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Reporting Reform



WORLD BANK GROUP



Strengthening Auditing and Reporting in
the Countries of the Eastern Partnership

STAREP Annual Update

**Progress Report 2021
& Program Plan 2022**

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TABLE OF CONTENTS

LIST OF ABBREVIATIONS AND ACRONYMS	2
EXECUTIVE SUMMARY	3
ACTIVITIES AND PROGRESS.....	5
Introduction.....	5
2021 Progress and Reform Status.....	5
PLANNED ACTIVITIES 2022.....	14
Introduction.....	14
Planned Activities.....	14
PROGRAM ADMINISTRATION AND FINANCIAL SUMMARIES	18
Program Governance and Partners.....	18
Financial Information	19
ANNEX A: PROGRAM BACKGROUND.....	19
Context	20
Program Development Objective.....	21
Program Approach and Structure	22
ANNEX B: RESULTS FRAMEWORK	24

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
CFR	Corporate Financial Reporting
CFRR	Centre for Financial Reporting Reform
CoP	Community of Practice
CPD	Continuing Professional Development
EaP	EU Eastern Partnership
EduCoP	Accounting Education Community of Practice
EU	European Union
GFPA	Georgian Federation of Professional Accountants and Auditors
IASB	International Accounting Standards Board
IAESB	International Accounting Education Standards Board
IES	International Education Standards for Professional Accountants
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
KAREP	Kyrgyz Audit and Reporting Enhancement Project
MoF	Ministry of Finance
PAO	Professional Accountancy Organization
PIE	Public Interest Entity
POB	Public Oversight Body
QAS	Quality Assurance System
REPARIS for SMEs	Road to Europe Program of Accounting Reform and Strengthening Institutions for Small and Medium Enterprises
ROSC	Report on the Observance of Standards and Codes
SARAS	Georgian Service for Accounting, Reporting and Auditing Supervision
SOE	State-owned enterprise
SME	Small or Medium-sized Enterprise
SMP	Small or Medium-sized Practices
SOW	Senior Officials Workshop
STAREP	Strengthening Auditing and Reporting in the Eastern Partnership
WB	World Bank

EXECUTIVE SUMMARY

Strengthening Auditing and Reporting in the Eastern Partnership is a regional program (hereinafter referred to as STAREP or the program) of the World Bank's Centre for Financial Reporting Reform (CFRR) for Eastern Partnership (EaP) countries: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine, which was launched in October 2013. The Austrian Finance Ministry and Austrian Development Agency (ADA) provided support for an extension of the program, and additional funding was provided by ADA in 2019 in the amount of EUR 1.3 million.

In 2021, the COVID-19 pandemic continued to significantly impact the implementation of program activities, in particular those that require face-to-face interaction. Although the team planned to deliver face-to-face regional events during 2021, this was not possible due to the continued restrictions. The program team continued to engage regularly with key stakeholders, and where possible, activities were delivered virtually or remotely. The following activities were delivered in 2021.

Webinars: Two exchange-experience series of webinars were delivered in cooperation with the French and the Slovenian public oversight regulators, in February and June 2021, respectively. Representatives of similar regulators in STAREP countries benefited from the opportunity to learn on how processes are set-up and how activities could be organized to ensure implementation of an effective public oversight and quality assurance systems.

Together with the *International Federation of Accountants (IFAC)* and the *International Auditing and Assurance Standards Board (IAASB)* a joint the WB/IFAC event was delivered in June 2021 on the new *International Standards on Quality Management (ISQMs)*, which was very welcomed by participants.

In addition, an exchange experience webinar on the Albanian experience related to publication of financial statements via a public depository was delivered in May 2021 in cooperation with the WB Kyrgyz Audit and Reporting Enhancement (KAREP) Project.

Furthermore, STAREP facilitated participation of EaP countries' representatives in four capacity building training webinars for small and medium-sized practices (SMPs) organized by the WB-EU Joint Georgia Financial Inclusion and Accountability Project between March-September 2021.

CFRR Regulators' virtual forum "IFRS update for regulators" was delivered in December 2021 in cooperation with the Road to Europe Program of Accounting Reform and Strengthening Institutions for Small and Medium Enterprises (REPARIS for SMEs) project.

Publications: The guide "*Informing the reading of IFRS Financial Statements: A guide for banking and financial supervisors*" was finalized and published. Translation into Russian language of the "2019 Education Handbook" containing the International Accounting Education Standards Board's (IAESB) suite of International Education Standards (IES), some of which are effective

January 1, 2021, was completed in 2021. In addition, the Russian translation of the *Competency-based accounting education and assessment materials – Implementation Guide* was finalized in early 2021 and made publicly available.

Country-level support: STAREP continued to support Corporate Financial Report (CFR) reforms in participating countries as well as in cooperation with other development partners in Belarus, Georgia and Ukraine. Meanwhile, it should be noted that, in addition to COVID-19, the political factors that started in 2020 continued to have some impact on the country level programs' implementation in Belarus, Azerbaijan and Armenia.

Key activities were oriented to provide policy advice, capacity building, assessment of existing practices and legal provisions, and support in drafting bylaws in the field of accounting, public oversight and accountancy education as well as in and experience-exchange.

Particularly, in Moldova a detailed assessment of the existing professional qualification of auditors was performed and an Advisory Note was drafted, with recommendations to improve the quality of the local audit qualification. In Ukraine STAREP provided support in improving the accounting and auditing legislation, including updating the Transposition Tables on compliance of Ukrainian legislation with the *Acquis Communautaire* in the area of accounting and audit.

Planned activities for 2022: Regional activities (either virtually or face-to-face if the situation allows) in the field of accounting, auditing, public oversight, accountancy education as well as country level support activities will continue to be delivered in 2022. While both COVID-19 and political factors may still continue to have an impact on the implementation of one or more country level programs, the expectation is that the overall planned results will not be heavily impacted, and that the program will continue to deliver its activities and products to achieve the planned results.

