

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 2016
and
Plan 2017**

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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
A&ACoP	Accounting and Auditing Community of Practice
AO	Audit and Oversight
CD	World Bank Country Director
CFR	Corporate Financial Reporting
CFRR	Centre for Financial Reporting Reform
CoP	Community of Practice
CMU	Country Management Unit (World Bank)
CPD	Continuing Professional Development
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
PL	World Bank Program Leader
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

EXECUTIVE SUMMARY

Strengthening Auditing and Reporting in the Eastern Partnership (STAREP) is a regional program of the World Bank's Centre for Financial Reporting Reform (CFRR). With a view to help stimulate economic growth, business activity, and better access to finance, STAREP helps participating countries to modernize corporate financial reporting frameworks, and to raise the capacity of local institutions to implement these frameworks effectively. Working both on a regional level through peer learning as well as on the country-level through technical assistance, the program supports efforts that help align laws, norms, institutions and practices with EU requirements and good international practice. Participating countries include the countries of the EU's Eastern Partnership: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. Areas of program activity include accounting and auditing standards, in particular for SMEs; capacity of the profession to support businesses more effectively; initial and continuous accounting education; public oversight; and capacity of financial sector supervisors. While the program aims to encourage reform efforts, upgrade the skills of stakeholders, and provide technical assistance as needed, successful reforms will depend on actions taken by each country, including activities implemented outside of STAREP.

A high degree of participation in program activities and many reform efforts launched by stakeholders on the country level, complemented by local media coverage of CFRR events, indicate greater stakeholder interest and awareness of the importance of financial reporting reform. In addition, the strong support of governments and in-country stakeholders regarding the closer alignment of accounting and auditing legislation with the *acquis communautaire* and good international practice reaffirms their continued commitment to financial reporting reform.

The progress sections of this report reflect on the activities carried out and intermediate outcomes achieved during 2016; project activities for 2017 are planned in line accordingly.

Progress Made in 2016

For 2016, flagship events jointly held with the EU-REPARIS program included the Senior Officials' Workshop on April 26 and the Ministerial Conference on April 27, which reviewed progress on financial reporting reforms. Participants discussed how financial reporting reforms can be catalyst for growth that helps (i) create efficiencies when it comes to administrative barriers and compliance requirements, (ii) increase transparency, availability and reliability of financial information, and (iii) facilitate access to finance. To complement these special events, the third regional Professional Accountancy Organization (PAO) Forum was convened on April 28 to discuss the contribution of PAOs from Central, Southeast and Eastern Europe to stimulating economic growth. The Supervisors Exchange Forum was done

in September and facilitated greater dialogue between key players in the banking sector and ensured that participants continued to be updated on International Financial Reporting Standards (IFRS).

In addition, a number of regional and in-country activities including Community of Practice workshops, face-to-face and online seminars, as well as technical assistance interventions were carried out.

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

- Increase in the capacity of policy makers and key stakeholders to determine appropriate ways and good practices to adopt good international practice and aligning national legislation with EU requirements;
- Approval of the Accounting & Auditing Law by the Georgian Parliament, and changes and draft amendments to national legislation in several other STAREP countries to ensure greater alignment with EU requirements and international best practices;
- Translations of IFRS;
- Strengthened capacity of professional accountancy organizations (PAOs), enabling them to better support their members and to promote convergence with international best practices for PAOs;
- Increased number of universities accredited by internationally recognized professional association;
- Increased capacity of supervisors in the area of A&A and International Financial Reporting Standards (IFRS), including IFRS 9.

Key events planned for 2017 include:

- A Senior Officials' Workshop in Brussels;
- Several regional as well as in-country technical workshops, roundtable discussions and technical assistance, particularly, to support implementation of improved financial reporting requirements for SMEs; enhance audit quality, audit oversight, and to strengthen the local audit profession; and develop accountancy education standards;
- A Forum for Small and Medium-Sized Practices jointly organized with the International Federation of Accountants;
- A seminar for supervisors and auditors on the future implementation of IFRS.

Expected progress toward intermediate outcomes

- Ensure generally continued ownership and momentum of reform through awareness raising, transfer of knowledge and regular engagement;
- Improved capacity by stakeholders to transpose EU requirements and to adopt good international practice, further modernized accounting and auditing legislation and strengthened capacity to implement provisions of new laws;
- Enhanced SME financial reporting practices;
- Strengthened audit public oversight;
- Further increase in the capacity of the profession and professional association to comply with IES and IFAC membership obligations, wider adoption of principle-based standards, and enhanced capacity of PAOs to deliver more relevant local training programs; and
- Continued capacity development of banking and insurance regulators and supervisors on IFRS as well as an enhanced ability to use financial statements for supervisory purposes.

1. ACTIVITIES AND PROGRESS 2016

1.1. Overview

Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, repealing:

The following provides an overview of the main activities and a summary of outcomes achieved in 2016. Detailed descriptions of these activities are available in the Annex. Activities marked with * indicate joint activities with the EU-REPARIS program.

Flagship events jointly held with the EU-REPARIS program were the Senior Officials' Workshop on April 26 and the Ministerial Conference on April 27, which reviewed progress on financial reporting reforms. Participants discussed how financial reporting reforms can be catalyst for growth that helps (i) create efficiencies when it comes to administrative barriers and compliance requirements, (ii) increase transparency, availability and reliability of financial information, and (iii) facilitate access to finance. To complement these special events, the third regional Professional Accountancy Organization (PAO) Forum was convened on April 28 to discuss the contribution of PAOs from Central, Southeast and Eastern Europe to stimulating economic growth. The Supervisors Exchange Forum was done in September and facilitated greater dialogue between key players in the banking sector and ensured that participants continued to be updated on International Financial Reporting Standards (IFRS).

In addition, a number of regional and in-country activities including Community of Practice workshops, face-to-face and online seminars, as well as technical assistance interventions were carried out.

