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Centre for Financial  
Reporting Reform



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Strengthening Auditing and Reporting in  
the Countries of the Eastern Partnership

## STAREP Progress Report 2018



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## 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
AO	Audit and Oversight
CD	World Bank Country Director
CFR	Corporate Financial Reporting
CFRR	Centre for Financial Reporting Reform
CoP	Community of Practice
CMU	Country Management Unit (World Bank)
CPD	Continuing Professional Development
EaP	EU Eastern Partnership
EBRD	European Bank for Reconstruction and Development
ECA	Europe and Central Asia
ECAFM	Financial Management Unit of the ECA
EduCoP	Accounting Education Community of Practice
EU	European Union
EPI	Economic Prosperity Initiative of USAID
FR	Financial Reporting
FSB	Financial Stability Board
GDLN	Global Development Learning Network
IASB	International Accounting Standards Board
IAESB	International Accounting Education Standards Board
ICE	In-Country Engagement
IDF	Institutional Development Fund (World Bank)
IES	International Education Standards (for Professional Accountants)
IESBA	International Ethics Standards Board for Accountancy (IFAC Board)
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
KM	Knowledge Management
MDTF	Multi-Donor Trust Fund
M&E	Monitoring and Evaluation

MoF	Ministry of Finance
MSMEs	Micro, Small and Medium-sized Enterprises
PAO	Professional Accountancy Organization
PB	Professional Body
PIE	Public Interest Entity
PL	World Bank Program Leader
POS	Public Oversight System
QAS	Quality Assurance System
REPARIS	Road to Europe: Program of Accounting Reform and Institutional Strengthening
ROSC	Report on the Observance of Standards and Codes
SAD	Statutory Audit Directive
SOE	State-owned enterprise
SME	Small or Medium-sized Enterprise
SMP	Small and medium- sized practices
SOW	Senior Officials Workshop
STAREP	Strengthening Auditing and Reporting in the Eastern Partnership
TA	Technical Assistance
USAID	United States Agency for International Development
WB	World Bank

## Executive Summary

Launched in October 2013, *Strengthening Auditing and Reporting in the Eastern Partnership* (STAREP) is a regional program of the World Bank's Centre for Financial Reporting Reform (CFRR) for Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine.

To help establish regulations in line with international good practice, and to help stimulate economic growth, business activity, and better access to finance, STAREP helps participating countries to modernize corporate financial reporting frameworks and raise the capacity of local institutions to implement these frameworks effectively. Areas of program activity include accounting and auditing standards, in particular for SMEs; capacity of the profession to support businesses more effectively; initial and continuous accounting education; public oversight; and capacity of financial sector supervisors.

The program aims to encourage reform efforts, upgrade the skills of stakeholders, and provide technical assistance as needed. Successful reforms will depend on actions taken by each country, including activities implemented outside of STAREP. Working both on a regional level through peer learning and communities of practice as well as on the country-level through technical assistance and targeted workshops, the program supports efforts that help align laws, norms, institutions and practices with EU requirements and good international practice.

During the program year January – December 2018, significant progress has been made. Details can be found in the respective sections of this program including (i) updates of reform implementation by country and (ii) an updated results framework including status of implementation.

Noteworthy program highlights of 2018, among other, include:

- **The 2018 Ministerial Conference on "High-Quality Financial Information & Economic Integration" gathered about 300 delegates on Tuesday, 27 November** to discuss the role financial information in supporting economic development, regional and global integration of economies, and convergence of income and living standards between poorer and richer countries. **The conference took place under the auspices of the Austrian Presidency of the Council of the European Union and featured a keynote speech by the Austrian Minister of Finance, who voiced strong support for the agenda of improving financial transparency and regional economic integration.**
- **On 26 November, the Senior Officials' Workshop provided a unique platform for Deputy Ministers of Finance** to jointly review progress made and priorities going forward. Program beneficiaries expressed their appreciation to the Austrian Development Agency, the Austrian Ministry of Finance and the European Union for partnering in this important program and making the many achievements and reform efforts possible.

- **The Education Community of Practice meeting** held in Vienna in November 2018 brought together representatives of Universities and Professional Accountancy Organizations to build skills in “Implementing Competency-Based Accounting Education and Training: Strategies and Tools”.
- The **A&ACoP focusing on legal and institutional reform and international standards convened twice**: (i) in April to further advance participants’ knowledge about audit quality assurance systems, and key principles of audit oversight and processes of quality assurance systems; and (ii) in November to discuss the impact of the Fourth Industrial Revolution on the accountancy profession which is bringing rapid changes in all spheres through the use of AI, robotics, data science, and other digital technologies.
- **The CFRR organized two seminars under the Financial Regulators Practice Forum** in 2018 providing senior staff of regulatory agencies with tools and skills to discharge their supervisory duties more effectively, using financial statements prepared under IFRS.
- Several country-level workshops, round table discussions as well as technical assistance activities were carried out in participating countries (see Annex with details on country-level activities and results);
- The results framework was updated and provides a status report on the various thematic areas of intervention (see Annex).

