

REPUBLIC OF SERBIA

Reforms status and highlights

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Road to Europe: Program of Accounting
Reform and Institutional Strengthening



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Summary of alignment status

ALIGNMENT OF COUNTRY LEVEL LAWS:

❑ Serbia`s current FR framework (2013 Law on Accounting and Law on Audit) partially aligned with the EU *acquis communautaire*

➤ Component 1 of the Serbia Technical Assistance for Reform of Corporate Financial Reporting Project (STAR-CFR Project) shall include:

1. analysis of the existing legislation and regulations in Serbia;
2. assessment of gaps between Serbian laws and standards and good international practices, especially the *acquis*;
3. proposal of appropriate amendments in order to close the existing gaps;
4. new regulation expected to be adopted by Q3, 2018.

GENERAL COMPLIANCE WITH EU FRAMEWORK:

- Definition of SMEs harmonized with the NEW accounting directive: *Partially.*
- Accounting standards used for SMEs: *SMEs apply IFRS for SMEs (since 2014 FS). Medium-sized entities have option to apply full IFRS instead,*
- Format of financial statements aligned with the EU accounting directive: *Partially.*
- Adoption of a micro regime: *Yes. They apply simplified Rulebook and prepare only abridged Balance sheet and Profit and loss account.*
- Audit standards used: *Yes. Problems with translation.*

Summary of alignment status

	Legal requirement	System established	Built capacity?	Institution effective?
<u>Public oversight</u>	Law on Audit	Yes. Public Oversight Board (POB) members appointed at the end of 2013	<ul style="list-style-type: none"> •POB has issued 25 measures/sanctions proposal based on the quality control visits conducted by the Chamber • It is necessary to increase capacity of POB (this should be addressed through the STAR-CFR Project) 	<ul style="list-style-type: none"> •POB operates regularly (since the end of 2013) • Annual working plan adopted each year • Annual report available at the MoF website
<u>Quality assurance</u>	Law on Audit	Yes, specific department within the Chamber of Authorized Auditors. Operational since 2014, Q4.	<ul style="list-style-type: none"> •QA system (special department) established within the Chamber • Two inspectors and additional Chamber (technical) staff • Lack of capacity and methodology to address audit quality for financial 	<ul style="list-style-type: none"> • Annual plan of QA reviews (approved by the POB and MoF) •Chamber`s Quality control Committee reviews findings from inspections •Final proposals with measures/sanctions delivered by the



Success Story

» QA system implemented in accordance with the Audit Law

- **total of 25 measures/sanctions imposed during 2016** - information publicly available on the Chamber website
- **efficient implementation of the Audit Law** - enhancing the quality of the audit profession and bringing back trust in audit reports
- **key contributing factors** – joint effort of the Chamber (including their inspectors, Quality control Committee and Council), POB (measures proposals officially received by them) and Ministry of Finance (issuing final decisions)



Follow up needed

Conformity with the 2014 Directive and Regulation governing statutory audit

Issues:

- reorganize POB and establish separate legal entity
- mandate full independence of all POB members from the profession
- direct responsibility within the POB for quality assurance and discipline for auditors of PIEs
- secure adequate funding and assure legal ability to pay audit inspectors adequately
- become a member of IFIAR

Possible solutions:

- funding: fees from auditors + part of fees paid by the PIEs when submitting FS
- using experience of the EU member states – benchmark

Thank you.