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

- Increase in the capacity of policy makers and key stakeholders to determine appropriate ways and good practices to adopt good international practice and align national legislation with EU requirements;
- Approval of the Accounting & Audit Law by the Georgian Parliament, and changes and draft amendments to national legislation in several other STAREP countries to ensure greater alignment with EU requirements and international best practices;
- Translations of IFRS;
- Strengthened capacity of professional accountancy organizations (PAOs), enabling them to better support their members and to promote convergence with international best practices for PAOs;

- Increased number of universities accredited by internationally recognized professional association;
- Increased capacity of supervisors in the area of A&A and International Financial Reporting Standards (IFRS), including IFRS 9.

The CFRR monitors increased levels of knowledge and engagement in the program’s Communities of Practice. Examples include:

- Enhanced knowledge among Community of Practice members of the accounting and auditing (A&A) directives;
- Raised awareness of the purpose and benefits of using the university and professional profiling tools, and an improved ability to interpret the findings;
- Improved capacity to understand the process and value of aligning university accounting programs with internationally recognized professional accountancy programs; and
- Institutional capacity development of national initiatives to ensure greater compliance with International Education Standards and convergence with international best practices.

1.2. Details by Component

1.2.1. Component 1 - Reform Momentum and Support

Activities

Activity	Topic	*	Date	Location
Virtual meeting	Briefing for the Ministerial Conference and Senior Officials’ Workshop		February	N/A
Workshop	Senior Officials# Workshop for STAREP and EU- REPARIS countries	Yes	26 April	Vienna
	Ministerial Conference: “Quality Financial Reporting – a Catalyst for Growth”	Yes	27 April	
Publication/ Research	Connecting Voices “Financial Information: Catalyst for Growth”	Yes	New deliverable: April	N/A
	Financial Reporting in State-Owned Enterprises	Yes	New delivery date: March 2017	N/A

Activity	Topic	*	Date	Location
Knowledge Management	Video: Benefits of financial reporting reform II	Yes	Dropped	N/A
	Website pages: topics, events, countries Newsletter	Yes	Ongoing	N/A

Progress towards Program Outcomes

- Senior policy makers continue to enhance their understanding of policy reform, EU alignment and international good practices, enabling them to either initiate or continue reform efforts in program beneficiary countries. For details, please see component 5;
- The Ministerial Conference and Senior Officials workshop gave STAREP participants a first-hand opportunity to interact with policy makers from the Western Balkan EU accession countries as well as experts to exchange views on success stories and lessons learned in financial reporting reform and EU accession process.

Unforeseen Challenges and Actions taken in response

- The State-Owned Enterprises Fact Study is behind schedule due to the multitude of responses received from participating countries, as well as a slight delay in information collection and the complexity of data analysis, which caused a delay in data compilation. The study should be available by the end of March 2017;
- The video was dropped for cost purposes; a publication entitled *Connecting Voices: Financial Information – Catalyst for Growth* which covers the benefits of financial reporting reform was produced instead. The publication is available [here](#).

1.2.2. Component 2 – Accounting Education Reform

Activities

Activity	Topic	*	Date	Location
Forum	PAO Regional Forum: The contribution of PAOs to economic growth	Yes	April 28	Vienna
Workshop	IFRS for SMEs: Train the Trainers	Yes	February 22-24	Vienna
	Accounting and Auditing Education Community of Practice (EduCoP): Past achievements and future directions		June 15-16	Yerevan
	EduCoP: National initiatives for strengthening accounting education		October 11-12	Minsk

Activity	Topic	*	Date	Location
	Audit Training of Trainers (ToT)	Yes	Dropped	
Virtual seminar	Teaching IFRS for SMEs (2)	Yes	March, April	N/A
Publication	Accounting Education Best Practice Guide (1 st component)	Yes	March 2017	N/A

Progress towards Program Outcomes

The PAO Forum strengthened the capacity of PAOs to better support their members and to promote convergence with international best practices for PAOs. Key takeaways for participants included:

- Learning about IFAC's new compliance model,
- Benefiting from the experiences of PAOs that have successfully implemented a sustainable business model with broader and more innovative services to members; and
- Enhancing participants' understanding of the expectations of the investment community, and how PAOs and their members can meet those expectations.

Improved capacity among EduCoP members, particularly in understanding:

- The purpose and benefits of using the university and professional profiling tools, and the ability to interpret the findings;
- The process and value of aligning university accounting programs with internationally recognized professional accountancy programs;
- The global trend towards competency-based education, as well as the benefits of adopting competency-based programs;
- The challenges of incorporating a competency-based approach into professional education programs, professional examinations, and practical experience requirements;
- The value of International Education Standards (IES) developed by IFAC as a guide to achieving good practices at a national level; and
- Institutional capacity development of national initiatives to ensure greater compliance with IES and convergence with international best practices.

Unforeseen challenges and actions taken in response

- As best practices in accounting education have many dimensions, it was decided to focus on one key topic first "Competency-based education", and to develop a toolkit with a practical application, rather than simply a guide on best practices. The toolkit is

expected to be completed in March 2017. Other best practices in accounting education will be addressed in one of STAREP’s EduCop activities scheduled to take place in 2017, after which additional toolkits may be developed;

- Four activities were organized under the component in 2016, with an overall focus on IFRS for SMEs as well as the alignment of university and professional development. An Audit ToT activity was organized under the EU-REPARIS program for Western Balkan countries and made available to STAREP participants; however, due to significant travel involved for the other activities, this plan was not pursued.