ACTIVITIES AND PROGRESS

Introduction

During 2021 STAREP continued to provide support to EaP countries to implement critical reforms in strengthening financial reporting frameworks, audit quality and financial transparency, paving the way to a more conducive business enabling environment and improved access to finance. Policy makers demonstrated a strong sense of community, yet they still need to better understand policy actions and benefits in corporate financial reporting reforms from their closer alignment with the EU and international good practices. The progress in achieving result of the program demonstrate that this had an effect in each country through adopting and revising legislation, creating new institutions or building capacity of existing ones.

Some of the in-country activities continue to be delivered in partnership and close coordination with other donor-funded parallel projects, thus achieving synergy and providing access to up-to date knowledge and international good practice to a larger pool of beneficiaries. The detailed description of activities implemented in 2021 is provided below. Annex A provides background and details on the program. The program's updated results framework is attached in Annex B.

2021 Progress and Reform Status

Update on Regional activities

Face-to-face meetings involving large groups are still prohibited in almost all participating countries, and travels continue to be subject to restrictions imposed by jurisdictions due to COVID 19 pandemic situation. Consequently, the program regional activities were delivered virtually.

The following regional virtual workshops and exchange experience webinars¹ were delivered in 2021 by STAREP or in cooperation with other WB projects (*KAREP*, *REPARIS for SME* and *the WB-EU Joint Georgia Financial Inclusion and Accountability project*):

- 1. Implementation of the statutory audit regulation in the European Union: the experience of France.**² Four webinars were delivered during February 9-12, 2021, and these were attended by about 80 participants each day. The objective of the event was to continue enhancing the knowledge of the participants about public oversight and audit quality assurance systems through presentations and discussions about key principles of audit oversight and processes

¹ Apart from EaP countries, most of the workshops and webinars were also attended by participants from Western Balkans, as well as from Central Asia countries, as guests.

² <https://cfrr.worldbank.org/news/implementation-statutory-audit-regulation-european-union-experience-france>

of quality assurance systems. The webinars were delivered in close cooperation with *the French Audit Oversight institution H3C (le Haut conseil du commissariat aux comptes)*, an independent regulatory authority for the audit profession in France. As STAREP countries are either implementing, reforming or establishing a public oversight function, learning in-depth about implementation of the statutory regulation by France was of a particular interest to all participants.

Specifically, the event discussed existing legal requirements in France and practical implementation in the following areas: (i) Overview of the French Audit Oversight System; (ii) Cooperation with foreign regulators; (iii) Development of auditing standards and ethics code in France; (iv) Registration of auditors, continuing professional development and the role of the H3C; (v) Quality control reviews in France; and (vi) Investigations and enforcement system. In addition, the participants benefited from a presentation on key functions, current development and initiatives launched by the International Forum of Independent Regulators (IFIAR). Each presentation was followed by an interactive Questions and Answers session. Direct interaction with experienced staff from H3C helped participants to learn in-depth about a proper implementation of public oversight and quality assurance functions, considering potential challenges that may affect the enforcement, including challenges determined by the current pandemic. Participants expressed their expectation of more such experience-exchange events.

2. STAREP facilitated participation of STAREP countries' representatives in four Capacity Building Training Webinars for Small and Medium-sized Practices (SMPs) that were organized by the WB-EU Joint Georgia Financial Inclusion and Accountability Project. The webinar series, which started in 2020, continued in 2021 as follows:

- March 4, 2021.³ ***Future of SMPs: Digital Transformation***. Participants were encouraged to embrace digital transformation and shown how to make a start. The event was attended by 137 participants from Georgia and 23 participants from other STAREP countries.
- April 15, 2021.⁴ ***The Future of SMPs: Diversifying Businesses by Offering New Services***. Participants learned what possible services to offer, including business advisory, and the step-by-step approach to building the capacity to promote, deliver and profit from these new service offerings. The event was attended by 123 participants from Georgia and 14 participants from other STAREP countries.
- May 27, 2021.⁵ ***Future of SMPs: Networking, Mergers and Acquisitions***. Participants learned how to utilize networks, associations, mergers, and acquisitions to facilitate

³ <https://cfrr.worldbank.org/news/future-smpps-digital-transformation>

⁴ <https://cfrr.worldbank.org/news/smp-capacity-building-training-webinar-series-module-3-future-smpps-business-diversification>

⁵ <https://cfrr.worldbank.org/news/smp-capacity-building-training-webinar-series-module-4-networks-mergers-and-acquisitions>

growth of a small practice and how to plan for succession. The event was attended by 114 participants from Georgia and 22 participants from other STAREP countries.

- September 16, 2021.⁶ ***The Future of SMPs: Practice Marketing and Communications.*** Participants learned how to grow and market their practice, how to build market awareness of service offerings and leverage various digital tools to do this. The event was attended by 54 participants from Georgia and 50 participants from other STAREP countries.

