinforcing a clear and well defined relationship between IFRS reporting and prudential reporting.

Component 5 – Country-level Implementation Support

STAREP is the only regional capacity development program in the area of CFR and provides valuable complementarity to country-specific initiatives. Tailored to individual country needs, activities include: providing help desk and ad-hoc advisory services to governments; advice and support in developing national activities; as well as implementation support and complementary activities to ongoing national projects.

Annex 2: Results Framework

Program Development Objective (PDO) (Statement of what is expected to change as result of the program)	Enhanced approximation with EU norms and application of international standards for corporate financial reporting in EU Eastern Partnership (EaP) countries, by building the capacity of relevant practitioners, policymakers and stakeholders.		
Outcomes (Contribution towards PDO)	Outcome Indicators	Means of Verification	Institutional Constraints and Assumptions
Legal Framework Modernized including International Accounting and Auditing Standards Substantially Adopted	<ul style="list-style-type: none"> * Environment conducive to international good practices, including EU directives * Suitable accounting standards for PIES and SMEs in place * Enhanced capacity of small/medium accounting and auditing practices * Translation of standards into local languages available and regularly updated 	<ul style="list-style-type: none"> * Transposition tables * A&A ROSC Update * Published standards * Published financial statements * Program progress reports * Quality review report 	<ul style="list-style-type: none"> * Commitment of government and stakeholders to modernize the regulatory framework * Government's ability to lead the reform process (including drafting of laws) * Government and standard-setters' commitment to improving standards and compliance with these. * Profession's commitment to quality
Institutional Capacity of the Profession Enhanced	<ul style="list-style-type: none"> * Certification/registration process in place * Quality assurance systems established * Translation of professional/ethical standards into local languages available and regularly updated 	<ul style="list-style-type: none"> * Stakeholder survey * Program progress reports * A&A ROSC Update 	<ul style="list-style-type: none"> * Commitment of currently fragmented and weak accounting profession that lacks statutory or market recognition to take key role in reform process

Outcomes (Contribution towards PDO)	Outcome Indicators	Means of Verification	Institutional Constraints and Assumptions
Accounting Education Systems Modernized	<ul style="list-style-type: none"> * Increased number of qualified accountants and licensed auditors * Closer alignment with IFAC's International Education Standards (IES) and EU Statutory Audit Directive (SAD) including number of IES compliant courses and continuing education 	<ul style="list-style-type: none"> * National register of qualified accountants and auditors * Employers survey * Program progress reports * A&A ROSC Update * IFAC compliance program 	<ul style="list-style-type: none"> * Capacity of professional associations to develop education and training materials in line with IES is limited * Good collaboration between professional associations and academia * Government commitment to modernizing education
Technical Capacity of Prudential Regulators in the Area of A&A Strengthened	<ul style="list-style-type: none"> * Increased capacity of supervisors to monitor quality of institutions' financial statements * Reconciliation approach to apply prudential filters in place * Increased number of financial statements reviewed by regulators in accordance with new regulations 	<ul style="list-style-type: none"> * Training courses evaluation * Progress reports * A&A ROSC Update 	<ul style="list-style-type: none"> * Commitment from financial supervisors to introduce appropriate training arrangements.

Outcomes/ Components	Intermediate Outcomes	Indicators	Outputs/ Means
Reform Momentum and Support	<ul style="list-style-type: none"> * Support of governments and in-country stakeholders and their continued commitment to CFR reform * Senior policymakers in a position to make well-informed reform decisions * Information on reform and laws available online 	<ul style="list-style-type: none"> * Number of participants at conferences and seminars * Number of exchanges with senior officials * CFRR website traffic 	<ul style="list-style-type: none"> * Biennial ministerial level conferences and regular senior official seminars * Online information portal * Series of video conferences * Technical assistance and advice