1.2.3. Component 3 – Accounting and Auditing Standards

Activities

Activity	Topic	*	Date	Location
Workshop	Accounting and Auditing Standards Community of Practice (A&ACoP) workshop: Supporting the implementation of improved financial reporting requirements for SMEs		March 17- 18	Warsaw
	A&ACoP workshop: Enhancing audit quality for more accountable and transparent economies (including one joint day with EduCoP)		October 10- 11	Minsk
Virtual seminar	General overview of EU directives related to corporate financial reporting requirements		June 30	N/A
Publication	EU Audit Public Oversight Systems	Yes	New delivery date: 2017	N/A

Progress towards Program Outcomes

- Surveys of participants confirmed that A&A CoP members have enhanced their knowledge of specific topics of the accounting (34/2013/EC) and auditing (43/2006/EC) directives which are relevant to implementing the new legal framework and EU Directives related to Corporate Financial Reporting requirements, i.e. banking (86/635/EEC), insurance (91/674/EEC) and transparency (2004/109/EC) directives;
- Improved legislation in the area of accounting and auditing and better alignment with the EU *acquis communautaire*: Georgia has adopted a new Law on Reporting, Accounting and Auditing; new laws have been drafted in Ukraine and are undergoing

final review before reaching Parliament; and new drafts have been prepared in Moldova and will soon be published for public consultation;

- CFRR specialists confirm that there is a greater understanding among A&ACoP members of ways to improve professional development in the accounting and audit profession.

Unforeseen challenges and actions taken in response

- Public Oversight Bodies are currently being established in participating countries. At this stage it is too early to address topics related to methodology or to conduct quality assurance reviews. The A&A CoP team have identified topics which are of relevance to policy makers and also form the core of the A&A CoP, and will help them to better prepare the ground for quality assurance regulation in their respective countries;
- The EU Audit Public Oversight Systems publication should be finalized in 2017 due to additional research and updates that are needed, as well as additional quality reviews.

1.2.4. Component 4 – Financial Regulators Practice Forum

Activities

Activity	Topic	*	Date	Location
Workshop	Supervisors’ Exchange Forum on “Contributing to financial stability: Encouraging greater dialogue between key players in the banking sector”	Yes	September 7-9	Vienna
Virtual seminar	IFRS Seminar (2 sessions)	Yes	Dropped	N/A
Research/ Publication	World Bank Guide for Banking Supervisors and External Auditors: Building a Constructive Relationship ¹	Yes	September	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 indicate:

- Increased capacity of supervisors in the area of accounting and auditing and IFRS, including IFRS 9, which represents a very important change;

¹<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/EXTCENFINREPREF/0,,contentMDK:23724242~pagePK:64168445~piPK:64168309~theSitePK:4152118,00.html>

- Enhanced ability to apply a reconciliation approach between financial statements and prudential capital, and an 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

Two workshops were held on three consecutive days to save costs, and to allow closer collaboration with the Austrian Finance Ministry. The virtual seminars were dropped because the content was covered in the workshop.

1.2.5. 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 a 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.

Armenia	
Activity/Topic	Policy dialogue including mission travels; follow up for Country Action Plan
Progress towards Program Outcomes and Lessons Learned	<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. • The CFRR has funded the translation of key International Standards on auditing (ISAs 260, 570, 700, 701, 705, 706) to support compliance with international best practices by audit firms.

Azerbaijan	
Activity/Topic	<ul style="list-style-type: none"> • Policy dialogue and technical assistance for establishment of the Azerbaijan Accountants and Risk Professionals Association (ARPA) and the new draft law on accounting and auditing; • Presentation at the ARPA Forum.
Progress towards Program Outcomes and Lessons Learned	<ul style="list-style-type: none"> • The draft law, although still a work-in-progress, should improve the quality of financial reporting in Azerbaijan and also provide some relief for smaller entities where the costs of preparing financial statements in accordance with international standards outweigh the benefits; • Although ARPA is still in its infancy, it is developing policies and structures to start creating a stronger accounting profession in Azerbaijan, which can help to implement the new legal requirements and increase confidence in financial reporting.
Georgia	
Activity/Topic	<p>Policy dialogue including mission travels to advise on and hold public consultations on A&A Law. Technical support missions are ongoing. In addition to technical assistance on the dates coinciding with events, follow up implementation missions took place from 3-6 October and 21-25 November 2016.</p> <p>Events:</p> <ul style="list-style-type: none"> • Between January and May 2016, the CFRR team took part in public discussions on the draft Accounting & Auditing Law with various stakeholders, including the business community, the profession, academia, and regulators; • On 24 March 2016, the CFRR participated in the official presentation and discussion of the draft A&A Law to the Georgian Parliament, which was developed based on recommendations of the A&A ROSC and supported by the World Bank; • In May 2016, the CFRR held three events on accounting education and professional development with academia and local PAOs: <ul style="list-style-type: none"> ○ Roundtable on Accounting Education for Academia 17 May 2016; ○ Roundtable for PAOs, 18 May 2016; and



	<ul style="list-style-type: none"> ○ Joint Georgian Federation of Professional Accountants and Auditors (GFPAA)-CFRR international conference on “European Integration and Challenges of the Accounting Profession”, 19-20 May 2016;
<p>Progress towards Program Outcomes and Lessons Learned</p>	<ul style="list-style-type: none"> ● The new Accounting & Audit Law was approved by Parliament on 8 June 2016. The new law is expected to improve audit quality in Georgia and align legislation on financial reporting and audit more closely with EU laws. The legislation will also introduce public audit oversight, strengthen auditor independence, and enhance transparency in financial reporting. These changes will contribute to simplifying access to credit for businesses and improve the investment climate in Georgia, demonstrating the country's progress in implementing the EU-Georgia Association Agreement; ● Support of governments and in-country stakeholders and their continued commitment to CFR reform; ● Increased awareness and understanding of EU directives; ● Sound policy guidance on country-specific requests; ● Ongoing policy dialogue between the in-country stakeholders on strengthening A&A curricula in universities;
<p>Moldova</p>	
<p>Activity/Topic</p>	<ul style="list-style-type: none"> ● Policy dialogue, including missions and technical assistance on transposing various parts of the accounting and auditing directives; ● Roundtable on 15 June “The key policy areas of draft accounting law”, attended by around 50 participants);² ● Roundtable on 16 June on “The key policy areas of draft auditing law”, attended by around 40 participants;³ ● Roundtable on 22 July with accounting profession on key challenges of new A&A laws, attended by around 30 participants; ● Workshop: Initiatives for Strengthening Accounting Education, 18 November, attended by around 60 participants.