3. **Exchange Experience Webinar: Financial Statements Depository – the experience of Albania.**⁷ The event was delivered on May 19, 2021 in cooperation with the WB KAREP Project. The event provided the audience a brief overview on differential corporate financial reporting requirements applicable in Albania, the role and key functions of accounting and auditing regulators, including the role of Public Depository of financial statements. Participants learned about the background and legal requirements that allowed for the establishment of the Financial Statements Depository in Albania under the National Business Center (NBC), its key functions and embedded processes. Direct interaction with experienced staff from NBC helped participants to learn in-depth about depositing financial statements through the online system, where financial information could be accessed by all interested parties. The event was attended by 16 representatives of STAREP countries.
4. **Raising the Bar on Quality Management: The IAASB's New Quality Management Standards.**⁸ On June 2, 2021 a joint event was delivered together with the International Federation of Accountants (IFAC) and the International Auditing and Assurance Standards Board (IAASB) on the new International Standards on Quality Management (ISQMs). ISQMs promote a robust, proactive, scalable and effective approach to quality management and mark a significant evolution of the existing quality control standards. Participants learned on key aspects of the ISQMs. The event was also supported by REPARIS for SMEs regional project and the WB-EU joint Georgia Financial Inclusion and Accountability Project for Georgia. The jointly organized event gathered on zoom platform altogether 871 attendees representing 68 countries, of which 322 participants were from STAREP countries.
5. **Implementation of the statutory audit regulation in the European Union: the experience of Slovenia.**⁹ Three webinars were held during June 8-10, 2021, and these were attended by about 40 participants each day. The overall aim of the event was to learn from Slovenian experience related to the establishment of an independent public oversight function, entry

⁶ <https://cfrr.worldbank.org/news/smp-capacity-building-training-webinar-series-module-5-future-smpls-practice-marketing-and>

⁷ <https://cfrr.worldbank.org/news/exchange-experience-webinar-financial-statements-depository-experience-albania>

⁸ <https://cfrr.worldbank.org/news/joint-ifac-and-world-bank-event-raising-bar-quality-management-iaasbs-new-quality-management>

⁹ <https://cfrr.worldbank.org/news/implementation-statutory-audit-regulation-european-union-experience-slovenia>

requirements and registration of auditors and audit firms; monitoring of continuing professional development; quality assurance inspections and enforcement procedures, as well as cooperation with foreign audit regulators. The Slovenian Agency for Public Oversight of Auditing (APOA), an IFIAR member, is directly responsible for the public oversight of the audit profession and audit regulation in Slovenia. According to the Slovenian Auditing Act, which transposes the provisions of the European Union *acquis communautaire* in the field of audit, the APOA is responsible for: (i) the adoption of auditing rules (e. g. auditing standards, ethical professional standards, audit quality control standards); (ii) providing training for obtaining the professional title of certified auditor and continuing professional development of certified auditors; (iii) registration and licensing of statutory auditors and audit firms; and (iv) inspections and enforcement procedures against audit firms, statutory auditors and appraisals. The interest to the workshop was high, and the participants raised a lot of questions, which were answered by the presenters. Informative presentations and direct interaction with experienced staff from the APOA helped participants to gain valuable experience, to better understand possible challenges and effective solutions.

As a background to the cooperation between the WB CFRR and Slovenia audit regulatory agency, it is worthwhile to mention that Slovenia was the first client for the CFRR under the *Financial Reporting Technical Assistance Project (FRTAP)* funded by the *Swiss-Slovenian Cooperation Program* between October 2008 and June 2014. Among other results, the advisory services provided by the CFRR helped Slovenia to design its public oversight and quality assurance systems and to establish the Slovenian Agency for Public Oversight of Auditing (APOA). Such experience is very beneficial for STAREP countries, and the workshop provided opportunity to share the APOA development experience to which the WB CFRR significantly contributed.

6. **CRFF Regulators' virtual forum "IFRS update for regulators,"**¹⁰ The two-day virtual forum for banking and insurance regulators was delivered on December 13-14, 2021 under two flagship regional programs: STAREP and REPARIS for SMEs. The forum aimed to update banking and financial sector regulators about recent financial reporting and regulatory guidance. The following key areas were discussed:

Risk-based approach to reviewing and using audited IFRS financial information. The audience was provided with a brief introductory presentation on risk-based financial statement review and then panelists shared their experience and views. In particular, the objective of and process for the *Johannesburg Stock Exchange's* proactive IFRS financial information monitoring process was explained as well as how the European Central Bank deal with the complexity of IFRS 9's financial information (e.g., mathematical models) and differences from prudential filing.

IFRS and IFRS for SMEs Update. Technical staff from the IFRS Foundation provided the audience with updates on recent new and amended IFRSs and recent materials aiming to

¹⁰ <https://cfrr.worldbank.org/news/ifrs-update-regulators>

improve the consistent application of IFRS, then selected IFRS and the IFRS for SMEs related projects were discussed including the dilemma of creation of new standards to tackle new phenomena versus application of principal based standards. Participants also learnt on the International Sustainability Standards Board (ISSB) established by IFRS Foundation's to deliver a comprehensive disclosure standards on climate and other environmental, social and governance (ESG) matters.

Topical IFRS theme: financial instruments. The purpose of this session was two-fold: (i) in the context of the Covid pandemic, to revisit judgements and estimates in measuring and reporting expected credit losses in accordance with IFRS 9 Financial Instruments and the related regulatory guidance for prudential regulators; and (ii) to propose to collect views for the IASB's post implementation review of IFRS 9 Financial Instruments. In particular, the participants learnt about what *Bank Negara Malaysia* has done in the context of the Covid pandemic and why they have followed such an approach. The representatives of the *National Bank of Ukraine* shared their experience on IFRS 9 implementation. Banking regulators from participating countries were encouraged to prepare their responses to the IASB's post implementation review on IFRS 9 with an aim to collate the views of regulators for submission of a single letter.

Topical IFRS theme: getting ready to regulate IFRS 17 Insurance Contracts. This session discussed preparations for regulating the implementation of IFRS 17, and the implementation of IFRS 9 by qualifying insurers. Participants benefited from the opportunity to enhance their understanding of the key judgements the management must make in implementing IFRS 17 and the disclosures insurers must make in their companies' 2021 annual financial statements about progress in implementing IFRS 17. In addition, the experience of the *Insurance Supervision Agency of North Macedonia* and of the *National Bank of Ukraine* was shared with participants.

The event was attended by more than 180 participants from 12 countries each day, with around 150 participants from STAREP countries.