Outcomes/ Components	Intermediate Outcomes	Indicators	Outputs/ Means
Development of the Profession and Accounting Education Reform	<ul style="list-style-type: none"> * Stakeholder awareness of existing education, qualification and licensing systems * Sharing of up-to-date educational material among countries * Agreement on common approach towards development of new syllabus, examinations and continuing education 	<ul style="list-style-type: none"> * Number of workshop participants and returning participants * Assessments of level and quality of participation during events 	<ul style="list-style-type: none"> * Community of Practice workshop and exchange including Global Development Learning Network (GDLN) sessions * Collaboration with relevant international organizations * Technical advice
Accounting and Auditing Standards	<ul style="list-style-type: none"> * Stakeholder awareness of international good practices for SME accounting standards * Increased understanding about common challenges and agreements on shared actions * Increased awareness and understanding of EU directives 	<ul style="list-style-type: none"> * Number of workshop participants and returning participants * Assessments and degree of participation during events 	<ul style="list-style-type: none"> * Regular peer learning events through thematic Community of Practice activities * Partnering with relevant global bodies * Analytical and research support * Regular GDLN sessions * Technical assistance and advice
Financial Sector Practice Forum	<ul style="list-style-type: none"> * Participants' understanding of application of prudential filters * Awareness and knowledge of relevant IFRS and new standards 	<ul style="list-style-type: none"> * Number of workshop participants and returning institutions * Assessments and degree of participation during event * Follow-up surveys 	<ul style="list-style-type: none"> * IFRS training events and exchanges * Virtual seminars * Analytical work and research * Peer to peer exchanges
Country-level Implementation Support	<ul style="list-style-type: none"> * Support for the development and implementation of selected Country Action Plans * Sound policy guidance on country-specific requests * Country-level assistance as needed 	<ul style="list-style-type: none"> * Draft laws being developed * Number of reform events held in the country * A&A ROSC updates 	<ul style="list-style-type: none"> * Technical assistance and support through mission travels * Establishment of a network of practitioners * Help desk for country specific requests * Country-level activities as needed

Outcomes/ Components	Intermediate Outcomes	Indicators	Outputs/ Means
	* Establishment of relationships among stakeholders, i.e. policy makers, regulators, international bodies		

Annex 3: Descriptions of Activities Completed in 2015

Component 1 - Reform Momentum and Support

Senior Officials Workshop: “Taking forward Financial Reporting Reform in the Countries of the Eastern Partnership”, Bucharest, April 29

Senior officials leading accounting and auditing reforms in Eastern Partnership countries met in Bucharest to learn more about the Romanian experience in building EU aligned financial reporting and auditing frameworks. The Director for the Neighbourhood East within the European Commission, Gerhard Schumann-Hitzler, explained the Commission’s priorities in its engagement with STAREP countries and how the EU is supporting reform efforts. The senior officials raised a range of national and regional issues and concerns with Mr. Schumann-Hitzler, including questions about transposing specific requirements of the EU Directives and channels of communication with the Commission. Participants also discussed the political and economic factors which slow reform, and issues related to human resources, institutional capacity and budget constraints.

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 gives an overview of: (a) the EU’s key institutions and legislative process; and (b) 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 and the adoption in April 2014 of a Directive amending the 2006 Audit Directive as well as a new Audit Regulation addressing oversight of the most significant audits.

Component 2 – Accounting Education Reform

EduCoP Workshop: Education for Opportunity: Developing Accounting Curriculum for Universities, February 25-26, Kyiv

Twelve members of the STAREP Education Community of Practice Tax and Law Working Groups met to develop proposed syllabi for the law and tax subject areas, appropriate for undergraduate students studying accounting in STAREP countries. Two groups worked in parallel to develop minimum syllabus content proposals for bachelor degrees across the STAREP region then came together and discussed their progress. The groups subsequently finalized their proposals and the details were incorporated into the profiling tool being developed by the CFRR for presentation at the next full meeting of the EduCoP.

EduCoP Workshop: Education for Opportunity: The Bachelor Degree, a Foundation for Professional Education, May 20-21, Baku

Eastern Neighbourhood countries are developing a syllabus appropriate for bachelor degrees in accounting across the STAREP region, using the CFRR benchmarking tool to inform the process. A fourth STAREP EduCoP workshop on May 20 and 21 in Baku assessed progress to date. The profiling tool is enabling individual universities to see how their existing syllabus compares internationally and highlights the proficiencies required in a university program. Staff from the University of Sarajevo shared their experience of using the tool and there was discussion of minimum syllabus content. The

workshop also focused on developing assessment methodology to enable students to demonstrate that they have achieved the level of proficiency required, and there was discussion of how universities can gain accreditation for their degree programs.