By way of a high-level summary, the following provides a status report on reform implementation:

**List of Completed Achievements under STAREP Assistance:**

- New Accounting and Auditing Legislation in Georgia, Moldova and Ukraine;
- New Accounting Law in Belarus and Azerbaijan. Armenia is progressing towards adoption;
- International Financial Reporting Standards (IFRS) adopted and required for public interest entities in all countries;
- International Standards of Auditing (ISA) and Code of Ethics (IESBA) adopted in all countries except for Belarus, which is introducing respective legislation changes in 2019;
- Transposition tables have been completed in Georgia, Moldova and Ukraine, to help identify and help address gaps between national legislation and international benchmarks;
- Public Oversight Institutions established in Georgia and Moldova, with development in progress in Ukraine;
- Eleven universities have completed the profiling tool for curriculum updates;

- Financial reporting frameworks aligned with EU requirements and good international practice for non-public interest entities and SMEs, including adoption of IFRS for SMEs, in Armenia, Azerbaijan, Georgia, and Ukraine;
- National register of auditors and audit firms established in Belarus, Georgia, Moldova and Ukraine;
- Availability of translated accounting and auditing standards such as IFRS, IFRS for SMEs and ISAs in most of the participating countries;
- Reconciliation approach to apply prudential filters in place in Armenia, Azerbaijan, Georgia and Ukraine;
- Banking regulators regularly review financial statements prepared under IFRS.

**List of Reform Efforts Launched but in Need of Continued Assistance:**

- Implementation support of new accounting and auditing legislation in Georgia, Moldova and Ukraine;
- Implementation support of new accounting legislation in Azerbaijan and Belarus;
- Draft and adoption of new Auditing Law in Belarus, Armenia and Azerbaijan, including via support in adoption of ISA and Code of Ethics (IESBA);
- Support to full implementation of public oversight function in Georgia, Moldova and Ukraine;
- Public Oversight Institutions to be established or strengthened in Belarus, Armenia and Azerbaijan;
- Establish national register of auditors and audit firms in Armenia and Azerbaijan;
- Ensure availability of translated accounting and auditing standards such as IFRS, IFRS for SMEs and ISAs in all countries;
- Update of the curriculum in accounting and audit to leading universities in beneficiary countries;
- Support to professional accounting associations and small-and-medium practices to build capacity continuous professional development, in particular in SME advisory;
- Support roll out of reconciliation approach to apply prudential filters in financial sector supervision in Moldova and Belarus.

In 2019, the program will enter its final phase and with the remaining limited budget, ongoing activities will be wrapped up. Beneficiaries have expressed a strong interest in an extension and have formulated a request to development partners to consider such. The World Bank supports this request and is discussing it with development partners.



## Activities and Progress 2018 by Component

### Component 1 - Reform Momentum and Support

#### Activities

Activity	Topic	Date	Location
Ministerial Conference	Financial Information: Catalyst for Economic Integration	27 November	Vienna
Workshop	Senior Officials' Workshop: Financial Information: Catalyst for Economic Integration	26 November	Vienna
Knowledge management	Newsletter covering STAREP activities	April 11	Virtual
	Website pages: topics, events, country	Ongoing	Virtual
Publication/ Research	FACT survey on State Owned Enterprises Financial Accountability, Controls and Transparency in Europe and Central Asia	In progress	N/A

#### 2018 Highlights - Ministerial Conference and Related Events

**The 2018 Ministerial Conference on "High-Quality Financial Information & Economic Integration" gathered about 300 delegates on Tuesday, 27 November.** Participants included ministers of finance, senior government officials, and representatives of the business, professional and academic communities, who discussed the role financial information plays in supporting economic development, regional and global integration of economies, and convergence of income and living standards between poorer and richer countries. The conference took place under the auspices of the Austrian Presidency of the Council of the European Union, with a keynote by the Austrian Minister of Finance.

**On 26 November, the Senior Officials' Workshop provided a unique platform for senior policy makers from participating countries to share reform progress and exchange experiences.** STAREP senior officials jointly reviewed progress made under STAREP program and discussed priorities going forward. Program beneficiaries expressed their appreciation to the Austrian Development Agency, the Austrian Ministry of Finance and the European Union for partnering in this important program and making the many achievements and reform efforts possible. A Joint Communiqué signed by Senior Officials of STAREP countries stated that the program has helped launch and implement critical reform efforts to strengthen the financial reporting frameworks in the beneficiary countries. The reforms initiated will contribute to improved financial management practices in the private sector and among

state-owned enterprises, enhanced quality of audit and business advice by the accounting profession, and support for a more conducive business enabling environment and improved access to finance.

## Status and Progress towards Program Outcomes

- **Policy/ Strategy Informed:** STAREP has launched an 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 strong sense of community and enhanced understanding of policy actions still needed and benefits in corporate financial reporting reforms from their closer alignment with the EU and international good practices;
- **Client Capacity Increased:** STAREP countries officials demonstrate ownership of corporate financial reporting reforms and benefits to their economies from improved quality and reliability of financial data. They are committed and interested in proper implementation of such reforms with the World Bank and donors' support. Important to mention that all STAREP participating countries are equally committed to the next reform steps, even those countries that are not technically bound by association agreements with the EU;
- For in-country details and reform results, please see component 5.

## Unforeseen Challenges and Actions taken in response

SOE FACT - the deliverable is currently under review. Parts of the work have been completed. However, the data set submitted by stakeholders across different countries shows inconsistencies in quality and scope with implications for comparability and analysis. The team is currently reviewing the status and best way forward.