7. During 2021 a publication for financial sector regulators was finalized: ***Informing the reading of IFRS Financial Statements: A Guide for Banking and Financial Supervisors***¹¹ was published and disseminated as part of the above CRFF Regulators' virtual forum "IFRS update for regulators". The Guide suggests practices and examples of specific accounting and auditing issues and questions that supervisors need to consider when monitoring and reviewing banking sector financial statements. The Guide aims to enable prudential supervisors to form an understanding of a bank's business drivers, risks and critically evaluate the quality of financial assets and the related provisions for credit losses using IFRS financial statements. It also lists regulatory areas which are connected with accounting requirements which supervisors may investigate further when reviewing financial statements.

¹¹ <https://cfrr.worldbank.org/publications/informing-reading-ifrs-financial-statements-guide-banking-and-financial-supervisors>

8. **Translation into Russian language of the “2019 Education Handbook”¹² containing the International Accounting Education Standards Board’s (IAESB) suite of International Education Standards (IES), some of which are effective January 1, 2021, was completed in 2021.** In addition, the Russian translation¹³ of the *Competency-based accounting education and assessment materials – Implementation Guide* was finalized in early 2021 and made publicly available.

Update on Country-level Support

The CFRR ensures close coordination and regular communication with the counterparts on the ways of implementation of agreed priority activities. Specific progress achieved during 2021 is highlighted below.

Moldova

With STAREP support, a detailed assessment of the existing professional qualification of auditors was performed, and an Advisory Note drafted. The Note sets out the case for improved audit quality and advises on feasible and practical reforms to audit education and governance in Moldova. It includes a number of recommendations and suggests that the Council for Public Oversight of Audits (CSPA) should develop an implementation strategy, with an agreed timetable, that seeks to introduce agreed recommendations. In addition, the implementation of the suggested recommendations would require improved capacity on the part of the CSPA management, members of the Certification Commission and of the CSPA. Targeted technical assistance and targeted training will continue to be provided under STAREP to close some of immediate gaps, as identified by the Note. The Advisory Note will be finalized and disseminated locally in 2022. The specific capacity building actions to be implemented with STAREP support in 2022 will be identified and agreed with the CSPA.

- Restrictions imposed by the pandemic still limit organization of peer exchange events for quality inspectors; however, quality assurance inspectors and relevant staff of the CSPA benefited from the opportunity to learn from their French and Slovenian colleagues as part of regional exchange experience webinars delivered during 2021.
- Training of Trainers (ToT): The training on Consolidated Financial Statements according to new NASs and Guide was canceled due to restrictions imposed by the pandemic. However, as there are only few entities required to prepare consolidated financial statements in accordance with NASs’ provisions, consultations were provided on individual basis based on the request. In addition, the Guide includes various examples that make it easy in application.

¹² <https://cfrr.worldbank.org/publications/handbook-international-education-pronouncements-2019-russian-translation>

¹³ https://cfrr.worldbank.org/sites/default/files/2021-04/resources_ru_pages_lq.pdf

Ukraine

In-country activities were partially supported by other development partners in Ukraine, as outlined below.

- Within the peer exchange activity, the STAREP team supported organizing the international conference “Public Supervision of Auditing in Ukraine: Experience and Prospects”, organized by the Audit Public Oversight Body of Ukraine (APOB) on November 12, 2021. The conference was devoted to the third anniversary of the audit reform implementation in Ukraine and was attended by auditors, the Ministry of Finance, European and Ukrainian audit regulators, as well as by the European Commission in Ukraine, and representatives of International Forum of Independent Audit Regulators (IFIAR). The STAREP team facilitated involvement of representatives of IFIAR, as well as audit regulators from Georgia, France and Slovenia and contributed to the peer exchange, experience sharing discussions in the area of audit supervision.
- STAREP also organized a peer-exchange webinar conducted in December 2021 between the Audit Public Oversight Body of Ukraine and Accounting, Reporting and Audit Supervision Service of Georgia. In 2019 STAREP team facilitated signing of the bilateral agreement between the two regulators, and the 2021 event was a follow-up activity on mutual experience sharing on selected aspects of audit supervision.
- STAREP provided support in improving the accounting and auditing legislation in Ukraine. Particularly, the Transposition Tables on compliance of Ukrainian legislation with the Acquis Communautaire in the area of accounting and audit were updated. The draft law on amending the Law of Ukraine on Audit and Financial Reporting was developed by the Ministry of Finance, aiming to better align it with the EU requirements as well as to clarify certain aspects of audit supervision. The STAREP team reviewed the draft law, provided comments on it, and is working closely with the ministry to support the draft law being passed.
- Two other planned activities for 2021, which are (i) the support of implementation of accounting and audit certification system as per new Accounting and Auditing Legislation – consultations, TOT event, and (ii) Support in recognition of Ukrainian audit oversight system compliant with the EU legislation, were supported by the EU FAAR project.

Belarus

The overall challenging political situation in Belarus, complicated by the ongoing restrictions related to the pandemic, resulted in limited STAREP in-country support to Belarus in 2021. Meanwhile, Belarusian counterparts participated in a number of regional virtual workshops organized by STAREP. Also, at the end of 2021, a number of online meetings with representatives of the MoF and the National Bank of the Republic of Belarus (NBRB) were conducted to discuss the progress made and the needed support in the accounting and audit reform implementation.

- *Follow up work on recommendations relating to Certification of Chief Accountants at PIEs – organizing of face-to-face or virtual TOT session.* The draft report with recommendations on

strengthening of accountancy professional education in the Republic of Belarus was prepared and initially discussed with the Ministry of Finance. The report presented analysis of the procedure set for professional certification of chief accountants of PIEs established in the Republic of Belarus, comparing it against the recognized international qualifications, and provided recommendations relating to improvement of the procedure. Technical online discussion of the proposed recommendations and tentative action plan to address them will be conducted in 2022.