Workshop for Teachers of Accountancy: “Introducing IFRS Framework-based teaching”, November 18-19, Kyiv

The CFRR and the IFRS Foundation have introduced the Framework-based teaching of IFRS to accounting academics from the six STAREP countries. The workshop described the link between objectives, concepts, principles and rules in IFRS and explained how to use the teaching materials developed by the IFRS Foundation to enhance their students’ ability to make the judgments and estimates to apply IFRS.

EduCoP Workshop: “From Diagnostic to Reform: Enhancing University and Professional Accounting Education in STAREP Countries”, November 20, Kyiv

The results of a pilot test of a new profiling tool to enhance university and professional accounting education were presented at the workshop, which was attended by around 30 professors of accounting from Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. The tool has been created by CFRR experts and members of the STAREP EduCoP to assess the content of participating universities’ bachelor degree programs in accounting. The tool has been successfully completed by four universities representing two countries in the STAREP region to demonstrate the performance of bachelor level accounting programs against internationally recognized benchmarks. The results were presented during the EduCoP meeting, identifying several areas for improvement in the participating universities’ curricula.

Component 3 – Accounting and Auditing Standards

Accounting and Auditing Community of Practice (A&ACoP) workshops on “Audit oversight and quality assurance”

A&ACoP members met twice in 2015. The workshop in [Bucharest, Romania, took place on 27-28 April](#). Participants discussed how the accounting and auditing legislation in their countries could be improved through alignment with EU requirements and using good international practices. Members of the A&ACoP updated colleagues on work undertaken nationally to identify gaps in accounting and auditing legislation, as agreed at the October 2014 A&ACoP workshop. This workshop offered an excellent opportunity to gather information, and address issues and concerns with the assembled expertise representing the European Commission, World Bank, EU Member States and regional colleagues. The German and Romanian experiences were very valuable and participants stated that they would draw on them when transposing various parts of accounting and auditing directives into national law. The next workshop took place in [Chisinau, Moldova, on October 8-9](#). This workshop concentrated on the practical implementation of audit oversight and quality assurance systems. Participants particularly valued the opportunity to present their national plans and concepts and receive immediate feedback from experts.

The regional dialogue series continued in 2015 with two virtual seminars. The focus of the [third event on January 15](#) was the new EU regulatory framework on statutory audit. It offered STAREP countries the opportunity to engage in dialogue with representatives of the EC and to better understand the

provisions of the various directives and how they should be transposed into domestic legislation. The fourth virtual seminar was delivered in December and participants learned how PAOs can contribute to a stronger business climate by increasing confidence in corporate financial reporting. Participants also discussed the evolution of the modern PAO, the nature of their operating models and strategies, as well as the first transnational merger of PAOs. As usual, participants could join these events through video-conference connections in World Bank offices, where local language translation is offered, or from any computer through a WebEx connection (in English only).

A publication on EU audit oversight systems is substantially complete and will be released after the World Bank's internal review is completed (in early 2016). The document outlines how the public oversight and quality assurance systems are structured in select EU countries. It will be useful for STAREP countries to support them in creating their audit oversight and quality assurance systems.

Component 4 – Financial Regulators Practice 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; 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 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 aspect 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 necessary policies and guidelines towards enhancing collaboration between auditors and supervisors, thus contributing to better auditing and supervisory practices.

Component 5 – Country-level Implementation Support

Armenia and Azerbaijan

See table and website. Activities focused on policy dialogue and the closing of the CAPSAP project.

