

PUBLIC OVERSIGHT IN REPUBLIKA SRPSKA

Ministry of Finance of the Republic of Srpska

Vienna, 25 October 2017

Advancing in Accounting & Auditing Regulation: Improving Compliance through Better Enforcement and Adequate Requirements for Non-Financial Reporting

CFRR >>

**Centre for Financial
Reporting Reform**



Road to Europe: Program of Accounting
Reform and Institutional Strengthening



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



Legal Framework

2015-2020 Programme and Action Plan for Improvement and Development of Accounting and Auditing Profession in Republika Srpska

Law on Accounting and Auditing of Republika Srpska (“Official Gazette of Republika Srpska”, issue No. 94/15)

Instructions for Implementation of Oversight over Operations of Business Entities Providing Services from Field of Auditing and Accounting (**“Official Gazette of Republika Srpska”, issue No. 102/16**)

- in implementation for oversight activities performed in 2017



Public Oversight in Republika Srpska



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ACCOUNTING AND
AUDITING COUNCIL

MoF (auditing
companies)

Monitoring
Commission

PAO (auditors)



Public Oversight System

- The Ministry of Finance performs oversight over the operations of auditing firms
- 2 employees
- 36 auditing firms
- 196 authorized auditors (161 holding a valid license)
- Around 350 public interest entities

Accounting and Auditing Council of Republika Srpska

- issues opinions to drafts and proposals for laws and other regulations from the field of accounting and auditing
- provides proposals for opinions on general enactments of the professional association
- reviews the annual plan for oversight over statutory auditors and auditing firms
- reviews the annual report on oversight over statutory auditors and auditing firms

- **Advantages**

- Independence from statutory auditors and auditing firms that are subject to oversight
- Financing ensured
- Financing independent from statutory auditors and auditing firms

- **Shortcomings**

- Shortage of adequate staff (auditors with experience)
- Oversight is often not within the primary focus of the Ministry of Finance



Compliance with EU Regulations

- Public register of authorized auditors and auditing firms
- Auditors' rotation based on the “7+3” principle
- Report on transparency
- Prohibition of provision of non-auditing services (excluding tax related services)
- Oversight over auditing firms (PIE)
- Independence of the public oversight body
- Transparency of the public oversight body
- Period for performing oversight – 6 years, i.e. 3 years (PIE)




Compliance with EU Regulations

- Testing engagement control (ISQC 1)
- Application of ISA
- Submitting data to the Ministry of Finance on revenues from auditing and non-auditing services



(Lack of) Compliance with EU Regulations

- ✓ Prohibition of provision of tax related services
- ✓ Limitations of revenues executed from non-auditing services to 70% of revenues executed from auditing services
- ✓ Limitation of fees originating from one single client to 15% of total fees
- ✓ Informing the regulator in regard to any presence of suspicions concerning irregularities
- ✓ Additional elements in the auditor's opinion
- ✓ Additional report for the commission for auditing

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- ✓ Records keeping
 - ✓ Reporting to regulators or public oversight bodies for PIE in regard to violations of regulations
 - ✓ Documentation of takeover



Future activities

- Amendments to the Law on Accounting and Auditing in 2018
- Additional harmonization with EU regulations
- Improvements in the public oversight and quality control system
- Strengthening capacities for public oversight and quality control implementation
- Expanding the authorities of the Accounting and Auditing Council relating to oversight over the operations of the Ministry of Finance

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Thank you for your attention!