## Component 2 – Accounting Education Reform

### Activities

Activity	Topic	Date	Location
Workshop	EduCoP: Implementing Competency based Accounting Education and Training	28+29 November	Vienna
Publication	Competency-based Accounting Education and Training Guide	Published Nov 2018	N/A
	Regional Education Study	In progress	N/A

Activity	Topic	Date	Location
	Accounting Qualification Resources and Implementation Toolkit	In progress	N/A

The Education Community of Practice meeting held in Vienna in November 2018 brought together representatives of Universities and Professional Accountancy Organizations involved in education from all STAREP Countries. The theme of the workshop was “Implementing Competency-Based Accounting Education and Training: Strategies and Tools”.

The workshop provided members of the Community the opportunity to:

- Receive a copy and become familiar with the contents of the Competency-Based Accounting Education, Training and Certification Implementation Guide;
- Hear from knowledgeable speakers including the Executive Director of the International Federation of Accountants (IFAC) and the Chair of the Department of Finance, Accounting, and Statistics at the Vienna University of Economics and Business;
- Learn from each other through presentation of best practices in accounting education implemented by STAREP EDUCOP members;
- Learn about and apply best practices in the development of examination questions;
- Become familiar with the strategies and structures of Continuing Professional Development Programs for practicing accountants and auditors.

### Status and Progress towards Program Outcomes

A major achievement this year was the finalization of “Strategies for improvement of Accounting and Auditing Education” (formerly known as National Education Initiatives) in all six STAREP countries.

The publication of the “Competency-Based Accounting Education, Training and Certification Implementation Guide” was an important milestone for the project. The Guide was well received by STAREP EDUCOP members, who had expressed their interest in its publication to support the implementation of their strategies for improvement of accounting education. The Guide was subject to a peer-review process and the authors received invaluable assistance from IFAC, ICAEW and CPA Canada in designing and producing the Guide.

Stakeholders in several countries including Ukraine, Armenia, and Azerbaijan have made changes to legislation or regulations during the course of the STAREP Program which are in line with the objectives of the Program. Implementation of the changes in University Education and Professional Qualification Programs to support these changes will require several more years and ongoing assistance.

The STAREP EDUCOP participants have made significant progress in understanding and embracing the need for accounting education reforms. The translation of the International Education Standards (IESs) into Russian funded by STAREP proved to be very popular among participants. The benchmarking exercise undertaken to compare the accounting degree programs of Universities in STAREP Countries with international best practices (using the University benchmarking tool developed under STAREP) helped identify gaps in the curricula of University programs. Representatives of the universities whose programs were evaluated recognized and initiated changes in order strengthen their programs and achieve a greater level of international recognition for their graduating students.

EDUCOP participants developed the “Strategies to improve accounting education” (formerly known as “National Education Initiatives”). The production of these documents was supported by “replication events” undertaken under Component 5, but also required a significant commitment of time and resources by representatives of universities and Professional Accountancy Organizations outside the scope of the regional and national events organized throughout the program.

This dedication to implementing substantial reforms of their programs was highlighted by the almost unanimous decision by EDUCOP members to sacrifice one regional workshop to the production of educational resources to support these reforms. These resources include:

- “The Competency Based Accounting Education, Training & Certification Guide” which was launched at the EDUCOP in Vienna in November 2018;
- The “Continuing Professional Development Programs for Accountants Implementation Guide” due to be finalized by March 2019;
- A practical “Accounting Education Resources Guide” which will provide tools and examples to support the implementation of competency-based education (due to be finalized by June 2019).

As valuable as the Strategies documents and resources will be to support further reforms in STAREP Countries, further assistance has been requested by participants:

- Translations and workshops to accompany the resources;
- Course materials to address the gaps identifying through the benchmarking studies;
- Train-the-trainer workshops include both technical and pedagogical aspects of overhauling course content, teaching, and examinations.

The understanding of the need for these reforms, including the establishment of independent qualification programs for professional accountants and auditors has been demonstrated by legislative and regulatory changes undertaken in several STAREP Countries over the course of

the program. Some Professional Accountancy Organizations have independently announced plans to merge and establish a national qualification.

In order for the legislative changes and new programs (which were strongly encouraged and supported by the STAREP Program) to be effective and sustainable a significant amount on ongoing technical assistance is required.

### Unforeseen Challenges and Actions taken in response

The compilation of the Accounting Education Resources and Regional Education Study is taking longer than expected and will be finalized by mid-2019.

## Component 3 – Accounting and Auditing Standards

### Activities

Activity	Topic	Date	Location
Workshop	A&ACoP: Advancing audit quality assurance systems: trends and opportunities (joint STAREP and EU-REPARIS communities of practice workshop)	26-27 April	Vienna
	A&ACoP: Financial reporting in private and public sectors – common issues, challenges and recent developments (joint PULSAR, STAREP and EU-REPARIS communities of practice workshop)	28-29 November	Vienna
Publication	Reporting by Public Oversight Bodies <sup>1</sup>	December	N/A

### A&ACoP: Advancing audit quality assurance systems: trends and opportunities (joint STAREP and EU-REPARIS communities of practice workshop)

A two-day workshop in Vienna on 26 and 27 April, 2018 convened participants from each of the countries of two regional programs, STAREP and EU-REPARIS. Several sessions on the second day were delivered separately for STAREP and EU-REPARIS. The main objective of the workshop was to further advance participants' knowledge about audit quality assurance systems, through presentations and discussions about key principles of audit oversight and processes of quality assurance systems. Each STAREP country updated the audience on the