Belarus

[Round table: “Modern Education Framework for Accountants: Meeting the Expectations”, May 28, Minsk](#)

The round table encouraged higher education institutions in Belarus to adequately prepare future accountants and auditors. Representatives of the Ministry of Finance, Ministry of Education, of leading educational institutions, professional accounting organizations, and auditors and employers, discussed the future of the local accounting education framework, in line with international trends and recent developments. Participants explored the use of the CFRR's university profiling tool in the context of the existing challenges in accountancy education in Belarus. The round table also reviewed international education standards developed by the International Accounting Education Standards Board. Participants agreed that higher education institutions need to incorporate good international practices and standards in accounting and audit education.

Georgia

Publication: [A&A ROSC Dissemination, September 24](#)

The 2015 ROSC update for Georgia gathered nearly 100 in-country stakeholders involved in the corporate financial reporting agenda in Georgia, including regulators, standard-setters, as well as representatives from the audit profession, academia, the banking community and private businesses. Participants were updated on the report's findings regarding improvements in the accounting and auditing profession, the adoption of an effective new legal framework, and the obvious commitment of all those involved in implementing Georgia's strategic plan to improve the local business climate and work towards harmonization with the EU. It was noted that more work could be done to further help Small and Medium-Sized Enterprises. Key counterparts agreed on the need to simplify the existing financial reporting requirements and to promote the benefits of good bookkeeping to small businesses, enabling greater access to loans and investment based on business cash flows and less on collateral.

Roundtable: [“Shaping Audit Legislation in Georgia”, April 17](#)

Regulators and other key stakeholders joined representatives from the Georgian Ministry of Finance and the CFRR to discuss the future shape of audit legislation in Georgia as it moves towards harmonization with the EU. The roundtable provided an opportunity for dialogue with some of the key institutions involved, including the Ministry of Economy, the National Bank of Georgia, and representatives of the private sector and the accounting profession. One EU requirement which was discussed is the need for a competent authority in charge of the regulation and/or oversight of statutory auditors and audit firms. The roundtable looked at the potential organizational and institutional set-up of such a body, including issues of funding and staffing, and considered examples from other countries.

Moldova

A [third Audit Training Workshop](#) organized in Chisinau on May 13 and 14² in cooperation with the Ministry of Finance, as part of STAREP national activities in Moldova, focused on good internal controls, tailored to company size and effectively implemented. It was attended by relevant civil servants from the Ministry of Finance, members of the Auditing Oversight Board and its control and verification Service, members of the Certification Commission of auditors, representatives of the National Commission of Financial Market, auditors, as well as the representatives of various universities.

The concept on key policy areas for new accounting and auditing legislation was prepared by the Ministry of Finance with the support of the CFRR, and is based on the legislation gaps identified in the accounting and auditing transposition tables. The draft concept was discussed with key local stakeholders at two roundtables on December 17 and 18³. The Concept for improving the functionality of the Public Register of financial statements was also developed with CFRR support and agreed on with key stakeholders during the roundtable organized on December 21. Developed concepts will serve as a foundation for the next activities, planned for 2016, namely the development of the new

² <http://mf.gov.md/newsitem/9716>

³ <http://mf.gov.md/newsitem/10055>

Accounting Law, the new Auditing Law and the technical specifications for solutions for the Public Register of financial statements.

With CFRR support, two local universities, the Academy of Economic Studies of Moldova (ASEM) and the State University of Moldova (USM) profiled their accounting and auditing curricula as part of EduCoP activity. The results of the curricula's profiling were discussed at the two roundtables. Leadership and professors involved in teaching accounting and auditing disciplines from USM and ASEM participated on December 18 and 21 respectively. USM expressed a strong commitment to modernizing the curricula and to better aligning them with the learning objectives of an internationally recognized professional accounting organization. The support of STAREP/CFRR was requested in that respect. ASEM has already obtained seven exemptions from ACCA and stressed that aligning the format of exams is the most challenging part of an accreditation process. Additional support was thus required at both the regional and national levels, which will help improve abilities and skills in developing study cases in line with good international practices.

