

CFRR

Centre for Financial
Reporting Reform



WORLD BANK GROUP

ADVANCING AUDIT QUALITY ASSURANCE SYSTEMS: TRENDS AND OPPORTUNITIES

26-27 April 2018
Vienna, Austria



FRCoP

Financial
Reporting
Community
of Practice



EU-REPARIS is funded by
the European Union
and is a part of WB EDIF.

CFRR 
**Centre for Financial
Reporting Reform**



WORLD BANK GROUP

Centre for Financial Reporting Reform (CFRR)
Governance Global Practice, The World Bank

Address: Praterstrasse 31, 1020 Vienna, Austria

Web: www.worldbank.org/cfrr

Email: cfrr@worldbank.org

Phone: +43-1-217-0700

JOINT STAREP AND EU-REPARIS COMMUNITIES OF PRACTICE WORKSHOP

ADVANCING AUDIT QUALITY ASSURANCE SYSTEMS: TRENDS AND OPPORTUNITIES

26-27 April 2018, Vienna, Austria

OBJECTIVES

The objective of the workshop is to enhance participants' knowledge about audit quality assurance systems, through presentations and discussions about key principles of audit oversight and processes of quality assurance systems.

During the workshop, participants will have the opportunity to share experiences and learn from international experts, who will offer their reform experience about strengthening quality assurance systems in different countries. Discussions will draw on examples related to quality assurance systems in various parts of the world, and benchmark these to the relevant legal requirements of the *EU acquis communautaire*.

This workshop will convene participants from two regional projects, covering 12 countries, that is **STAREP** (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine) and **EU-REPARIS** (Albania, Bosnia & Herzegovina, Kosovo, Macedonia, Montenegro, and Serbia). In addition, participants from the Kyrgyz Republic will participate as guests at the event.

FOREWORD

The issue of audit quality remains vital to public confidence in audit. While there is evidence that audit quality has improved and continues to improve, concerns remain, both about those audits that fall below satisfactory standards and about the pace of improvement. As a result, there is a keen interest in initiatives to drive better audit quality.

Following the provisions of the EU Auditing Directive 2006/43/EC¹, regular inspections together with adequate enforcement actions are a good means of enhancing quality of audits. A good quality assurance system should also be organized in a manner that is independent from the reviewed statutory auditors and audit firms.

Enhancing audit quality processes and inspection regimes requires (i) understanding of the pros and cons of various inspection regimes, (ii) choosing relevant inspection practices and developing them, and (iii) promoting a greater consistency in inspecting firms belonging to international audit networks and domestic audit firms.

¹ <http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1488792085871&uri=CELEX:02006L0043-20140616>

The **International Forum of Independent Audit Regulators² (IFIAR)** defines **11 core principles for independent audit regulators that to underpin their effectiveness**. IFIAR was established in 2006 and comprises independent audit regulators from 52 jurisdictions representing Africa, North America, South America, Asia, Oceania, and Europe. IFIAR's mission is to serve the public interest and enhance investor protection by improving audit quality globally and assist its members in strengthening their audit oversight and quality assurance systems. The workshop will benefit from a keynote speech from the IFIAR inspections working group.

The International Auditing and Assurance Standards Board (IAASB) has outlined in "*A framework for audit quality, key elements that create an environment for audit quality*"³ that **the term *audit quality* encompasses the key elements that create an environment which maximizes the likelihood that quality audits are performed on a consistent basis**. The paper highlights that a quality audit is likely to have been achieved by an engagement team that: (i) exhibited appropriate values, ethics and attitudes; (ii) was sufficiently knowledgeable, skilled, and experienced and had sufficient time allocated to perform the audit work; (iii) applied a rigorous audit process and quality control procedures that complied with law, regulation and applicable standards; (iv) provided useful and timely reports; and (v) interacted appropriately with relevant stakeholders.

In a recent publication "*Tenets of a quality audit*"⁴, the **Association of Chartered Certified Accountants (ACCA)** identifies **additional contributors** to quality audit as follows: (i) thoroughness and timeliness; (ii) independence and closeness; (iii) standardization and autonomy; (iv) delivering a holistic opinion and responding to fraud; (v) backward-looking and forward-looking; and (vi) transparency and confidentiality.