- *Implementation support of the new Audit Law in Belarus: strengthening regulator's capacity, awareness, building a public oversight function - organizing of a workshop, peer exchange virtual events.* Support in strengthening of an audit oversight system was planned through organization of bilateral video conferences with audit regulators in Georgia and Slovenia to be conducted at the end of 2021, which this was postponed to the beginning of 2022. The issues to be addressed during the webinars will relate to establishing of the national register of auditors, organization of the quality assurance inspections by the supervisory body, procedures to comply with in order to join the IFIAR.

Georgia

STAREP contributed as part of *Capacity Building Training Webinars for Small and Medium-sized Practices (SMPs)*, organized by the *WB-EU Joint Georgia Financial Inclusion and Accountability Project*, to ensure that other non-Georgian STAREP counterparts also participate and benefit from the knowledge exchange events. Meanwhile, considering ongoing activities of the *WB-EU Joint Georgia Financial Inclusion and Accountability Project*, and to ensure efficient use of program funds (and avoid possible duplications), the in-country planned activities for 2021, as outlined below, were implemented by the WB-EU project.

- The WB-EU joint project supported capacity building and regional collaboration for the SARAS, including delivery of IFRS update workshop to the Georgian business community.
- A series of IFRS for SMEs workshops for accountants across all types of Georgian businesses. Six groups were trained from January to June 2021, reaching out to approximately 130 SME accountants.¹⁴
- Model curriculum¹⁵ was introduced in 2021 by SARAS for relevant universities with the assistance of the team. Following the adoption of the curriculum, a stakeholder conference on Integration of university and professional education was organized in April 2021. Universities specializing in Accounting and Audit education participated in the event during which the new national curriculum was introduced. A training on Practical Considerations of Examination was organized by the team and delivered to university professors by an education and examination specialist of the Institute of Chartered Accountants in England and Wales (ICAEW). More than 20 professors participated in the intensive five-day training

¹⁴ <https://saras.gov.ge/en/News/Detail/1465>

¹⁵ <https://www.saras.gov.ge/en/News/Detail/1488>

course, where they learned best practices and techniques of writing test. A brief survey was carried out by the team to gauge the needs of universities in relation to learning materials. Based on the survey, accounting education materials will be distributed to universities during 2022.

- The WB-EU project and STAREP are discussing the possibility for supporting organization of PAO regional conference and creation of a common platform under the European Federation of Accountants and Auditors for SMEs (EFAA) or other internationally recognized accountancy organization.

Armenia

Due to continued challenging political and pandemic situation in the country, the activities involving Armenian counterparts were mostly limited to participation in regional events. In the meantime, at the end of 2021 some capacity building activities were discussed and started to be implemented by the request of the Armenian Chamber of Auditors and Accountants. In particular, to enhance the audit quality control environment, the assessment of the audit management software options and their functionality for small audit firms was initiated under the STAREP support. The assessment is planned to be completed in 2022.

Some other capacity building activities (such as local trainings) that were planned for 2021 and related to implementation of the new accounting legislation were not possible to deliver due to pandemic situation (as the preferred format was face-to-face), while the respective representatives of the profession, oversight bodies as well as the MoF staff actively participated regional trainings organizes by STAREP in 2021.

Azerbaijan

Continuing challenging political and pandemic situation had impacted the country-level support in Azerbaijan as well. Particularly, the planned support to drafting and adoption of the new Auditing Law was not carried out as the new law drafting plans were delayed. Delivery of local trainings as implementation support to the local new accounting legislation, was also delayed (as the preferred format was face-to-face). However, it was discussed and agreed that such a one-week face-to-face training in IFRS could be delivered in 2022 if the situation improves. In the meantime, the respective representatives of the counterparts participated in the regional trainings organizes by STAREP in 2021.

PLANNED ACTIVITIES 2022

Introduction

STAREP will continue to be delivered through a combination of knowledge and peer learning activities and country-level support to facilitate implementation. Activities will continue to be designed in a way to respond to the restrictions imposed by COVID-19 pandemic, with some expectation of improvement in the overall pandemic situation in 2022 that would allow in-person participation of the counterparts in some of the regional events. The activities will include: (i) Communities of Practice to foster peer exchange and learning (this would include research on specific topics on needs basis); (ii) knowledge exchanges with European countries; (iii) in-country technical sessions, including dissemination of regional events; (iv) international conferences on relevant topics; (v) targeted, country-level technical advice, capacity building and reform implementation support.

In 2022 the program will continue supporting ongoing in-country activities through policy dialogue, technical assistance, exchange visits (where pandemic situation allows) and workshops (delivered either virtually or face-to-face if situation allows) for local communities of practice. While both COVID-19 and political factors may still continue to have an impact on the implementation of one or more country level programs, the expectation is that the overall planned results will not be heavily impacted, and that the program will continue to deliver its activities and products to achieve the planned results.

Planned Activities

Regional activities

Regional activities will include seminars and exchange-experience workshops (either virtually or face-to-face if situation allows) on corporate financial reporting and will include topics in the field of accounting and financial reporting; auditing and public oversight; accountancy education; and for banking and insurance regulators. In addition, considering the interest of the counterparts for and the importance of non-financial/environmental, social and governance (ESG) reporting, the team will consider organizing a workshop on such topics. Also, the Report *“Corporate Governance of State-Owned Enterprises in Europe and Central Asia: A Survey,”*¹⁶ which was finalized in 2020 will be disseminated via a webinar in 2022.

¹⁶ <https://openknowledge.worldbank.org/handle/10986/35011>

Country-level Support

Armenia

In 2022 the following activities will be considered to be supported under STAREP program: (i) support in updating the accounting and audit educational materials of the Chamber of Auditors and Accountants; (ii) finalizing the assessment of the audit management software options and their functionality for small audit firms; (iii) capacity building activities, including implementation support to the local accounting and auditing legislation.