² <http://mf.gov.md/newsitem/10280>

³ <http://mf.gov.md/node/10281>



<p>Progress towards Program Outcomes and Lessons Learned</p>	<ul style="list-style-type: none"> • Concept on key policy areas for new accounting and auditing legislation developed and published by the MOF⁴; • Development of draft Accounting⁵ and Auditing⁶ laws reflecting substantial alignment with the respective Directives. It is planned that the Directives will be published by the end of 2016 for public comments; • Development of significant sections of amendments to the national accounting standards; • Improved understanding of IES by universities, profession and regulators; • Increased number of universities accredited by internationally recognized professional association (ACCA). In addition to earlier exemptions by ASEM (7 exemptions - F1-F7), USM recently obtained 8 exemptions - F1-F8); • Development of the technical description for the proposed model for improving functionality of the Public Register of financial statements, and partial agreement reached with beneficiary.
<p>Ukraine</p>	
<p>Activity/Topic</p>	<p>Policy dialogue including missions and technical advice on drafting new Accounting and Audit Laws to be closer aligned to the accounting and auditing directives. This work is being done in close cooperation with EU funded EU-FINSTAR project;</p> <p>Events:</p> <ul style="list-style-type: none"> • 12 April 2016: Joint EU/STAREP Conference on accounting and audit reform in Ukraine; • 10-11 May 2016: Workshop 3 of 3: Completing the transition to IFRS in the Ukrainian Banking Sector; • May 25-25, 2016: Roundtable and EduCoP replication event "Modern education of accountants: Trends in Europe and the world - A development perspective". • 15 December 2016: Joint CFRR-UFPAA Conference "IFRS reporting as a key factor of sustainable business development".

⁴ <http://mf.gov.md/actnorm/contabil/altele>

⁵ <http://particip.gov.md/proiectview.php?l=ro&idd=3716>

⁶ <http://particip.gov.md/proiectview.php?l=ro&idd=3714>



**Progress towards
Program
Outcomes and
Lessons Learned**

- Drafting of Accounting and Audit laws with technical assistance from CFRR and EU Project. The drafts aim to achieve closer alignment with the respective Directives. The draft laws have now been finalized and will be presented for approval by the Ukrainian Parliament;
- Ongoing policy dialogue between in-country stakeholders on strengthening A&A curricula in universities;
- Improved understanding of IES by universities, the profession and regulators;
- increased participants' knowledge about the latest IFRS developments and requirements of Basel III through a series of workshop for banking regulators on IFRS;
- More support is needed in Ukraine to establish the public audit oversight body in line with the EU *acquis*;
- 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.

2. PLANNED ACTIVITIES 2017

The following describes the planned activities and expected outcomes for each component. Activities marked with * indicate joint activities with the EU-REPARIS program.

2.1. Overview

Key events planned for 2017 include:

- A Senior Officials' Workshop in Brussels;
- Several regional as well as in-country technical workshops, roundtable discussions and technical assistance, particularly, to support implementation of improved financial reporting requirements for SMEs, enhance audit quality, audit oversight, and strengthen the local audit profession; and develop accountancy education standards;
- A Forum for Small and Medium-Sized Practices jointly organized with the International Federation of Accountants;
- A seminar for supervisors and auditors on the future implementation of IFRS.

Expected progress toward intermediate outcomes

- Ensure generally continued ownership and momentum of reform through awareness raising; transfer of knowledge and regular engagement;
- Improved capacity by stakeholders to transpose EU requirements and to adopt good international practice; further modernized accounting and auditing legislation and strengthened capacity to implement provisions of new laws;
- Enhanced SME financial reporting practices;
- Strengthened audit public oversight;
- Further increase in the capacity of the profession and professional association to comply with IES and IFAC membership obligations; wider adoption of principle-based standards and enhanced capacity of PAOs to deliver more relevant local training programs; and
- Continued capacity development of banking and insurance regulators and supervisors on IFRS as well as an enhanced ability to use financial statements for supervisory purposes.

2.2. Details by Component

2.2.1. Component 1 - Reform Momentum and Support

Activities Overview

Activity	Topic	*	Date	Location
Workshop	Senior Officials’ Workshop on March 28 -29 for senior government officials leading accounting and auditing reforms in countries covered by EU-REPARIS and STAREP to review program progress and discuss the next steps.	Yes	28 -29 March	Brussels
Survey	FACT survey on State Owned Enterprises Financial Accountability, Controls and Transparency in Europe and Central Asia		March 2017 (TBC)	N/A
Knowledge management	Website Update and Upgrade	Yes	January- July	N/A
	Newsletter covering STAREP activities		Quarterly	N/A
	Website pages: topics, events, country		Ongoing	N/A

Description of Activities

Component 1 activities will continue to support the reform momentum in STAREP countries. Despite difference in legislative arrangements and requirements for financial reporting and audit, STAREP countries have many similarities, including in accounting education, existing mechanisms for corporate financial reporting and audit.

Knowledge management activities are aimed at keeping all STAREP participants up to speed on recent developments in the fields of corporate financial reporting, accounting and audit, via regular Newsletters and updates to CFRR web-site. CFRR is planning to upgrade the web-site to make it more user-friendly and accessible for information queries. This work is scheduled to begin in January 2017 and will continue through June 2017. Program participants will continue receiving regular updates on CFRR programs, events, technical work and related news from the quarterly CFRR Newsletter.

The upcoming Senior Officials’ Workshop will aim to provide a platform for high-level representatives of the beneficiary countries to exchange ideas, success stories and share concerns over their latest achievements in accounting and audit reforms. The format of the 2017 workshop will allow for peer learning between EU REPARIS and STAREP groups of

countries in order to expand outreach and community exchange. This workshop will also provide an opportunity for senior officials to engage directly with STAREP program partners and donor agencies.