² <https://www.ifiar.org/>

³ <https://www.ifac.org/system/files/publications/files/A-Framework-for-Audit-Quality-Key-Elements-that-Create-an-Environment-for-Audit-Quality-2.pdf>

⁴ http://www.accaglobal.com/content/dam/ACCA_Global/professional-insights/Tenets-of-quality-audit/pi-tenets-quality-audit.pdf

AGENDA | DAY 1 | THURSDAY, 26 APRIL 2018

08:30 Registration and Welcome Coffee

08:45 **Welcome Remarks**

Jarett Decker | Head, Centre for Financial Reporting Reform (CFRR), World Bank

08:55 **The objectives and purpose of the joint STAREP & EU-REPARIS sessions**

Pascal Frerejacque | Senior Operations Officer, CFRR, World Bank

Andrei Busuioc | Senior Financial Management Specialist, CFRR, World Bank

09:00 **Keynote speech: International trends in audit oversight and its importance for the quality of audits: updates from IFIAR**

The session will provide the audience with a brief overview of IFIAR and the values of membership for audit oversight institutions. It will refer also to the recent updates on its institutional set-up. The session will then focus on the inspection related activities that are done by IFIAR working groups, i.e. inspection workshops, survey of inspection findings and developing common positions on new standards. The presentation will be followed by a Q&A session.

Diabaté Dieynaba | Deputy Head of International Affairs, Federal Audit Oversight Authority (FAOA), Switzerland

Martin Schmidt | Financial Audit Team Leader, Federal Audit Oversight Authority (FAOA), Switzerland

Moderator:

Andrei Busuioc | Senior Financial Management Specialist, CFRR, World Bank

10:30 Coffee Break

11:00 **The experience with the quality assurance networks - the initiative of ICAEW**

The aim of this session is to provide participants with insights about quality assurance networks (QAN). It will provide details on ICAEW recent initiative, its activities and outcomes. It will both discuss the views of ICAEW and the ones of a participating PAOs. The presentation will be followed by a Q&A session.

Martin Manuzi | Regional Director for Europe, The Institute of Chartered Accountants in England and Wales (ICAEW)

Ciprian Teodor Mihailescu | President of the Chamber of Financial Auditors of Romania (CAFR)

Moderator:

Pascal Frerejacque | Senior Operations Officer, CFRR, World Bank

12:30 Lunch

13:30

Presentation of the reform in Croatia: conditions for a successful implementation of accounting and audit reform

This session will discuss Croatia's successful reforms towards EU accession in June 2013 and review elements that contributed to this success. The presentation is based on a publication that will be distributed during the workshop.

The presentation will be followed by a Q&A session.

Pascal Frerejacque | Senior Operations Officer, CFRR, World Bank

Moderator:

Andrei Busuioc | Senior Financial Management Specialist, CFRR, World Bank

15:00 Coffee Break

15:30

Macedonia – Results in audit quality assurance: successes and challenges

The focus of this session will be on the Macedonian audit quality assurance related matters, including references to the applied methodology and performed inspections. The speaker will refer to the various stages of implementation, referring to cooperation, launching the quality assurance inspections, using illustrative examples from their inspection programs, highlighting typical findings, and indicating the main challenges and results achieved. The presentation will be followed by a Q&A session.

Branka Stojanovska | Quality reviewer, Institute of Certified Auditors of the Republic of Macedonia (ICARM)

Moderator:

Pascal Frerejacque | Senior Operations Officer, CFRR, World Bank

17:00 End of Day 1

- Group Dinner /details will be announced/

AGENDA | DAY 2 | FRIDAY, 27 APRIL 2018

08:30 Morning Coffee

09:00 **Legal framework and its enforcement: recent updates since last workshop**

During this interactive session, each country will update the audience about the progress made since the last workshop related to the legal frameworks and/or adoption of the new legislation in the field of auditing, public oversight and accounting. The speakers will also highlight the steps and actions undertaken in order to implement and enforce the improved legislation. CFRR staff and other experts will facilitate discussions after each country presentation and provide relevant comments and insights.

Presenters: **Representatives from each of the six participating countries (Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro and Serbia)**

Moderators:

Pascal Frerejacque | Senior Operations Officer, CFRR, World Bank

Ranjan Ganguli | Financial Management Consultant, CFRR, World Bank

10:00 Coffee Break

10:30 **Panel discussions on sub-processes of quality assurance**

During this session, panelists and participants will discuss about the sub-processes of a sound quality assurance system. The discussion will be informed by a presentation on preparatory work on quality assurance for Kosovo. Following aspects will be debated:

- Hiring a quality assurance team: which professional profiles to put together;
 - The inception period of audit quality assurance processes: education versus enforcement;
-

-
- Reviewing big audit firms;
 - Typical experience with small and medium practices quality assurance: issues faced, solution implemented.

