

An Overview of the Accounting Education and Certification in Russia

Galina S. Kuznetsova, Senior Financial Management Specialist, World Bank

Vienna, 30 May 2017

STAREP EduCoP


CFRR >>

**Centre for Financial
Reporting Reform**




Strengthening Auditing and Reporting in
the Countries of the Eastern Partnership

STAREP is co-funded by:

 **Austrian**
Development Cooperation



 Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra



 LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG
Ministère des Finances

Recent developments in the A&A professions in Russia

Accounting

- Adoption of the New Law on Accounting
- Introduction of the national (federal) standards of accounting for
 - public sector
 - corporate sector

Auditing

- Adoption of the new Law on Auditing
- Introduction of PAOs

Education and Qualification

- Changes in national higher education standards in line with Bologna requirements
- Introduction of the Professional Accountant Standard
- Auditor qualification process

Main provisions of the accounting law (adopted in December 2011)

Purpose of Financial Statements

- Financial statements should provide reliable information on the financial position of an entity, its financial performance and cashflows during the reporting period to enable the users of the financial statements to make decisions

Content and Preparation of Financial Statements

- A balance sheet, income statement and notes hereto
- Prepared using the accounting data as well as information as defined by federal and industry standards

Qualification criteria for chief accountants of the specific economic entities

- Open joint stock companies (except banks), insurance companies, private pension funds, investment funds, listed companies (except banks), state non budget funds

Qualification Requirements

- Higher education plus work experience in accounting and financial reporting
- At least 3 years in the last 5 years (or if the education is not related to accounting, then at least 5 years out of 7 years)
- No conviction related to economic crimes.
- Chief accountants of a banks and non-banking finance organizations must comply with the additional criteria set by the Central Bank of Russia.

Standard setting environment

The Law

Federal standards

Industry standards

Recommendations

Entity standards

approves federal
reporting standards

State oversight

Central Bank
of Russia

Ministry of
Finance

Responsible for:

- development of federal standards for public sector
- development of federal standards, which are included in the approved federal standards program, if no one else has volunteered for the job
- representing Russia in IFAC