Expected Outcomes

Maintain and increase reform momentum, awareness and knowledge in regard to financial reporting agenda and reform needs leading to further increased levels of activity in countries by:

- Creating high-level opportunities for networking, experience sharing and international exchange, particularly with representatives from the European Union;
- Ensuring clarity on reform status and progress including to reach agreement regarding preferred activities going forward; and
- Facilitating stronger linkages with reform partners, including mutually shared assessment of status quo and discussions on possible avenues for the way forward.

2.2.2. Component 2 – Accounting Education Reform

Activities Overview

Activity	Topic	*	Date	Location
Workshop	EduCoP: Enhancing compliance with International Education Standards at universities and PAOs through national initiatives		May 30	Vienna
	SMP Forum: Joint event with IFAC	Yes	May 31	Vienna
	EduCoP: Best Practices and Innovations in Accounting Education		October/ November	Belgrade (TBC)
Publication	Russian version of the International Education Standards published by IFAC		June	
	Competency based Education: A Good Practice Guide		November	

Description of Activities

- The first EduCoP workshop in Vienna will reinforce the importance of compliance with IFAC’s IES. Several countries will present work conducted since the last EduCoP workshop on national education initiatives in Minsk in 2016. Countries will then work collectively to update their national education initiatives to ensure that they lead to greater compliance with IES.

- The second EduCop workshop, tentatively scheduled to take place in Belgrade, will showcase best practices and innovations in the field of accounting education. This will include technological developments such as online learning and multimedia. Other topics will include adult education and training (continuing professional development). Participants will also receive an overview of the different international accreditations.
- As a joint event with IFAC, the SMP Forum will emphasize the comprehensive role that SMPs play in supporting SMEs to grow, and will also further explore the professional services that are emerging. Successful models and cases will be showcased and participating PAOs will benefit from IFAC SMP Committee’s resources.

Expected Outcomes

- Wider adoption of principle-based standards and enhanced capacity of PAOs to deliver more relevant local training programs;
- Increased capacity of universities and PAOs through:
 - Better understanding of IFAC’s IES and how to achieve greater compliance;
 - An understanding of the value of competency-based education for accountants and auditors: How the concept has become central to best practices in accountancy education and how some internationally recognized PAOs have incorporated it into their education and certification programs;
 - Development of tools and resources to adapt university and PAO programs to achieve competency-based education;
 - An understanding of the latest developments in accountancy education through the latest innovations of universities and PAO in Western Europe.

2.2.3. Component 3 – Accounting and Auditing Standards

Activities Overview

Activity	Topic	*	Date	Location
Workshop	A&ACoP: Practical aspects of implementing the accounting <i>acquis</i>		April	Kyiv
	A&ACoP: Practical aspects of implementing the auditing <i>acquis</i>		October	Tbilisi
Research	Conducting research on funding arrangements for public oversight institutions		January - June	N/A

Description of Activities

A first A&ACoP workshop is tentatively scheduled to be held in March, 2017 in Kiev, Ukraine. The workshop will focus on various topics related to accounting *acquis* implementation, for instance the requirements for consolidated financial statements of non-PIEs and practical application; disclosure of non-financial information; simplification of reporting requirements for small entities, etc.

A second A&ACoP workshop is tentatively scheduled for October 2017. The workshop will cover a range of subjects related to auditing *acquis* implementation. Tentative topics include: audit reporting and communication by audit oversight authorities; sanctions and disciplinary measures; advancing on approaches and methodologies in audit oversight; etc. A&ACoP members will be encouraged to present the updated transposition tables based on improved and adopted legislation.

Expected Outcomes

- Improved understanding of requirements for consolidated financial statements of non-PIEs and their practical application;
- Agreements reached among A&ACoP members on approaches and methodologies in audit oversight;
- Development of the updated transposition tables based on improved A&A legislation to show the improved level of compliance with the *acquis*.

2.2.4. Component 4 – Financial Regulators Practice Forum

Activities Overview

Activity	Topic	*	Date	Location
Seminar	IFRS seminar	Yes	October	Vienna
	Auditors and Supervisors	Yes	TBD	Vienna
Research/ Publication	Policy note: Critical path for enhancing collaboration between supervisors and auditors	Yes	TBD	N/A

Description of Activities

The CFRR will deliver an IFRS Seminar focusing on the future implementation of IFRS 9, the new accounting standard for financial instruments. The effective implementation of this standard is critical to the banking systems of all countries participating in the STAREP program. In particular, it implies that the level of provisioning for non-performing loans will be significantly higher than under the previous standard, IAS 39. In conjunction with the

event, the CFRR will organize a one-day exchange on the lessons learned from the implementation of the new guidelines for enhancing the collaboration between auditors and supervisors. A policy note will be prepared to complete the tools that were published in 2015 and 2016 on enhancing the relationship between auditors and supervisors. The policy note will address ways to implement the policy recommendations that were published in the 2016 guide.

Expected Outcomes

- Continued capacity development of banking and insurance regulators and supervisors on IFRS as well as an enhanced ability to monitor the quality of financial statements;
- Further increase in cooperation facilitated between auditors and supervisors;
- Policy paper describing the path to ensuring a better relationship between auditors and supervisors, leading to enhanced supervision of the banking system. This document will build on research and publications from 2015 and 2016.

2.2.5. Component 5 – Country-level Implementation Support

Armenia	
Activity/Topic	<ul style="list-style-type: none"> • Technical assistance/mission: Supporting the legislative process jointly with the World Bank’s Country Management Unit Country Director and Program Leader; • Technical assistance/mission: Assistance on ISA and Internationals Standards of Quality Control 1 (translation and capacity).
Expected Outcomes	Subject to the adoption of the revised accounting, audit, and oversight legislation in 2017, technical assistance missions will support increased capacity of involved stakeholders and regulators to implement the provisions of the new law.
Azerbaijan	
Activity/Topic	Technical assistance/mission: Follow-on work on building capacity of the Azerbaijan Accountants and Risk Professionals Association (ARPA) to be an effective accounting professional body by developing a plan to comply with the membership requirements of the International Federation of Accountants.
Expected Outcomes	<ul style="list-style-type: none"> • Improved capacity of the ARPA to build a stronger profession of accountants that produces reliable financial information.