<sup>1</sup> [http://siteresources.worldbank.org/EXTCENFINREPREF/Resources/4152117-1427109489814/Reporting\\_by\\_audit\\_oversight\\_bodies\\_EN.pdf](http://siteresources.worldbank.org/EXTCENFINREPREF/Resources/4152117-1427109489814/Reporting_by_audit_oversight_bodies_EN.pdf)

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. Georgia, Moldova and Ukraine have adopted new improved legislation, and a concept for accounting and audit reform was approved by the Government of Armenia. Other countries are on the road to developing new improved legislation and/or amending the existing legal framework which will enable establishment of proper quality assurance systems.

### **A&ACoP: Financial reporting in private and public sectors – common issues, challenges and recent developments (joint PULSAR, STAREP and EU-REPARIS communities of practice workshop)**

This event, delivered on November 28-29 (as part of events associated with the Ministerial conference) convened participants from three regional programs, i.e. STAREP, EU-REPARIS and PULSAR (PULSAR joint workshop was convened for one day on November 28). The main objective of the workshop was to discuss the impact of the Fourth Industrial Revolution on the accountancy profession which is bringing rapid changes in all spheres through the use of artificial intelligence, robotics, data science, and other digital technologies. The workshop presented a new accounting and auditing reform results framework measuring progress made in countries participating in the STAREP program and offered an opportunity for participants to review the benefits of having a results framework, highlighting key outcomes achieved with support of the World Bank's CFRR between 2013 and 2018.

## **Status and Progress towards Program Outcomes**

STAREP countries made important progress in modernizing their systems of corporate financial reporting, yet some common challenges are outstanding, especially in institutional capacity. While many STAREP countries achieved impressive progress by adopting new legislation, international standards and/or improved national standards in the field of accounting and auditing, implementing these laws and regulations in practice, and the necessary capacity, will be the next challenge. A general overview of key outcomes supported by STAREP under component 3 and on the basis of results framework is presented below:

**Development and Availability of Transposition Tables.** Transposition tables are indispensable tools that could demonstrate the progress and help in identifying gaps in legislation. **Georgia**, Moldova<sup>23</sup> and **Ukraine** developed transposition tables (in Moldova and Georgia these are publicly available), while in **Azerbaijan**, **Armenia** and **Belarus** only partial transposition tables were developed, following internal needs.

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<sup>2</sup> [http://mf.gov.md/sites/default/files/documente%20relevante/tabel\\_de\\_concordanta\\_0.pdf](http://mf.gov.md/sites/default/files/documente%20relevante/tabel_de_concordanta_0.pdf)

<sup>3</sup> <http://old.mf.gov.md/actnorm/audit/altele>

**Progress in updating legal framework in line with the EU framework and good international practices.** The progress is monitored through adoption of key requirements of EU *acquis* in the field of corporate financial reporting, and for this stage it is measured in terms of adoption of improved legislation rather than enforcement. There are several indicators to measure the progress in updating legal framework:

- **Definition of PIE is compliant with the minimum requirements**, i.e. it includes listed entities, credit institutions, insurance companies, and entities that are of significant public relevance because of the nature of their business, their size or the number of their employees. The concept is fully adopted in **Azerbaijan, Belarus, Georgia, Moldova and Ukraine**. In **Armenia** the definition is included in draft legislation.
- **Classification of entities and group of entities in accordance with the article 3 of the Directive 2013/34/EC**, i.e. **micro, small, medium-sized and large** (the main scope of classification is to introduce differential reporting and disclosure requirements depending on the size of entity, and thus to reduce administrative burdens on micro and small entities). Classification concept is fully adopted in **Moldova and Georgia** where thresholds, as required by the accounting directive are included in accounting legislation. **Ukraine** introduced the concept of classification, except for medium and large groups; it is partially adopted in **Azerbaijan**; and it is included in draft legislation in **Armenia**.
- **Minimum audit requirements** — i.e. annual financial statements of medium-sized, large entities and PIEs are subject to an independent audit—are transposed. Minimum audit requirements are fully adopted in **Georgia and Moldova** following the adoption of classification of entities. In **Ukraine**, due to the fact that large and medium groups are not defined, these do not have a requirement to be audited. The concept is partially adopted in **Belarus and Azerbaijan**, and in **Armenia** these requirements are included in draft legislation.
- **General publication requirements**, that financial statements, including audit report and management report where applicable, should be published within a reasonable period of time (not later than 12 months after the balance sheet date), are transposed. General publication requirements are fully adopted in **Georgia, Moldova and Ukraine** (in some countries the enforcement of this requirement is still a challenge, mainly because of lack of financing to develop and maintain a Public Register), are partially adopted in **Belarus and Azerbaijan**, and in **Armenia** these are included in draft legislation.
- **Public interest entities are required to establish an audit committee** with a majority of the members independent of the audited entity and at least one member having competences in accounting and/or auditing. PIEs in **Azerbaijan, Georgia, Moldova and Ukraine** are required to establish audit committees (there still are some challenges related to independence in some countries).