approves

Program for federal
standards
development

used as
basis

International standards

Draft standard

created

reviews drafts of federal
standards

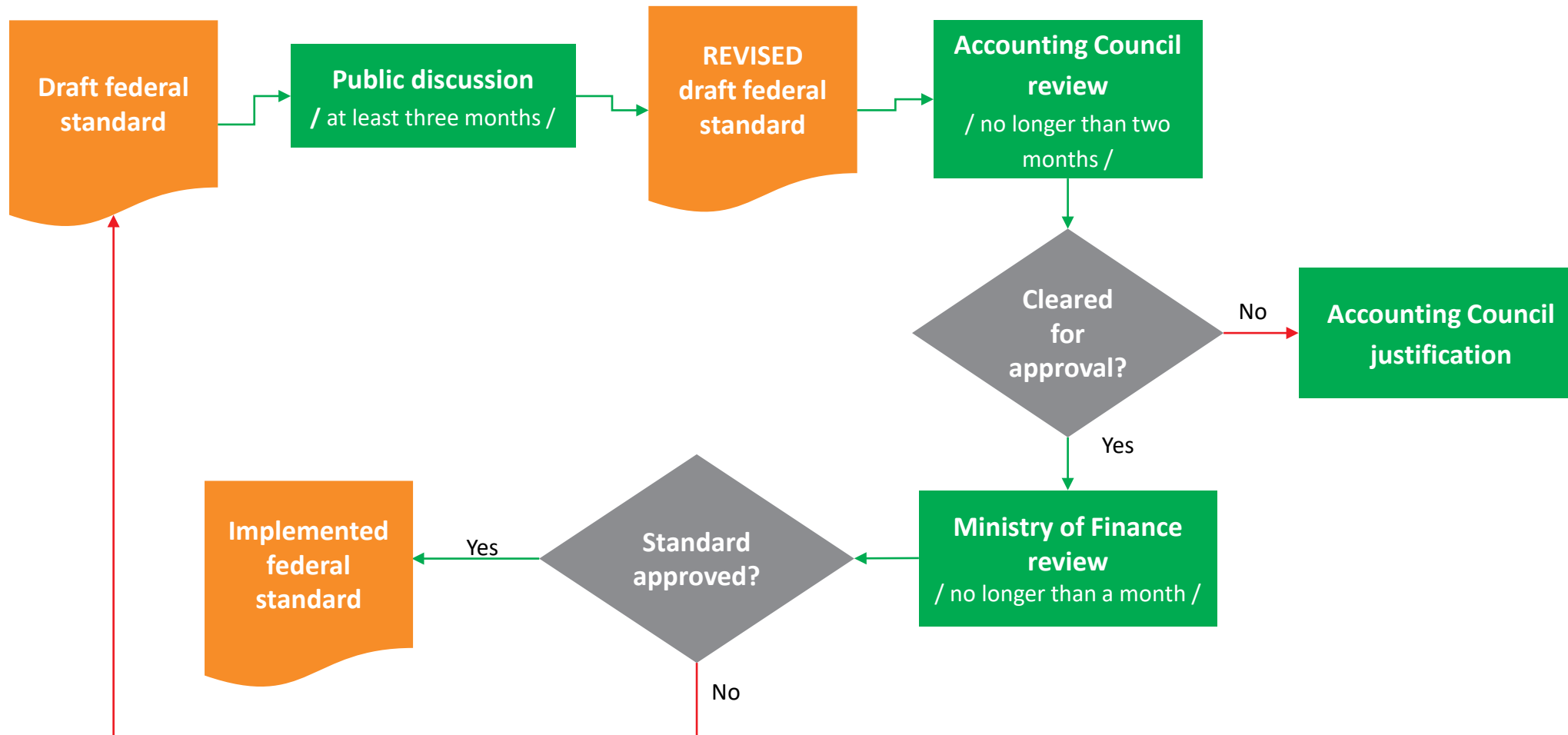
Accounting
Council

Draft standard

Ensures compliance with:

- legislation
- users' needs
- modern accounting and reporting practices
- unity in requirements and application

Standard setting procedure



Professional accountant qualification – yes or no?

National system of professional qualifications since the 1st of July 2016

The Institute of professional accountants and auditors of Russia (IPB) developed the standard “Accountant”
Approved 2014
Effective from February 2015

IPB issues 4 types of certificates following the successful completion of an electronic multiple choice question test by a candidate.

Candidates can take the test if they pass the education and job experience requirements

Mandatory only in cases when the qualification requirements for a certain profession is requested by other legal acts.



Main provisions of the audit law

- » The new law FZ-307 was adopted on December 30, 2008 (revised several times)
- » The law defines audit as independent verification of financial statements of the auditee to express an opinion on the reliability of such financial statements. The financial statements are those as defined as such under the Accounting law.
- » An audit firm is a commercial entity, which is a member of any self regulating organizations (SRO/PAO).
- » An auditor is an individual, who has a qualification certificate and is a member of one of the SROs.

Main provisions of the audit law contd

- » A mandatory audit must be carried out if any of the following applies:
 1. Incorporation as a joint stock company.
 2. securities traded on a stock exchange.
 3. Incorporation as a bank; insurance company; clearing company; mutual insurance company; broker firm on a stock market; private pension fund; investment fund.
 4. If revenues in the preceding reporting period exceed 400 million rubles (appr. 7 million USD) or assets exceed 60 million rubles (appr. 1 million USD).
 5. If a company prepares/discloses annual consolidated financial statements.

- » Only audit firms may carry out mandatory audits for companies with the securities on the stock exchange, banks and insurance companies, private pension funds, SOEs and companies with state ownership of at least 25%, financial statements to be included in the IPO package, and consolidated financial statements.