	<ul style="list-style-type: none"> An improved accounting law that requires the provision of reliable and credible financial statements to investors and other stakeholders.
Belarus	
Activity/Topic	<ul style="list-style-type: none"> Roundtable for SOEs: initiating dialogue on better accountability; Workshop: Strengthening local audit profession (SMPs) - 2nd round of training (TBC).
Expected Outcomes	<ul style="list-style-type: none"> Development of relationships among stakeholders, i.e. policy makers, regulators, profession and business; Establishment of dialogue 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.
Georgia	
Activity/Topic	<ul style="list-style-type: none"> Technical missions to support newly established Public Oversight Board and implementation of Accounting and Auditing Law; SARAS launch event.
Expected Outcomes	<ul style="list-style-type: none"> Improved legal framework in both accounting and auditing reflecting substantial alignment with the respective EU Directives (as measured by approved new laws by Parliament); Support for implementation of Accounting and Auditing (A&A) Law based on the EU <i>acquis communautaire</i> through technical assistance in establishment and launch of the Georgian SARAS; Support for dialogue and relationships among key stakeholders, i.e. policy makers, regulators, profession and business.
Moldova	
Activity/Topic	<ul style="list-style-type: none"> Policy dialogue and technical support, particularly on review progress of adoption of new A&A laws; Technical support in implementing the third phase of improving functionality of the Public Register of FSs; Project preparation to support implementation of new legislation (subject to identification of development partners' financing);

	<ul style="list-style-type: none"> • Workshop: Replication of STAREP regional events (A&ACoP (1) and EduCoP (1)).
<p>Expected Outcomes</p>	<ul style="list-style-type: none"> • Improved legal framework in both accounting and auditing reflecting substantial alignment with the respective Directives (as measured by approved new laws by Parliament); • Enhanced SME financial reporting standards, as measured by approved classification of entities, and related disclosure requirements as drafted in the new Accounting Law; • Enhanced functionality of the Public Register of Financial Statements, as measured by initiating the implementation phase; • Support in implementation of new A&A legislation, as measured by identification of development partners financing and preparation of project documentation).
<p>Ukraine</p>	
<p>Activity/Topic</p>	<p>Technical assistance/mission to support laws on accounting and auditing.</p>
<p>Expected Outcomes</p>	<ul style="list-style-type: none"> • Support for draft A&A Law based on the EU <i>acquis communautaire</i> and its presentation to the Ukrainian Parliament; • Dialogue established between MOF and leading universities on improving the accounting and audit curricula; • Support in implementation of new A&A legislation, as measured by identification of development partners financing and preparation of project documentation); • Support for dialogue and relationships among key stakeholders, i.e. policy makers, regulators, profession and business.

3. PROGRAM ADMINISTRATION AND FINANCIAL SUMMARIES

3.1. 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:

3.1.1. Management

Name	Position
Soukeyna Kane	Practice Manager
Jarett Decker	Head, CFRR

3.1.2. Country-relationship responsibilities

Country	CFRR	Country Office
Armenia	Alfred Borgonovo	Arman Vatyan
Azerbaijan	John Hodge	Tural Jamalov
Belarus	Natalie Manuilova	Irina Babich, Natalia Konovalenko (based in Kyiv)
Georgia	Natalie Manuilova	Irina Gordeladze
Moldova	Andrei Busuioc	Oxana Druta, Svetlana Platon
Ukraine	Natalie Manuilova	Irina Babich, Natalia Konovalenko

3.1.3. Activity responsibilities

Overall program oversight		Jarett Decker
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 Management		Reinhard Haslinger

3.2. Financial Information

Financial information can be made available upon request.

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.

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

Outcomes	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

Outcomes	Outcome Indicators	Means of Verification	Institutional Constraints and Assumptions
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
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

Outcomes	Outcome Indicators	Means of Verification	Institutional Constraints and Assumptions
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 per Component

Component	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

Component	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 	<ul style="list-style-type: none"> • Number of workshop participants and returning institutions 	<ul style="list-style-type: none"> • IFRS training events and exchanges • Virtual seminars

Component	Intermediate Outcomes	Indicators	Outputs/ Means
	<ul style="list-style-type: none"> Awareness and knowledge of relevant IFRS and new standards 	<ul style="list-style-type: none"> Assessments and degree of participation during event Follow-up surveys 	<ul style="list-style-type: none"> 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 Establishment of relationships among stakeholders, i.e. policy makers, regulators, international bodies 	<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

ANNEX 2: DESCRIPTIONS OF ACTIVITIES COMPLETED IN 2016

Component 1 – Reform Momentum and Support

Senior Officials' Workshop, Vienna, 26 April

Around 100 senior officials leading accounting and auditing reforms in countries participating in the EU-REPARIS and STAREP programs came together to share reform progress and exchange experiences of recent initiatives in the area of accounting and auditing. The workshop also took a broader look at a number of key cross-cutting issues and considered the impact of financial reporting on economic development.

Ministerial Conference on Quality Financial Reporting: A Catalyst for Growth, Vienna, 27 April 2016

The biennial Ministerial Conference addressed the impact that quality financial reporting has on catalyzing growth in investments and economies. Around 240 delegates attended the Conference, including ministers of finance, senior government representatives, and representatives of the business, professional and academic communities from across Europe and Central Asia, along with experts from key international organizations. In view of the current economic situation and the key role that the private sector needs to play in creating jobs to boost the economy, speakers repeatedly stressed the importance of enhancing the quality of financial information to achieve greater transparency and, as such, act as a catalyst for growth. The key benefits of reliable financial reporting identified throughout the Conference were financial stability, private sector development, and public administration reform.