Ukraine

[Joint Practice Forum on Improving Ukrainian Audit Quality, Kyiv, January 21](#)

The CFRR and Audit Chamber of Ukraine held a Joint Practice Forum to discuss recent reforms in the EU around statutory audit and their impact on audit quality among EU member states. The Forum gathered approximately 120 representatives of the Ukrainian audit profession and local regulators, who will lead efforts to align Ukrainian accounting and audit legislation more closely with European norms. CFRR experts presented the background to recent EU audit reforms and gave Forum participants an overview of the amended Statutory Audit Directive and respective regulations. The CFRR will continue providing support to its various counterparts in Ukraine on their reform path towards closer alignment with the EU norms in the area of financial reporting and auditing under the regional STAREP program.

[Workshops on Completing the Transition to IFRS in the Ukrainian Banking Sector, September 16-17 and November 16-17](#)

From January 2016, banks in Ukraine are required to prepare their quarterly financial statements in accordance with IFRS. To support their successful implementation, the CFRR organized two workshops in Kyiv, one for banking supervisors and one for commercial banks. The first workshop from September 16-17 focused on strengthening the regulator's capacity and practical ability to understand and work confidently with IFRS-based financial information. Some 40 representatives of Banking Supervision, Risk Management and Accounting Methodology departments of the National Bank of Ukraine (NBU) were briefed on IFRS and their role in monitoring and supervision. The second workshop on November 16-17 focused on the application of IFRS by commercial banks and supported direct and open dialogue between the banks and the regulators. Over 70 representatives of financial and accounting departments from 40 Ukrainian commercial banks attended the workshop, delivered jointly by the CFRR, the NBU, large commercial banks and audit firms, to increase knowledge of IFRS, including through interactive discussion of case studies and practical examples of conversion challenges from entities already applying and working with IFRS.

Annex 4: Descriptions of Activities Planned for 2016

Component 1 - Reform Momentum and Support

Senior Officials' Workshop, Vienna, April 26

Senior officials from countries participating in the STAREP and EU-REPARIS programs (Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Georgia, Kosovo, FYR 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, April 27

The 2016 CFRR Ministerial Conference will provide an opportunity to take stock of reform efforts in STAREP and EU-REPARIS participating countries. Participants will include: Ministers of Finance from the region; senior representatives of governments, key international institutions and organizations; and experts from the business, professional and academic communities. This biennial event will also promote the use of financial information in support of financial stability, access to finance for businesses, and economic growth in the region, and discuss how to build trust in financial reporting and encourage its use as a catalyst for growth. The Conference will take place at the Hofburg Palace.

Component 2 - Accounting Education Reform

Training of Trainers (ToT): IFRS for Small or Medium-sized Enterprises (SMEs)

This workshop series focuses on knowledge transfer and skills development. The long-term objectives are: to improve the capacity of the accounting profession to fulfil its mandate effectively and be better equipped to provide business support services required by SMEs; and advance the goal of ensuring broad-based knowledge sharing activities on IFRS and the IFRS for SMEs. The first workshop on February 22-24 will be followed by two more advanced skills development workshops on March 21 and April 11. The last stage of the series will lead to the development of a guide to enable participating PAOs to modernize the financial reporting components of their teaching and assessment methods.

Regional Professional Accountancy Organization (PAO) Forum, 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.

EduCoP: Achieving Excellence in Accounting Education, Yerevan 2016

As at least one university from the majority of STAREP member countries will have completed the education profiling tool. This is an opportunity to take stock and reach some preliminary conclusions. Members of the EDUCOP will agree on a regional curriculum (“common core” for an undergraduate degree in accounting), which can then form the basis for cooperation and exchange between universities, as well as provide a foundation for dialogue with national Professional Accountancy Organizations to harmonize programs and avoid duplication. The concepts of Twinning will also be explored in the broad sense of knowledge exchange and cooperation between STAREP EduCoP members, as well as with other universities within the EU.

Component 3 – Accounting and Auditing Standards

The two-day **A&ACoP workshop on “Differentiated financial reporting requirements: from setting requirements to practical implementation”** will be organized on March 17-18 in Warsaw, Poland. This A&ACoP will provide guidance to STAREP countries on how their governments can put in place a regime of financial reporting requirements for various types of entities, which is in line with the relevant part of the EU *acquis communautaire* and is also the best and most appropriate for their economy. Each country delegation will have the opportunity to present its national plans and concepts in the field of corporate financial reporting and receive immediate feedback from the A&ACoP members and invited experts.