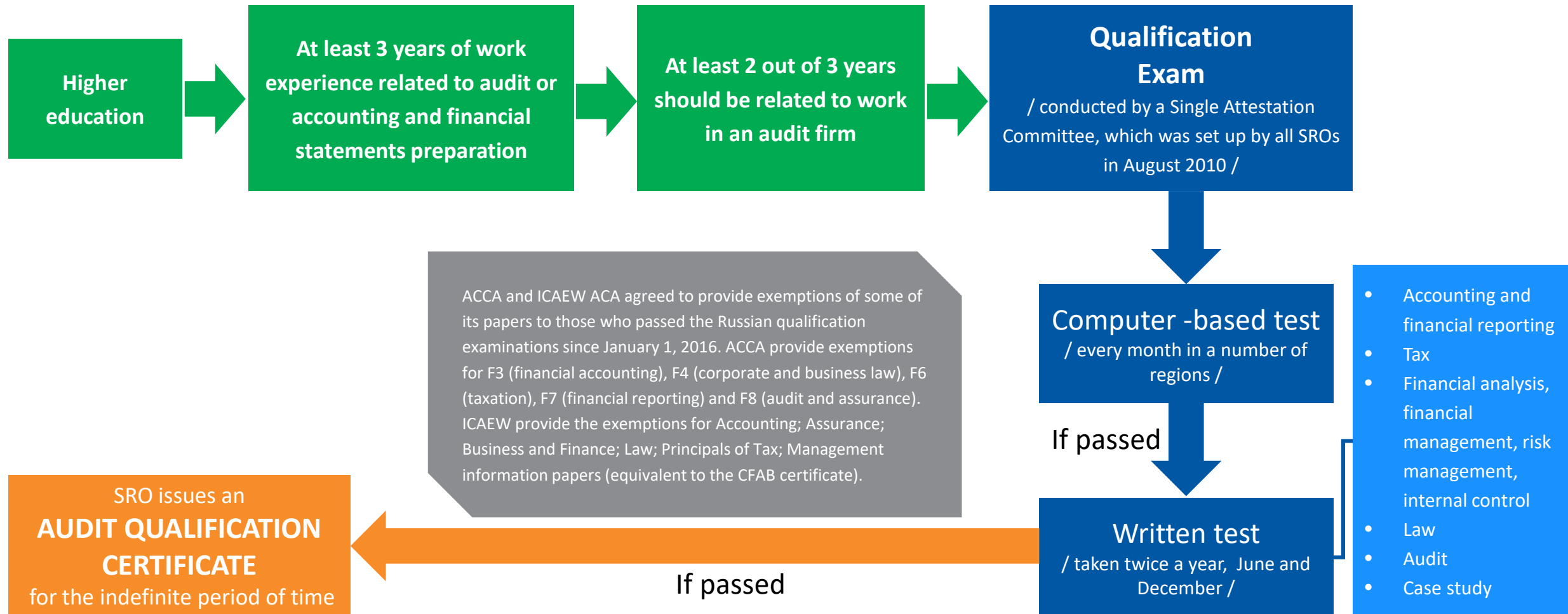
Audit oversight: who does what

- » **MoF** is responsible for state oversight of audit activities. Specifically, MoF will determine the state policy; adopt legal acts; keep the state register of SROs as well as a control copy of the register of auditors and audit firms; carry out analysis of the audit market in the country.
- » **Audit Council** is to ensure the compliance with the public interest related to audit.
- » **Self regulating organizations (SRO)** are to enable the audit activities of its members.
- » To be registered as a SRO, it must have at least 10,000 members (individuals), or at least 2,000 members (audit firms); approved quality control procedures for its members, approved independence rules and professional ethics code and having a compensation fund for the potential compensation to the audit clients. In 2017, there are two SROs in Russia (down from six in 2010 when SRO were first introduced).
- » SRO must monitor compliance of its audit members meeting CPD requirements. Minimum CPD requirements are at least 120 hours in three consecutive years and no less than 20 hours a year. The failure to comply with the requirement will result in the annulment of the audit certificate.
- » SRO must participate in the activities of a Single Attestation Committee, including financing.
- » To become a SRO member, an auditor (individual) must submit a qualification certificate; recommendations in writing to attest his impeccable work reputation from at least 3 auditors, who have been included in the audit register at least 3 years prior to giving recommendations; evidence of not being prosecuted for severe crimes.

Main provisions of the audit law - continued

- » Audit is carried out in accordance with ISA and audit standards of SROs.
- » Audit standards of SROs can not contradict ISAs, but can set additional requirements to audit procedures, if needed by specific audit or related services.
- » Audit firms and auditors must comply with the professional ethics code. Each SRO must adopt one.
- » The law has a set of provisions regarding auditor's independence.
- » Quality control: audit firms and auditors are required to be subject to external quality control. SROs must exercise such quality control in relation to its members. A respective federal control and oversight agency will exercise the quality control in addition to that of a SRO in relation to audit firms required to perform mandatory audits as specified earlier.
- » The external quality control should be done at least once in 5 years and no more frequently than on an annual basis (except for audit firms for specified mandatory audits).
- » For the auditors who carry out mandatory audits specified earlier, the external control will be carried as follows:
 - » At least once in 3 years by its SRO;
 - » And at least once in 2 years by the federal control and oversight agency.

Auditor qualification process



Higher education

Russia participates in the Bologna process – as a result, there have been changes in the national educational standards.

In 2000, there has been a standard approving the program 060500 “accounting, financial analysis and audit”. The core of the standard was devoted to the knowledge part.

In 2009, a new standard was developed (generation 3 standard), and it was replaced in 2015 with a new one (generation 3+ standard). The key focus of the new generation standards is not on knowledge (inputs), but rather on competencies (general ones, professional ones and specialized ones) that a graduate must demonstrate.

Another change is that in line with the Bologna process, the new standard is more general and is called “economics” rather than “accounting and audit”.

There are almost 1,450 high education institutes/universities throughout Russia that teach the program “economics

The new audit law doesn’t prescribe which area of the higher education a candidate must graduate in.



THANK YOU!