Azerbaijan

The following activities are planned for 2022:

- Should the pandemic situation allow, a face-to-face seminar will be delivered on the IFRS for SMEs for local community of practice, including the Ministry of Finance, PAO's trainers, university lecturers and practitioners from largest companies that apply the IFRS for SMEs.
- Technical assistance and support to the MoF to identify gaps in the existing legislation in the field of accounting and auditing as compared to good international practices and in particular to the EU's directives for the purpose of a better alignment of legal framework to good international practices.
- Technical assistance and support the Chamber of Auditors of the Republic of Azerbaijan with an aim to assess the existing legal requirements and practices related to auditors' certification as compared to the International Education Standards to set out the case for improved audit quality and advise on feasible and practical reforms to audit education and governance in the Republic of Azerbaijan.

Belarus¹⁷

The planned in country support activities are as follows:

- **Support in exploring options for the Ministry of Finance of Belarus joining the International Forum for Independent Audit Regulators (IFIAR)**

Currently, there is no standalone audit public oversight body in the Republic of Belarus, but the audit oversight system had been established by introducing amendments to the law on audit in 2019, and the MoF was authorized to be in charge of audit supervision. The activity will aim at analyzing the legislation of the Republic of Belarus as well as IFIAR membership requirements, identifying strengths and addressing weaknesses aiming to support Belarusian MOF to join the IFIAR. The STAREP team will facilitate launching and conducting negotiations between the MoF and IFIAR on the issue, if necessary. Also, the experience of Georgian and Slovenian audit oversight bodies will be shared through peer exchange virtual events.

¹⁷ The 2022 country program is to be confirmed given the ongoing situation around Ukraine, as Belarus is also affected by the situation.

- **Professional certification of accountants**

Providing consultations on strengthening of accounting education for professional accountants in the Republic of Belarus by way of organizing bilateral meetings with regulators in other countries, providing comments on legal requirements relating to professional accounting qualification, as well as to accounting curricula, engaging professional organizations with internationally recognized qualifications to work in the country.

Georgia

The activities to which STAREP could contribute, in cooperation with the WB-EU project, may include the following:

- Continuing to support capacity development of SARAS and GFPA.
- Distribution of accounting education materials to universities.
- A workshop on methodology of teaching accounting education materials will be carried out for university professors.

The WB-EU project and STAREP are discussing the possibility for supporting organization of PAO regional conference and creation of a common platform under the European Federation of Accountants and Auditors for SMEs (EFAA) or other internationally recognized accountancy organization.

Moldova

- Capacity building activities and support for the Council for Public Oversight of Audits in the areas under its ultimate responsibility. More specifically, a training and technical assistance program would be put in place to support implementation of the suggested recommendations included in the Advisory Note on the assessment of the local current professional qualification of auditors. Targeted assistance will contribute to improved capacity on the part of the Public Oversight Council management, members of the Certification Commission and of the Public Oversight Council's Council. The Advisory Note will be finalized and disseminated locally in 2022.
- Should the pandemic situation be improved, local face-to-face inspection/enforcement workshops and other technical events, including peer exchange events for quality assurance inspectors and other relevant staff of the Public Oversight Council will be organized.

Ukraine¹⁸

Ongoing support of implementation of public oversight function by way of:

¹⁸ Future planning of country-level support in Ukraine is subject to the end of the war and agreement on the priorities with the Ukrainian authorities in line with the country reconstruction plans.

- Organization of bilateral meetings on peer exchange with audit regulators in other countries on specific audit regulation topics.
- Conducting research on interaction between the public oversight bodies and audit committees of PIEs in European countries and sharing its results with the APOB.
- Providing other support as per the counterparts' request.

Support in improving the accounting and auditing legislation:

- Support for the adoption of the amendments to the law *on audit and financial reporting* in line with European legislation, including in the area of conducting joint audit procedures, defining good reputation, professional accountancy organizations, and others. The support will be provided by way of consultations on specific aspects of proposed amendment to the law, as well as by participation in the working group organized at the Parliament Committee to discuss relevant amendments to accounting and audit legislation.

PROGRAM ADMINISTRATION AND FINANCIAL SUMMARIES

Program Governance and Partners

STAREP is managed by the Vienna-based World Bank Centre for Financial Reporting Reform (CFRR). 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 program's priorities, planned activities, as well as the progress made are discussed with STAREP countries' beneficiaries and donors.

Financial support for STAREP and its activities has been provided from two sources: a Single-Donor Trust Fund (SDTF) with the European Commission; and the REPARIS Multi-donor Trust Fund (MDTF) and its donors – the Austrian Finance Ministry, the Austrian Development Agency, the Swiss State Secretariat for Economic Affairs, and the Finance Ministry of Luxembourg. Within the MDTF, STAREP is made possible with contributions paid into the trust fund by the Austrian Development Agency and the Austrian Ministry of Finance. As of the date of this report, the SDTF with the European Commission has been fully utilized. The MDTF was replenished in 2019 with a contribution of EUR 1.3 million by the Austrian Development Agency allowing for the program extension.

Until the program extension, it was structured along five thematic components which were concluded. The program extension is focused on specific areas of interventions as laid out in Annex A, and activities are structured rather at the regional and country levels. The key team members of the program include:

Program Management

Name	Position
Daniel J. Boyce	Practice Manager
Garik Sergeyev	Senior Financial Management Specialist, Task Team Leader
Andrei Busuioc	Senior Financial Management Specialist
Reinhard Haslinger	Senior Operations Officer, TF manager
Pascal Frerejacque	Senior Operations Officer (until June 30, 2021)
Anara Tokusheva	Program Assistant
Irma Khatiaashvili	Program Assistant

Country-relationship responsibilities

Country	Staff
Armenia	Garik Sergeyev (based in Vienna) Arman Vadyan (based in Yerevan) Lusine Grigoryan (based in Yerevan)
Azerbaijan	Tural Jamalov (based in Baku)
Belarus	Natalie Manuilova (based in HQ) Natalia Konovalenko (based in Kyiv)
Georgia	Natalie Manuilova (based in HQ) Irina Gordeladze (based in Tbilisi)
Moldova	Andrei Busuioc (based in Almaty) Oxana Druta (based in Chisinau) Svetlana Platon (based in Chisinau)
Ukraine	Garik Sergeyev (based in Vienna) Natalie Manuilova (based in HQ) Natalia Konovalenko (based in Kyiv)

Financial Information

Financial information can be made available upon request.