**Adoption and availability of the latest edition of the international standards into local language(s).** This remains one of the common challenges for a majority of STAREP countries. While international standards are adopted, the most recent editions in local language(s) are published with significant delays because of several reasons. For instance, Moldova does not have control over the translation process, as official translations are received directly from IFRS Foundation and IFAC, respectively, while in other countries the delays are mainly because translation processes are either not properly institutionalized or are inadequately funded. Currently, **IFRS** are adopted by **all STAREP countries** and are mandatory for PIEs; IFRS for SMEs is adopted in **Armenia, Azerbaijan, Georgia, and Ukraine**; **ISAs** are adopted in all countries, except Belarus; and **IESBA' Code of Ethics** is adopted in **Azerbaijan, Georgia, Moldova and Ukraine**. Detailed information on the status of adoption and availability of the latest edition of the international standards into local language(s) is shown in below table.

**Status of adoption and availability of the latest edition of the international standards into local language(s) in STAREP countries**

	IFRS (for PIEs)		ISAs [1]		Code of Ethics [2]		IFRS for SMEs [3]	
	Adop- tion	Availability of the latest translation	Adop- tion	Availability of the latest translation	Adop- tion	Availability of the latest translation	Adop- tion	Availability of the latest translation
Armenia	YES	NO, 2012 edition is available	YES	NO, 2012 edition is available [4]	NO	n/a	YES	YES
Azerbaijan	YES	YES	YES	NO, 2015 edition is available	YES	NO, 2015 edition is available	YES	Under translation
Belarus	YES	YES (Russian version)	NO	n/a	NO	n/a	n/a	n/a
Georgia [6]	YES	YES	YES	YES	YES	NO, 2016 edition is available	YES	YES
Moldova [5]	YES	YES	YES	NO, 2015 edition is available	YES	NO, 2015 edition is available	n/a	n/a



	IFRS (for PIEs)		ISAs [1]		Code of Ethics [2]		IFRS for SMEs [3]	
	Adop- tion	Availability of the latest translation	Adop- tion	Availability of the latest translation	Adop- tion	Availability of the latest translation	Adop- tion	Availability of the latest translation
Ukraine	YES	YES	YES	NO, 2015 edition is available	YES	NO, 2012 edition is available	YES	NO, 2009 edition is available

#### Notes:

1. The most recent version of ISAs as issued by IAASB is 2016-2017 version <https://www.iaasb.org/system/files/publications/files/2016-2017-IAASB-Handbook-Volume-1.pdf>
2. The most recent version of 2018 IESBA Handbook contains the entire International Code of Ethics for Professional Accountants (including International Independence Standards) that comes into effect in June 2019 <https://www.ethicsboard.org/iesba-code>
3. The most recent version of IFRS for SMEs is 2015 version (effective from 1 January, 2017)
4. ISA 700, ISA 701, ISA 570, ISA 705, ISA 706, ISA 260, ISA 720 are available as per 2016 edition
5. Audit entities and auditors in Moldova are allowed to apply the updates of the Code of Ethics, auditing standards, quality control standards and related standards before these are accepted/published into local languages; they should inform POB about the date of application
6. In Georgia auditors/audit firms have the right to use the English version of ISAs.

**Suitable financial reporting framework for non-PIEs.** The financial reporting framework for non-PIEs as defined by 2013/34/EC Directive should be transposed into national legislation via NASs or other internal bylaws; some STAREP countries considered application of IFRS for SMEs instead of NASs. (There are still a few minor differences between IFRS for SMEs and the 2013/34/EC Directive; thus adoption of IFRS for SMES can be considered as partial transposition of the *acquis* and cannot be applicable for small and micro entities.) In **Azerbaijan** and **Armenia**, non-PIEs are required to apply IFRS for SMEs, which could be considered too demanding for small entities. In **Georgia**, IFRS for SMEs (as issued by IASB) is applied by large non-PIEs; IFRS for SMEs with simplified disclosures (as issued by IASB and modified by SARAS) is applied by medium-sized and small entities; and Standard for Micro entities as issued by SARAS is applied by micro entities. In **Moldova**, improved NASs, in line with the *acquis* were developed and published for public consultations; expected approval early 2019, with application date from January 2020 (a 1-year transition period). In **Ukraine** IFRS for SMEs is adopted but not enforced yet (2015 edition is not available into Ukrainian); improved NASs in line with *acquis* will be developed.

**Public oversight systems established and operational.** The Statutory Auditing Directive requires all statutory auditors and audit firms to be subject to public oversight in which statutory auditors and audit firms are subject to a system of quality assurance. This concept is fully adopted in **Georgia** and it is already operational through the Service for Accounting, Reporting, and Auditing Supervision (SARAS). In **Moldova** this concept is also adopted; the Council for Public Oversight of Audits was reorganized in 2018 and will become fully operational in 2019. In Ukraine, establishment of the public oversight institution is underway in line with the recently adopted audit law.