Component 2 – Accounting Education Reform

EduCop workshop: National initiatives for strengthening accounting, Minsk, 11 to 12 October

This workshop brought together representatives of leading universities and PAOs to address accounting education reforms. The objectives of this workshop were to: review the international benchmarks, standards, regulations, and trends which have an impact on the pathways to the accounting and audit profession; consider how different countries have structured their education and certification programs to comply with these requirements, and identifying international best practices; evaluate the current strengths and weaknesses of accounting and auditing professional education and certification models in participating countries; identify synergies and gaps in accounting and auditing education between the

university and professional levels; outline a long-term vision for each country; and prioritize key initiatives and determine the next steps to be undertaken in the short-term.

EduCop workshop: Past achievements and future directions, Yerevan, 15-16 June 2016, Yerevan

Around 40 experts and practitioners took part in this regional workshop focusing on accounting education reforms. During the workshop, participants identified several "champions" from the Accounting and Auditing Education Community of Practice who will share their expertise in different areas of accounting and audit education with their peers in the future. Participants made significant progress towards finalizing the Regional Curriculum, and shared the outcomes of the diagnostics completed to date as well as reviewing the reforms that have been undertaken in the region.

Component 3 – Accounting and Auditing Standards

Enhancing audit quality for more accountable and transparent economies, Minsk, 10-11 October 2016

This workshop was designed for members of the Accounting and Auditing Standards Community of Practice (A&ACoP). It focused on the practical application of specific provisions of the European Union's Auditing Directive, and their effects on the accountability of economies and governments. During the workshop, participants enhanced their understanding of the role of good audits in raising transparency among state-owned and private sector enterprises. Discussions centered around governance arrangements such as the importance and functions of Audit Committees, their influence on companies' financial transparency, reporting and audits of state-owned enterprises (SOEs), as well as the role of external auditors in helping governments to identify and manage risks stemming from SOEs' operating and financial activities. The first day culminated in discussions on the first steps in establishing a public oversight institution and a sound quality assurance system, based on practical examples of Georgia, and the peer countries of Croatia and Macedonia. On day two, A&ACoP members together with EduCoP members explored ways to improve professional development in the accounting and audit profession.

A&ACOP - supporting the implementation of improved financial reporting requirements for SMEs, Warsaw, 17-18 March 2016

The aim of the 5th A&ACoP workshop was to support STAREP countries in their efforts to put in place the best and the most appropriate accounting and financial reporting regime for SMEs, including appropriate disclosure and transparency requirements for entities which are of public interest. As the largest of the national FRTAP programs, Poland offered valuable

support and advice to STAREP countries on transposing the requirements of the EU Accounting Directive and establishing financial reporting requirements for various types of entities: from micro- to large entities as well as for Public Interest Entities.

Participants gained valuable insights into improving the accounting standards' setting process. An important part of the accounting reform, common to all STAREP countries, is the adoption of accounting standards that will suit the needs of both the users and the preparers of financial statements. Participants also learned about the standard setting process in Norway and how IFRS for SMEs are used in setting accounting standards, and how the financial reporting requirements for not-for-profit organizations could be improved in line with good international practices.

Each country delegation outlined their country's approach and progress. This was followed by discussions of the process and feedback on specific issues or queries raised by the delegations. Common themes included the challenge of classification of entities, defining a public interest entity, the scope of the consolidated financial statements and reports, and transposing non-financial reporting. Most participants reported that they had gained new knowledge which was relevant and would help them in their work.

Virtual Seminar on 'General Overview of EU Directives related to Corporate Financial Reporting Requirements', 30 June 2016

The virtual workshop featured presentations by senior officials from the European Commission. The presentations covered the key aspects related to corporate financial reporting, regulated by: (i) EU Directive 86/635/EEC on the annual accounts and consolidated accounts of banks and other financial institutions; (ii) EU Directive 91/674/EEC on the annual accounts and consolidated accounts of insurance undertakings; and (iii). EU Directive 2004/109/EC on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market.

Component 4 – Financial Regulators Practice Forum

Supervisors' Exchange Forum, Vienna, 7-9 September 2016

Supervisors and regulators responsible for supervising banks and insurance undertakings from 13 countries across Europe attended the 2016 Supervisors' Exchange Forum in Vienna, Austria. The forum was hosted by the CFRR and the Austrian Ministry of Finance and provided an opportunity to launch the World Bank Guide on the Relationship between Supervisors and Auditors. The Guide was the culmination of consultations between the CFRR and senior banking supervisors. It documents good banking supervisory practices for cooperating with auditors. It also provides a set of concrete measures ranging from legislative changes to

practical suggestions to improve capacity building and day-to-day working practices with auditors.

Publication: World Bank Guide for Banking Supervisors and External Auditors: Building a Constructive Relationship

The Guide draws together recommendations to improve the relationship between supervisors and external auditors illustrated by good practices from 35 supervisory authorities across Europe and Central Asia. It has been developed as a supplement to the 2015 World Bank Centre for Financial Reporting Reform report on *Banking Supervisors and External Auditors: Building a Constructive Relationship*. Its main objective is to assist banking supervisors in managing their relationships with banks' auditors and in developing their policies which will contribute to build enhanced auditing and supervisory practices.

The Guide also takes into account the 2014 Guidance of the Basel Committee on Banking Supervision (BCBS) on External Audits of Banks and the 2016 European Banking Authority (EBA) Guidelines on the Communication between auditors and competent authorities. The CFRR's report and its work are acknowledged in the EBA guidelines.

Component 5 – Country-level Implementation Support

Armenia and Azerbaijan

No local events held.

Belarus

Roundtable “Modern Accounting Education: Development Perspective”, Minsk, 19 April 2016

The Second Roundtable “Modern Accounting Education: Development Perspective” was held on April 19 2016, co-organized by the Ministry of Finance, the World Bank’s CFRR and Belarus State Economic University. The event provided a platform for discussion on the future of accountancy education in Belarus among various stakeholders, including the Ministry of Finance, the Ministry of Education, leading universities and accounting and audit professionals. The discussions held during this Roundtable identified the following key priorities requiring the attention of all counterparts:

1. Accounting and auditing education and specialization requires the special attention of the Ministry of Finance and the Ministry of Education, given its critical role in the country’s economic development. Therefore, specialization in accounting and audit



specialization should remain a separate degree in Belarus universities and be supported by the Government in its modernization process, in line with global developments;

2. Belarus universities specialized in accounting and auditing should be encouraged to: modernize their accounting curricula based on the outcomes of the profiling tool; further improve the quality of teaching; and reform their examination system.