ANNEX A: PROGRAM BACKGROUND

Context

The countries of the EU's Eastern Partnership (EaP), Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine, initiated corporate financial reporting (CFR) reforms in the 1990s, with the support of the development community. These efforts have led to some progress in building a nascent accounting profession. The countries have shown their commitment to developing their market economy using the EU framework as the benchmark for shaping their reforms. However, they lack capacity on a wider range of issues for the regulators and profession to fully fulfill its mandate. Since 2004, the World Bank has conducted reviews of accounting and auditing standards and practices in the Black-Sea/South-Caucasus countries through the Reports on the Observance of Standards and Codes (ROSC) on Accounting and Auditing. These reports have been prepared in close cooperation with the authorities and following a participatory process involving all key in-country stakeholders. The ROSCs identify a number of issues and offer a number of policy recommendations to equip the countries with corporate financial reporting practices which are conducive to enhanced competitiveness and private sector-led growth and led to a few initial activities. STAREP aims at helping the EaP countries to address the above shortcoming and to support their CFR reforms, including building capacity in accounting and auditing, developing and implementing an institutional framework for corporate financial reporting 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.

STAREP has launched the implementation of critical reforms in strengthening financial reporting frameworks, audit quality and financial transparency, paving the way to a more conducive business enabling environment and improved access to finance. Policy makers demonstrated a strong sense of community, yet they still need to better understand policy actions and benefits in corporate financial reporting reforms from their closer alignment with the EU and international good practices. Officials from participating countries have demonstrated ownership of corporate financial reporting reforms and benefits to their economies from improved quality and reliability of financial data. Senior officials and practitioners of all beneficiary countries attended program events regularly and with great interest. Since the program inception over 2270 participants cumulatively attended communities of practice (CoP) for senior officials, Accounting and Auditing Education CoP, Accounting and Auditing CoP, IFRS for Regulators workshops. The performed activities equipped the policy makers and practitioners with increased capacity to independently design, implement, and maintain reform elements in line with good international practice and

EU framework. The progress in achieving results of the program is demonstrated in each country through adopting and revising legislation, creating new institutions or building capacity of existing ones.

By way of reviewing the progress, it shall be noted that the STAREP program has helped to launch and implement critical reforms to strengthen the financial reporting frameworks in the beneficiary countries with a view to strengthening the improved financial management practices in the private sector and among state-owned enterprises, enhanced quality of business advice and audit by the accounting and auditing profession, and supporting a more conducive business enabling environment and improved access to finance.

In particular, the combination of (i) a strong regional aspect of the program facilitating peer exchange, joint-learning, discussion of experiences within communities of practice, regular exposure to international good practice, and (ii) targeted country-level assistance within one program, is regarded as instrumental element to the successes achieved.

Program Development Objective

Improved financial reporting contributes to financial sector stability, however, lack of regulatory capacity limits effective supervision of banks, insurance companies, and other financial institutions. Moreover, improved financial reporting opens new perspectives and opportunities for investments and credit activities, however, the underdeveloped practice and lack of sound financial information available to lenders and investors limit financial intermediation. Financial reporting plays an important role in supporting governance and tax administration reforms; and a clearly defined accounting system are required to determine taxable income in a transparent, predictable, and cost-effective manner.

The higher-level objective of the program is to improve corporate financial reporting practices. Specifically, STAREP builds capacity among and assist the accounting and auditing profession, regulators, students, and other stakeholders to develop and practice an institutional framework for corporate financial reporting in the countries of the EU's Eastern Partnership which is in accordance with international accounting, auditing and accounting education standards.

Within the program development objective to enhance approximation with EU norms and application of international standards for corporate financial reporting in the EU Eastern Partnership countries, the program particularly focuses on transparent policy environment and effective institutional framework for corporate reporting in participating countries. It also supports the reforms that have been launched by the countries but not yet completed and require additional support and resources. It is important to mention that all STAREP

participating countries are committed to the next reform steps, even those countries that are not technically bound by association agreements with the EU.

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 STAREP program 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.



STAREP delivers through a combination of knowledge and peer learning activities and country-level support to facilitate implementation. Activities include: (i) Communities of Practice to foster peer exchange and learning (this would include research on specific topics on needs basis); (ii) knowledge exchanges with European countries; (iii) in-country technical sessions, including dissemination of regional events; (iv) international conferences on relevant topics; (v) targeted, country-level technical advice and reform implementation support, in the form of training courses, development of methodologies and analytical work, as well as hands-on assistance. Through expert presentations and professional facilitation, the program provides integrated advisory services, effective knowledge management,

support to drafting of legislation and bylaws, implementation support and hands-on assistance, 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.

ANNEX B: RESULTS FRAMEWORK

Program Development Objective: Enhanced approximation with EU norms and application of international standards for corporate financial reporting in EU Eastern Partnership countries, by building the capacity of relevant practitioners, policymakers, and stakeholders.