During the last workshop in November 2018, participants expressed their interest to continue the program beyond June 2019, and expressed their commitment to communicate to development partners of the STAREP regional project, including the European Commission, for extending their generosity and support for a new phase of the STAREP program. **The key reform efforts launched but in need of continued assistance were mentioned:**

- Implementation support of new Accounting and Auditing Legislation in Georgia, Moldova and Ukraine;
- Implementation support of new Accounting Legislation in Azerbaijan and Belarus;
- Draft and adoption of new Auditing Law in Belarus, Armenia and Azerbaijan, including via support in adoption of ISA and Code of Ethics (IESBA);
- Support to full implementation of public oversight function in Georgia, Moldova and Ukraine, including development of methodology for quality assurance inspections adapted to the general legal framework of the respective country;
- Support to increase the capacity of the inspectors doing quality review in the countries with newly-established public oversight bodies;
- Public Oversight Institutions to be established or strengthened in Belarus, Armenia and Azerbaijan;
- Establish national register of auditors and audit firms in Armenia and Azerbaijan;
- Ensure availability of translated accounting and auditing standards such as IFRS, IFRS for SMEs and ISAs in all countries;
- Support to ensure public availability of financial statements.

### Unforeseen challenges and actions taken in response

- None during the reporting period

## Component 4 – Financial Regulators Practice Forum

### Activities

Activity	Topic	*	Date	Location
Seminar	Financial Regulators Practice Forum	Yes	May	Tbilisi
Seminar	Financial Regulators Practice Forum	Yes	26 + 28 November	Vienna
Research/ Publication	Policy note on steps for enhancing effective collaboration between banking auditors and supervisors.		Publication May	N/A

The CFRR organized two seminars under the Financial Regulators Practice Forum in 2018. These seminars focused on IFRS and were delivered in partnership with the IFRS Foundation. The seminars were delivered on May 7-8 in Tbilisi, Georgia, and on November 25 and 27, in Vienna, Austria, with the participation of several members of the International Accounting Standards Board (IASB) members, including Hans Hoogervorst, Chairman of the Board, Darrel Scott and Ann Tarca, both Board members, staff of the IFRS Foundation and World Bank IFRS experts.

The seminars aimed at providing senior staff of regulatory agencies with tools and skills to discharge their supervisory duties more effectively, using financial statements prepared under IFRS by supervised entities. The Tbilisi seminar brought together 6 countries with a total of 45 participants (Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine). The Vienna Seminar was organized in conjunction with the EU REPARIS program and brought 30 participants to Vienna. Participants in both workshops providing feedback reported they were very satisfied with all aspects of the workshops.

Both seminars updated participants about recent developments regarding judgements in applying selected aspects of IFRS, including: IFRS 13 *Fair Value Measurement* and materiality, IFRS 9 *Financial Instruments*, IFRS 15 *Revenue*. In addition, during the event organized in Vienna, insurance supervisors learned about the newly issued standard, IFRS 17 *Insurance Contracts* which should be applied for the first time in 2021.

### Status and Progress towards Program Outcomes

An increasing number of banks, insurance companies and listed companies prepare financial statements in accordance with International Financial Reporting Standards (IFRS Standards). Investors, lenders and other stakeholders use information from these financial statements as inputs to inform their economic decisions.

Reliable reporting by banks and insurance companies is critical to financial stability and the development of capital markets in developing countries, for several reasons. IFRS Standards have just undergone significant changes to address issues that arose during the global financial crisis. Bank and insurance regulators need to update their understanding of the new standards and to anticipate the implementation challenges the recent changes are likely to pose and need to develop their own capacity to enforce the standards, independently from other regulation or supervision.

In particular, the first application of IFRS 9 *Financial Instruments*, presents substantial challenges and risks in the region, particularly with respect to SME access to finance, because it requires financial institutions to account for expected and not just incurred losses on the loans they make, which could in turn affect lending policies and potentially worsen lending conditions for SMEs. The workshop in Tbilisi was in part aimed to help assure proper understanding and implementation of IFRS 9 requirements by bank supervisors, to address the risk that a misinformed approach by regulators could unnecessarily worsen lending conditions.

Supervisors in all beneficiary countries report that they now review financial statements prepared under IFRS regularly, while only one country was doing so before the inception of the program. Several countries have adopted IFRS for the banking and insurance sector during the life of the program, and supervisors will need more training to get comfortable in monitoring and regulating IFRS that have recently been applied (IFRS 9, IFRS 15, IFRS 16), or for which first application will be in the coming years (IFRS 17).

Supervisors look forward to sharing and learning from other experiences in implementation challenges and effects on solvency ratios of the accounting standards during future workshops. In addition, insurance supervisors need to ramp up the preparation on IFRS 17 for insurance contracts of the insurance companies they supervise.

### Unforeseen Challenges and Actions taken in Response

The publication of a short policy note relating central bank experience with cooperation between auditors and supervisors is delayed to Q1/2019. This-policy note is to illustrate the practical experience of the Den Nordske Bank, the Central Bank of Netherland, and will complete the set of publications on the relationship between auditors and supervisors, such as the report on Banking Supervisors and External Auditors: Building a Constructive Relationship (2015) and the World Bank Guide for Banking Supervisors and External Auditors: Building a Constructive Relationship (2016).

## Component 5 – Country-level Implementation Support

Component 5 is closely linked with the other technical components to provide additional support for country-level reform efforts. As such, it serves as a vehicle for participating countries and the CFRR to support the application and implementation of concepts presented as part of regional workshops. The CFRR team frequently travels to STAREP countries to engage in direct dialogue with senior government representatives such as deputy ministers of finance, working level counterparts in the ministries, as well as representatives from the profession, academia, the business community and other stakeholder groups. Apart from policy dialogue, activities include country-level stakeholder and round table discussions, workshop, desk review and technical assistance. A detailed table with country-level activities is included in the Annex.