Kalina Shukarova Savovska | Senior Financial Management Specialist, CFRR, World Bank

Ranjan Ganguli | Financial Management Consultant, CFRR, World Bank

Mark Mainwaring | Technical and Quality Control, UK FRC - Audit Quality Review Division

Branka Stojanovska | Quality reviewer, Institute of Certified Auditors of the Republic of Macedonia

Boško Vidaković | Secretary General, Chamber of Authorized Auditors of Serbia

Facilitator: **Pascal Frerejacque** | Senior Operations Officer, CFRR, World Bank

12:00 Lunch

Joint STAREP and EU-REPARIS Communities of Practice sessions

13:00 **Developing a quality assurance system – how to build an effective model**

The aims of this session are to help participants, in particular those from newly-established public oversight bodies, to:

- Understand the key components of an effective quality assurance methodology;
- Create an effective oversight system; and
- Develop programs to meet their own national requirements.

This session will also introduce the Committee of European Auditing Oversight Bodies' (CEAOB) Common Audit Inspection Methodology (CAIM), a suite of work papers developed to encourage high quality and consistent inspection procedures. The presentation will be followed by a Q&A session.

Mark Mainwaring | Technical and Quality Control, UK FRC - Audit Quality Review Division and CAIM Working Party member

Moderator:

Ranjan Ganguli | Financial Management Consultant, CFRR, World Bank

14:30 Coffee Break

15:00 Building a quality assurance system: next steps

During this interactive session, participants will work in groups by countries in order to summarize the findings of the two-day workshop and reflect on the next steps. CFRR staff and other experts will facilitate discussions and provide relevant comments and insights in order to help country delegations to develop an initial outline of the plan for quality assurance system in their respective countries. Each country delegation will briefly present their plan and/or the key findings at the end of the session. The session will also invite feedback on the workshop against the stated objectives to help shape the agenda for future workshops.

Facilitators:

Pascal Frerejacque | Senior Operations Officer, CFRR, World Bank

Andrei Busuioc | Senior Financial Management Specialist, CFRR, World Bank

16:50 Closing Remarks

Jarett Decker | Head, CFRR, World Bank

17:00 End of the Workshop

BIOS OF THE SPEAKERS



JARETT DECKER

Head, Centre for Financial Reporting Reform, World Bank

Jerry is a U.S. qualified CPA and lawyer who joined the World Bank in May 2014. At the Bank, Jerry has advised ministerial officials, audit committee members, public oversight boards, and professional accountancy organizations on reform of corporate financial reporting, with a particular emphasis on audit regulation, audit quality assurance, and independent oversight. He recently designed a technical assistance program for Serbia, has provided technical advice for clients in Poland and throughout Eastern Europe, and has been working with Bank colleagues in the East Asia Pacific region to develop technical assistance for audit regulators in Southeast Asia.

From 2006 through 2014, Jerry served as Deputy Director and Chief Trial Counsel for the Public Company Accounting Oversight Board (PCAOB), the body created through the Sarbanes-Oxley Act to regulate auditors of companies traded on U.S. markets. As the first person to serve in this role, he was responsible for establishing and leading the PCAOB's program of disciplinary litigation, primarily for deficient auditing. Jerry led the PCAOB's first successful disciplinary actions against auditors from "Big 4" and other international network firms. He also helped organize the Enforcement Working Group of the International Forum of Independent Audit Regulators (IFIAR). Before joining the PCAOB, Jerry served as Senior Trial Counsel for the U.S. Securities and Exchange Commission (SEC) in Chicago, where he prosecuted accounting, auditing, and securities fraud cases.



PASCAL FRÈREJACQUE

Senior Operations Officer, CFRR, World Bank

Pascal Frèrejacque advises several countries in Europe and Central Asia on enhancing their financial reporting, corporate governance, and auditing practices, coordinating that agenda for the financial sector across the CFRR regional programs, EU-REPARIS and STAREP. He has led the delivery of country programs on accounting and auditing reform and SOE monitoring in Croatia, the Czech Republic, and Serbia.

At the CFRR, Pascal led the publication of several ROSCs, and other knowledge products: Corporate Sector Accounting and Auditing in the EU (2015), Banking Supervisors and Auditors:

Building a Constructive Relationship (2016), Guide to reviewing financial statements for supervisors (2017), Croatia' EU Accession: case studies on accounting and auditing reform (2017).

He joined the World Bank in 2007, bringing 20 years of international auditing and advisory experience, including working at the IMF, serving as an audit manager for listed international banking groups, and managing corporate finance assignments at Arthur Andersen and Ernst & Young.