Georgia

Events supporting the World Bank's commitment to audit reform in Georgia

The CFRR team held a series of events in Tbilisi between March 21 and 24 to demonstrate the World Bank's commitment to ongoing reform in audit regulation and to support Georgia on its reform path in this important policy area. The team took part in official discussions in the Georgian Parliament on the new Accounting and Audit Law, which was developed based on recommendations of the A&A ROSC and supported by the World Bank. The team also held successful consultations to discuss the draft law with businesses and representatives of the private sector in March 2016.

The new Accounting & Audit Law was approved by Parliament on 8 June 2016. The new law will improve audit quality in Georgia and align legislation on financial reporting and auditing more closely with EU laws. The legislation will also introduce public audit oversight, strengthen auditor independence, and enhance transparency in financial reporting. These changes will help to simplify access to credit for businesses and improve the investment climate in Georgia, demonstrating the country's progress in implementing the EU-Georgia Association Agreement.

Accounting Education Roundtable for lead universities teaching Accounting and Audit, May 17 2016

Roundtable participants reviewed the preliminary results of the completion of the profiling tool, presented by the Caucasus School of Business. The tool compares accountants' training curricula against relevant programs of leading international training institutes and identifies gaps. Participants discussed the outcomes of such a review and agreed on the next steps to address identified gaps. The event contributed to an improved understanding of international good practices in educating accountants and auditors and prepared participants for the STAREP Accounting Education regional workshop in Yerevan on June 15-16 2016.

Georgian PAOs consultations on the role of PAOs in raising capacity of the profession and meeting the market demand for qualified accountants, May 18 2016

The event highlighted a growing need to consolidate efforts and build a sustainable business model for PAOs to provide valuable services to their members and contribute to accountancy development in the country. Examples were drawn from the developed markets of Australia,

New Zealand and Canada, where consolidation of the accountancy profession has begun and has proven to be successful for the professional development of accountants and auditors, benefiting market participants and the economy overall.

Joint CFRR-GFPAA International conference on “European Integration and Challenges of the Profession”, May 19 2016

The conference was dedicated to the 20th Anniversary of the Georgian Federation of Professional Accountants and Auditors (GFPAA), the leading Georgian PAO. The event gathered over 70 participants from Georgia and the region’s leading PAOs to discuss current challenges faced by PAOs, and to agree on regional cooperation to strengthen the accounting profession’s footprint and contribution to economic development.

Moldova

Initiatives for Strengthening Accounting Education, Chisinau, 18 November

This one-day workshop was convened to disseminate the lessons learned at the regional Accounting and Auditing Education Community of Practice (EduCoP) with the local community of practice from Moldova, and to identify practical and workable solutions to strengthen education in accounting and auditing at both the university and professional levels.

The event was organized by the CFRR in collaboration with the Academy of Economic Studies of Moldova and Moldova State University, whose representatives are active participants in STAREP. Participants included around 60 representatives from various universities in Moldova, the Ministry of Finance, the Commission of Certification of Auditors, the Auditing Oversight Council, professional accounting organizations and the business community.

Supporting the Ministry of Finance in delivering awareness events and public debates to allow key stakeholders to better understand the European *acquis communautaire*. The CFRR team participated in a series of public debates in cooperation with the Ministry of Finance on June 15, June 16 and July 22 to allow key stakeholders to better understand various provisions of the corporate financial reporting *acquis*. Approximately 120 participants from various institutions and bodies, the profession, academia, regulators and policy makers attended the discussions and learned how similar *acquis* requirements are transposed in various European countries. Public awareness and debates organized during the process of drafting new accounting and auditing laws will help the Ministry of Finance during the second phase, when draft laws are published for official comments. The CFRR will continue supporting the MOF in finalizing this process and will pass the draft laws for pre-approval by the Government (tentatively scheduled for early 2017).

In 2016 the technical description for the proposed model to improve the functionality of the Public Register of financial statements was developed and partially agreed on with the beneficiary. However, additional financing is to be identified in order to move on to the implementation phase, thus ensuring public availability of financial statements (efforts in that direction will continue in 2017).

Ukraine

Completing the transition to IFRS in the Ukrainian Banking Sector, Kyiv, 10-11 May 2016

Banks in Ukraine have been required to fully transition to IFRS since December 2015. In support of a successful transition, the CFRR organized two workshops in Kyiv in 2015. The third and final workshop took place in May 2016 and was dedicated to discussing the main challenges and difficulties faced by local banks in closing their first financial year under the IFRS. Approximately 50 participants from supervision and risk management departments of the NBU, as well as representatives of financial and accounting departments from 20 Ukrainian commercial banks, attended the workshop. Participants discussed the challenges of financial instrument valuation, explored the connection between IFRS and prudential regulations through practical application and case studies, and learned about the latest developments in bringing IFRS closer to the requirements of Basel III.

The Second Accounting Education Roundtable “Raising the standards of accounting education”, May 25, 2016

Participants at the roundtable reviewed and discussed results of a profiling tool completed by the Odesa National Economic University, which helped identify gaps in accounting degree curricula, and discussed how to address them. The tool was developed by the CFRR team to help universities to compare their accountants` training curricula against relevant international benchmarks.

International Conference on “Prospective development of accounting, control and analysis in the context of European integration”, May 26 2016

The Conference co-organized by CFRR and with Odessa National Economic University gathered representatives from academia, PAOs and the Ministry of Education. The event helped to strengthen ongoing dialogue and improve understanding of international good practices in educating accountants and auditors. The CFRR team’s input focused on relevant benchmarks and key issues to address in accountancy education as part of Ukraine’s efforts in aligning standards and practices with the EU requirements.

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LE GOUVERNEMENT
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