2018 was rich in achievements and reform efforts successfully completed in several areas. All beneficiary countries have been launched the reforms in corporate financial reporting frameworks, but not all yet completed the implementation. Therefore, additional support and resources are still required. The program is now in its fifth year, and efficient use of project resources will allow for continued assistance until September 2019.

The highlights of 2018 achievements by the participating countries are presented below, although, the basis for these achievements have been built since STAREP's launch in 2014:

- New Auditing legislation adopted in Moldova and Ukraine;
- New Accounting Law adopted in Azerbaijan. Armenia is progressing towards adoption;
- International Financial Reporting Standards (IFRS) adopted and required for public interest entities in all countries;
- International Standards of Auditing (ISA) and Code of Ethics (IESBA) adopted in all countries except for Belarus, which is introducing respective legislation changes in 2019.

As stated by Senior Officials in the last Senior Officials Workshop, the continued implementation of the reforms will be critical factor to their sustainability and success. The following list of reforms was emphasized as high priority by countries' senior officials:

- Implementation support of new Accounting and Auditing Legislation in Belarus, Georgia, Moldova and Ukraine;
- Implementation support of new Accounting Legislation in Azerbaijan;
- Draft and adoption of new Auditing Law in Belarus, Armenia and Azerbaijan, including via support in adoption of ISA and Code of Ethics (IESBA);
- Support to full implementation of public oversight function in Georgia, Moldova and Ukraine;

- Public Oversight Institutions to be established or strengthened in Armenia, Azerbaijan and Belarus;
- Establish national register of auditors and audit firms in Armenia, Azerbaijan and Belarus;
- Ensure sustainability of ongoing translation of accounting and auditing standards such as IFRS, IFRS for SMEs and ISAs in all countries;
- Update of the curriculum in accounting and audit to leading universities in beneficiary countries;
- Support to professional accounting associations and small-and-medium practices to build capacity continuous professional development, in particular in SME advisory;
- Support roll out of reconciliation approach to apply prudential filters in financial sector supervision in Moldova and Belarus.

## Program Administration and Financial Summaries

### Program Governance and Partners

Program priorities, planned activities as well as progress made are reviewed in regular meetings with senior officials representing the governments of the STAREP countries, typically Deputy Ministers of Finance. Meetings take place at least once a year and, in addition to addressing technical questions, provide an opportunity to review progress of the program and to endorse the work-plan.

Representatives from donors, regulators and standard setters, as well as market participants, are regularly consulted by the CFRR on technical questions as well as issues of program governance, and join select sessions of the senior officials' meetings. A Donor Advisory Council gathers formally once a year.

Financial support for STAREP and its activities is being provided by two sources: a Single-Donor Trust Fund with the European Commission; and the REPARIS Multi-donor Trust Fund and its donors – the Austrian Finance Ministry, the Austrian Development Agency, the Swiss State Secretariat for Economic Affairs, and the Finance Ministry of Luxembourg.

STAREP is managed by the Vienna-based World Bank Centre for Financial Reporting Reform (CFRR). Located in Vienna, the CFRR is a World Bank unit specialized in the area of corporate financial reporting reform with a core team of staff experts with targeted support from a panel of specialized short-term consultants. The CFRR is an integral part of the Governance Global Practice of the World Bank. The program is structured along five components, with each component led by a senior specialist, ensuring high technical quality and the efficient use of the program's resources. Key team members include:

### Management

Name	Position
Adenike Oyeyiola	Practice Manager
Jarett Decker	Head, CFRR

## Country-relationship responsibilities

Country	CFRR	Country Office
Armenia	Alfred Borgonovo	Arman Vatyan
Azerbaijan	John Hodge	Tural Jamalov
Belarus	Natalie Manuilova	Natalia Konovalenko (based in Kyiv)
Georgia	Natalie Manuilova	Irina Gordeladze
Moldova	Andrei Busuioc	Oxana Druta, Svetlana Platon
Ukraine	Natalie Manuilova	Natalia Konovalenko

## Activity responsibilities

Overall program oversight		Jarett Decker, Reinhard Haslinger
Component 1	Reform Momentum and Support	Natalie Manuilova
Component 2	Accounting Education Reform	Alfred Borgonovo
Component 3	Accounting and Auditing Standards	Andrei Busuioc
Component 4	Financial Sector Practice Forum	Pascal Frerejacque
Component 5	Country-level Implementation Support	Natalie Manuilova
Program Management		Reinhard Haslinger

## Financial Information

Financial information can be made available upon request.