ANDREI BUSUIOC

Senior Financial Management Specialist, CFRR, World Bank

Andrei Busuioc has over 20 years' experience of accounting and auditing in both the private and public sectors, as well as university lecturing on accounting and auditing. He joined the World Bank Centre for Financial Reporting Reform (CFRR) in Vienna, Austria, in 2008, responsible for the financial reporting reform agenda in a range of countries. He has contributed significantly to several Reports on the Observance of Standards and Codes (ROSC) Accounting and Auditing, and has expertise in the thematic areas of audit regulation and state-owned enterprises (SOEs) governance.

Prior to joining the CFRR, Andrei worked in the World Bank Country Office in Moldova as a Financial Management Specialist, covering fiduciary activities, public finance management development, and corporate financial reporting development. He is an accountant by training, and a member of the UK Association of Chartered Certified Accountants (ACCA). Andrei holds a university degree in economics from the Moldova State Agricultural University, and a Ph.D. in economics from the Academy of Economic Studies of Moldova. He also holds a postgraduate diploma in public financial management from the Centre for Financial and Management Studies, University of London. He speaks Romanian, Russian, English, as well as basic Bulgarian and German.



DIABATÉ DIEYNABA

Deputy Head of International Affairs, Federal Audit Oversight Authority (FAOA), Switzerland

Dieynaba Diabaté joined the FAOA's Legal and International Affairs Division in 2016. In her role, she manages international cooperation such as administrative assistance with foreign audit regulators. She is also a member of the IFIAR International Cooperation Working Group. Further, she supports the

IFIAR Vice Chair with IFIAR Working Groups' coordination, as well as IFIAR Board matters. Prior to joining the FAOA, Dieynaba worked for a number of international law firms including Greenberg Traurig, LLP and Littler Mendelson P.C. in Atlanta, Georgia (United States).

She holds a Bachelor of Laws degree from the University of Fribourg (Switzerland), a Master of Laws in International and European Law from the University of Geneva (Switzerland), and an LL.M from Emory University School of Law (United States). She is also licensed to practice law in the state of Tennessee (United States).



MARTIN SCHMIDT

Financial Audit Team Leader, Federal Audit Oversight Authority (FAOA), Switzerland

Martin Schmidt joined the FAOA's inspection unit in 2012 as team leader focusing on the inspection of Bank audits. Before that he performed this task at the German Auditor Oversight Commission (AOC) for three years. He represented the FAOA in the IFIAR and CEAOB Standard coordination working group. On the CEAOB level he is still member of the Financial Services Task Force. At the IFIAR Inspection workshops he presented for several years together with other countries the Banking Advanced and Banking Basics elective sessions.

During his 14 years working in the banking audit of PricewaterhouseCoopers in Germany, Serbia and Switzerland he audited financial statements from banks prepared in accordance with IFRS, US-GAAP, Swiss-GAAP and German-GAAP. For two years he was responsible for the audit of banks in Serbia, Republika Srpska, Montenegro and the national banks of Slovenia and Montenegro. Martin is a German attorney at law and German public accountant being registered with the German Wirtschaftsprüferkammer and the FAOA. He also qualified for the US CPA.



MARTIN MANUZI

Regional Director for Europe, The Institute of Chartered Accountants in England and Wales (ICAEW)

Martin Manuzi is Regional Director, Europe of ICAEW - the Institute of Chartered Accountants in England and Wales. ICAEW is the largest professional accountancy Institute in Europe and as required by its Royal Charter works in the public interest. ICAEW's activities in the Europe Region encompass interaction with the European Institutions and key stakeholders

on EU regulatory and public affairs, increasing access to ICAEW's portfolio of qualifications and services and supporting ICAEW members.

Martin chairs the Accountancy Profession Strategic Forum (APSF), an ICAEW initiative begun in 2012 to promote proactive strategies by national professional accountancy organisations in Europe to enhance their roles in market development and the public interest. Martin also oversees the Quality Assurance Network for audit, established through the APSF, to enable the dissemination of best practice in quality assurance monitoring.

Born and educated in the UK, Martin completed a Ph.D. in history on the Italian state industrial sector.



CIPRIAN TEODOR MIHAILESCU

President of the Chamber of Financial Auditors of Romania (CAFR)

Ciprian Mihailescu has been President of the Chamber of Financial Auditors of Romania (CAFR) since September 2017, before that he was the first-vice-president (2014-2017). Mr. Mihailescu represented CAFR at the Accountancy Europe Audit and Assurance Working Group. He is involved in ICAEW's quality assurance networks (QAN) project from the very beginning (2015), being the coordinator on behalf of CAFR.