#	Indicator	Unit of Measure	Baseline Value	Target Value, revised	Actual Value as of December 31, 2021
A	Progress in updating legal framework that are in line with the EU framework and good international practices	No. of countries ¹⁹	0	5 (additional 2 countries during extension)	4 ²⁰
B	Enhanced capacity of policy makers and practitioners to develop, promote, and apply suitable legal frameworks for SMEs/SMPs	No. of policy makers and practitioners with increased capacity to independently design, implement, and maintain reform elements in line with good international practice and EU framework	N/A	1080 beneficiaries [6 countries x 6 representatives x 6 events per year x 5 years] (additional 200 participants during extension period)	2272

¹⁹ The indicator is measured through adoption of the minimum 75% of the following requirements: (i) Definition of PIE is compliant with the minimum requirements of Directive 2013/34/EC; (ii) Entities and group of entities classified in accordance with the article 3 of the Directive 2013/34/EC; (iii) Minimum audit requirements according to the provisions of the article 34 of the 2013/34/EC Directive are transposed into national legislation; (iv) General publication requirements (financial statements, including audit report and management report, where applicable) are transposed; (v) Public interest entities are required to establish an audit committee; (vi) Auditors/audit firms approval, registration and continuing education requirements are compliant with Directive 2006/43/EC. However, it is assumed that for countries where there is no association agreement signed with EU, the indicator is measured through adoption of the minimum 50% of the listed requirements.

²⁰ Armenia, Georgia, Moldova and Ukraine reported good progress in updating their legal frameworks.

#	Indicator	Unit of Measure	Baseline Value	Target Value, revised	Actual Value as of December 31, 2021
C	Public oversight systems established in line with the EU framework and operational	No. of countries	0	3 (additional 1 country during extension)	3 ²¹
INTERMEDIATE OUTCOME LEVEL					
GENERAL					
1	Contributed to stakeholder involvement	Text	n/a	Senior officials and practitioners of all beneficiary countries regularly attend program events	Relevant senior officials and practitioners attended delivered webinars
2	Disseminated and facilitated exchange of good practice w/ clients	Text	n/a	All participating countries learning from EU member states or peer STAREP participants, applying good practices in practice (all 6 countries)	Representatives of participating countries continue learning on applying good international practice via delivered webinars
3	Public debate stimulated	Number of public discussions on new regulations / legislations held	0	12 (no additional debates are envisaged under extension)	21

²¹ Public oversight systems are functional in Georgia, Moldova and Ukraine.

#	Indicator	Unit of Measure	Baseline Value	Target Value, revised	Actual Value as of December 31, 2021
		before new A&A legislation approved			
COMPONENT 2 – ACCOUNTING EDUCATION					
4	Capacity increased to identify and address gaps in accounting university education in line with international good practice	Number of STAREP Universities which completed the profiling tool to identify and address gaps in their curriculum	0	11	11
5	Increased access to the learning materials and modern teaching methods	No of publications	0	2	4
6	Improvement strategies in accounting and auditing education agreed on and developed in line with good international practice by local stakeholders	No. of countries that developed national accounting education initiatives and action plans	0	6 (publication and dissemination of strategies and action plans will be facilitated during program extension)	6 National accounting education initiatives and action plans are now available on CFRR's website
COMPONENT 3 – ACCOUNTING & AUDITING STANDARDS					
7	Availability of transposition tables that benchmark national legislation in	No. of countries	0	3	3 ²²

²² Transposition tables were prepared by MOF of Georgia, Ukraine and Moldova as part of improving accounting and auditing legal framework event; these are integrally or partially published. Ukraine decided not to publish the transposition tables, however they are updated and used in updating the legislation on accounting and audit.

#	Indicator	Unit of Measure	Baseline Value	Target Value, revised	Actual Value as of December 31, 2021
	the field of accounting & auditing to the relevant EU framework and good international practices				
8	IFRS adopted and applicable for PIEs	No. of countries	3 ²³	6	6
9	ISAs (IAASB) and Code of Ethics (IESBA) adopted	No. of countries	4	6 (1 additional country during extension period)	6
10	Suitable financial reporting framework aligned with EU requirements and good international practices for non-PIEs/SMEs (through adoption of IFRS for SMEs or aligning NASs to the requirements of the accounting <i>acquis</i>) adopted	No. of countries	0	5 (1 additional country during extension period)	4 ²⁴
11	National Register of auditors and audit firms is available to public	No. of countries	1 ²⁵	5	5 ²⁶

²³ Armenia, Georgia, Moldova

²⁴ IFRS for SMEs adopted in Armenia, Azerbaijan Georgia and Ukraine; improved NASs for various categories of non-PIEs adopted in Georgia and Moldova.

²⁵ Ukraine

²⁶ Azerbaijan, Belarus, Georgia, Moldova, Ukraine

#	Indicator	Unit of Measure	Baseline Value	Target Value, revised	Actual Value as of December 31, 2021
12	Availability of translated standards	No. of countries	n/a	IFRS: 6 countries IFRS for SMEs: 4 countries ISAs (IAASB) and Code of Ethics (IESBA): 5 countries	IFRS: 6 countries IFRS for SMEs: 4 countries ISAs (IAASB): 6 countries Code of Ethics (IESBA): 6 countries
COMPONENT 4 – FINANCIAL SECTOR					
13	Reconciliation approach to apply prudential filters between equity and regulatory capital is in place including legal provisions and their application and review by banking supervisors	No. of countries	1 ²⁷	4	4 ²⁸
14	Banking regulators regularly review the annual financial statements prepared under IFRS and discuss the audit with the auditors following a risk-based approach	No. of countries	1 ²⁹	6	6 ³⁰

²⁷ Ukraine

²⁸ Armenia, Azerbaijan, Georgia, and Ukraine

²⁹ Moldova

³⁰ However, Belarus reported that banking supervisor doesn't review the FSs, only discuss the audit of FSs of banks with the auditors.

#	Indicator	Unit of Measure	Baseline Value	Target Value, revised	Actual Value as of December 31, 2021
15	Tools for enhanced banking supervision developed and disseminated	No. of publications	0	2	3

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