In November a **two-day workshop** will convene members of both A&ACoP and EduCoP to discuss ways of transposing the qualification requirements of the Statutory Auditing Directive.

Regional Dialogue Series on the EU *acquis communautaire* in the field of accounting and auditing will continue in 2016, providing details and guidance on selected topics. It will also offer guidance to STAREP countries on transposing relevant parts of the *acquis* linked to corporate financial reporting from so-called banking and insurance directives and transparency directive.

Component 4 – Financial Regulators Practice 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 the 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 banking supervisors to implement these policy actions.

Component 5 – Country-level Implementation Support

Armenia

The CFRR has provided ongoing feedback throughout the legislative process in Armenia through: a draft Accounting Law and a draft Audit Law. A draft Law on Regulation and Public Oversight of Accounting and Auditing was also discussed. Once the legislation is approved, the CFRR will be able to share its expertise on establishing new institutions, building capacity, and establishing mechanisms for effective oversight of the Accounting and Auditing activities in Armenia.

Azerbaijan

The focus of engagement will be on increasing work on the education front, particularly the tertiary level, including repeating STAREP EduCoP events at the local level.

Belarus

CFRR engagement with Belarus on the corporate financial reporting agenda will increase in 2016. Two events will be organized in Minsk: (i) the first roundtable on improving financial transparency and accountability of State Owned Enterprises; and (ii) the second round of consultations on accounting education reform with academics, representatives of the Ministry of Finance, the Ministry of Education, and other interested parties. The events will build on 2015 discussions, will incorporate the work undertaken in the regional STAREP EduCOP, and will help identify priority areas for reform.

Georgia

The main focus will be on supporting ongoing reforms in corporate financial reporting and audit, stemming from the 2015 A&A ROSC update. The CFRR will continue providing support to the government through expert advice and stakeholders' outreach events in order to reach consensus and present the new law to the Georgian parliament. The CFRR will also help initiate a consultation process on accounting education reform with academics, representatives of the Ministry of Finance, the Ministry of Education, and other interested parties. This process will build on work undertaken in the regional STAREP EduCOP, and will help identify priority areas for reform and agree on the way forward.

Moldova

CFRR engagement with Moldova on the corporate financial reporting agenda will continue in 2016. Policy dialogue and technical support will be offered to the MOF, particularly on progress with drafts of new Accounting and Auditing laws, the second phase of improving functionality of the public register of financial statements, and developing the public register of auditors. Technical support will be provided to the Public Register of financial statements in developing the technical specifications for IT solutions to support identified business processes, including cost estimates. The CFRR will continue to provide support to USM in aligning the accounting and auditing curricula to the learning objectives of an internationally recognized professional accounting organization. Two workshops will be organized in cooperation with the MOF (tentatively scheduled to take place in May-June) to discuss the main provisions of new accounting and auditing laws with local key stakeholders. The replication of regional STAREP events at the national level to disseminate knowledge to a wide range of local stakeholders will continue in 2016.

Ukraine

The main focus of CFRR support in Ukraine will be on ongoing reforms in accounting and audit through tailored technical advice to the MOF and key counterparts. Efforts will be dedicated to finalizing the draft laws on Accounting and Auditing in order to align financial reporting and audit frameworks with the EU *acquis communautaire*. Activities will include: (i) technical advice on amendments to the laws on Accounting and Auditing, with a view to aligning them with the respective EU Directives; (ii) ongoing



technical support for the design of a public audit oversight system in Ukraine; (iii) continued strengthening of local expertise and capacity among key Ukrainian counterparts, including providing unique access to the EU experience, and (iv) providing support to the government through stakeholders' outreach events in order to reach consensus and present the new laws to Parliament. The team will also consider providing capacity building activities to State Owned Enterprises and the Ministry of Economic Development and Trade in order to promote better understanding and use of financial information in the decision making process (subject to additional funding).

STAREP is made possible
by the generous support of
REPARIS Multi-Donor Trust Fund
and the
European Union



European Union



Austrian
Development Cooperation



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra



LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG
Ministère des Finances