Ciprian is a financial auditor since 2008 and he got PhD diploma in banking sector Internal Audit in 2012. During his PhD studies he spent three months in the London Business School in a form of a mobility scholarship for research purposes. He has over 18 years of experience in banking and insurance auditing, including 8 years in financial audit as a small and medium-sized practice (SMP).

In December 2015 Mr. Mihailescu shared his experience at the EU TAIEX⁵ Workshop in Kyiv, Ukraine on the implementation of the requirements of the EU *acquis* on statutory audits.

Ciprian is a graduate of the Academy of Economic Studies from Bucharest, Management Faculty.

⁵ Technical Assistance and Information Exchange instrument of the European Commission



BRANKA STOJANOVSKA

Quality reviewer, Institute of Certified Auditors of the Republic of Macedonia (ICARM)

In March 2009 Branka joined the Institute of Certified Auditors of Republic of Macedonia (ICARM). Occupation involved developing and maintaining system of quality assurance in Macedonia. Got relevant technical support, practical coaching and mentoring by the French Institute (CNCC and CSOEC) during the first cycle of quality assurance inspections. Currently still working on quality assurance inspections as a team member. Before joining ICARM, in 2002 Branka joined Makedonski Telecom as a head of the internal audit team to develop and maintain internal audit function in compliance with the Group structure.

In the period 1998 to 2002 she worked on two USAID accounting and auditing development projects in Macedonia conducted by International Business & Technical Consultants, Inc and KPMG Consulting. The work on the projects, as a first phase, involved training through train the trainer program which also included spending six months in USA attending CPA review training program at Northern Illinois University, DeKalb, Illinois and sit for CPA exam, and as a later phase develop and conduct specifically designed trainings on International Auditing standards and later on International Accounting standards for financial reporting purposes. Up to 1998 Branka spent three years working in private accounting and consulting firm.



RANJAN GANGULI

Financial Management Consultant, CFRR, World Bank

Ranjan Ganguli has worked with the CFRR since 2009 on various corporate sector financial reporting programs including Accounting & Auditing ROSCs, REPARIS, EU-REPARIS and FRTAP communities of practice, assessing countries' professional accountancy organizations and public oversight arrangements, and updating its publications.

Ranjan is a member of the Institute of Chartered Accountants in England and Wales with experience in both private and public sectors in the UK and abroad, notably in Europe and Central Asia as well as in sub-Saharan Africa. He worked for KPMG from 1987-1998 spending five years in London and two years in each of Hungary, Russia and the Czech Republic helping establish their audit and advisory practices. From 1998–2001, Ranjan worked as Senior Financial Management Specialist for the World Bank based in Washington DC. Since 2001, Ranjan has been an independent financial management consultant, primarily for the World Bank but also for UK DFID, the European Commission and various UN agencies. Ranjan is a

graduate of Manchester University with a bachelor's degree in Computer Science and Accounting.



KALINA SHUKAROVA SAVOVSKA

Senior Financial Management Specialist, CFRR, World Bank

Kalina Shukarova Savovska joined the World Bank Centre for Financial Reporting Reform (CFRR) in June 2013. At the CFRR, she supports activities involving accounting education and capacity building, providing policy advice on corporate financial reporting reform and the development of the accounting and auditing profession, with primary focus on auditing standards. She has authored and contributed to several Accounting and Auditing Reports on the Observance of Standards and Codes and accountancy publications and participated in Financial Sector Assessment Program mission. Prior to the CFRR, she was an Executive Director with Ernst and Young specializing in assurance, bringing with her over 15 years of practical accounting and auditing experience.



MARK MAINWARING

Technical and Quality Control, UK FRC - Audit Quality Review Division and CAIM Working Party member

Mark Mainwaring has been a member of AQR's Technical and Quality Control team for five years, reviewing in that time more than 300 inspections of FTSE 350 audits. Previously he worked in both client-facing and technical roles in the audit profession, including 12 years as Head of Audit Methodology at BDO and five years as Head of Pensions Audit and Assurance at Grant Thornton. Mark is a Modern and Mediaeval Languages graduate from Oxford University and a Chartered Accountant.



BOŠKO VIDAKOVIĆ

Secretary General, Chamber of Authorized Auditors of Serbia

Boško Vidakovic has been Secretary General of the Chamber of Authorized Auditors since 2008. In this role he works on the organization of the audit profession in the Republic of Serbia, and the adoption of EU directives into Serbian legislation. He liaises closely with domestic and international organizations to advance the audit profession in the Republic of Serbia. Boško is a graduate from the Faculty of Law in Belgrade.