## Annex

### Country-by-country Status of Reform

#### Armenia

Activity/Topic	Policy Dialogue and Technical Assistance on changes to Accounting & Audit legislation.
Status and Progress towards Program Outcomes	<p>The draft accounting, auditing, and audit oversight legislative package was submitted to Parliament at the end of 2017. Not voted in 2018 due to political developments in the country (change in power, snap elections). The package is relevant and remains at the Parliament for adoption in 2019.</p> <p><b>Events:</b></p> <ul style="list-style-type: none"> <li>• Workshop: Introducing New Corporate Fin Reporting, Public Oversight and Quality Assurance, March 2018</li> <li>• Workshop: National Initiatives for Strengthening Accounting Education in Armenia, March 2018</li> <li>• Roundtable: Strengthening Accounting and Audit Education and profession in Armenia, November 2018</li> </ul>
Important reform efforts that would require a further continuation of STAREP project	<ul style="list-style-type: none"> <li>• Public Oversight Institutions to be established;</li> <li>• Establish national register of auditors and audit firms;</li> <li>• Ensure sustainability of ongoing translation of accounting and auditing standards such as IFRS, IFRS for SMEs and ISAs;</li> <li>• Update of the curriculum in accounting and audit to leading universities;</li> <li>• Support to professional accounting associations and small-and-medium practices to build capacity continuous professional development, in particular in SME advisory.</li> </ul>

#### Azerbaijan

Activity/Topic	Policy Dialogue and Technical Assistance to advise on the Accounting Law, sustaining a dialogue between the regulator and accounting profession on updating accounting education, professional development.
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	<p><b><u>Events:</u></b></p> <ul style="list-style-type: none"> <li>• Workshop: National Initiatives for Strengthening Accounting Education in Azerbaijan, April 2018<sup>4</sup>;</li> <li>• Workshop: Promoting Transparency and Efficiency of State-Owned Enterprises in Azerbaijan<sup>5</sup>, June 2018 (co-financed by the World Bank);</li> <li>• Workshop: Applying new standards on Accounting in Azerbaijan - Problems and Perspectives<sup>6</sup>, October 2018;</li> <li>• Roundtable: Accounting Education and Profession in Azerbaijan, October 2018.</li> </ul>
Status and Progress towards Program Outcomes	<ul style="list-style-type: none"> <li>• New Accounting Law adopted, introducing IFRS and IFRS for SMEs, reporting thresholds etc.;</li> <li>• Support of governments and in-country stakeholders and their continued commitment to CFR reforms;</li> <li>• Improved understanding of IES.</li> </ul>
Important reform efforts that would require a further continuation of STAREP project	<ul style="list-style-type: none"> <li>• Implementation support of new Accounting Legislation;</li> <li>• Public Oversight Institutions to be strengthened;</li> <li>• Establish national register of auditors and audit firms;</li> <li>• Ensure sustainability of ongoing translation of accounting and auditing standards such as IFRS, IFRS for SMEs and ISAs.</li> </ul>

## Belarus

Activity/Topic	<p>Policy Dialogue and Technical Assistance to advise on updating the Audit Law, including ISA implementation, audit oversight and new certification procedures. In accounting - technical assistance in IFRS implementation by PIEs.</p> <p><b><u>Events:</u></b></p> <ul style="list-style-type: none"> <li>• Coordination Council on Audit Regulation Reform at the Ministry of Finance, February 2018;</li> </ul>
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<sup>4</sup><http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/EXTCENFINREPREF/0,,contentMDK:23779056~pagePK:64168445~piPK:64168309~theSitePK:4152118,00.html>

<sup>5</sup><http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/EXTCENFINREPREF/0,,contentMDK:23780343~pagePK:64168445~piPK:64168309~theSitePK:4152118,00.html>

<sup>6</sup><http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/EXTCENFINREPREF/0,,contentMDK:23785898~pagePK:64168445~piPK:64168309~theSitePK:4152118,00.html>

	<ul style="list-style-type: none"> <li>• Workshop: Working Group on National Initiatives in Accounting Education in Belarus, February 2018 and March 2018 and June 2018;</li> <li>• Peer Learning Event: Visit by Belarus Ministry of Finance to SARAS (Georgia) to learn on audit reform implementation, October 2018;</li> <li>• Peer Learning Event: Video Conference between Belarus Ministry of Finance and Ukraine Ministry of Finance on audit legislation, drafting process and stakeholders engagement, October 2018.</li> </ul>
<b>Status and Progress towards Program Outcomes</b>	<ul style="list-style-type: none"> <li>• Support of governments and in-country stakeholders and their continued commitment to CFR reform;</li> <li>• Legal Framework in the process of being modernized, including via adoption of ISAs and Code of Ethics to be incorporated into the new draft of Audit Law during 2019, with respective agreements currently negotiated with IFAC for proper use of ISAs in the country;</li> <li>• Improved understanding of IES by universities, profession and regulators;</li> <li>• Ongoing policy dialogue between the in-country stakeholders on strengthening A&amp;A curricula in universities;</li> <li>• SOEs governance and effectiveness improvements, supported via targeted technical assistance to SOEs, capacity building and improvements in SOE corporate governance. Activities are funded by the EU via TF activated in November 2017.</li> </ul>
<b>Important reform efforts that would require a further continuation of STAREP project</b>	<ul style="list-style-type: none"> <li>• Draft and adoption of new Auditing Law, including via support in adoption of ISA and Code of Ethics (IESBA);</li> <li>• Public Oversight Institution to be established;</li> <li>• Establish national register of auditors and audit firms;</li> <li>• Update of the curriculum in accounting and audit to leading universities in beneficiary countries;</li> <li>• Support roll out of reconciliation approach to apply prudential filters in financial sector supervision.</li> </ul>

## Georgia

<b>Activity/Topic</b>	Policy Dialogue and Technical Assistance on implementation of 2016 A&A Law, ongoing support of the new Audit Regulator (SARAS), accounting education update and targeted assistance to professional accountancy organizations to meet requirements of 2016 A&A Law.
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	<p style="text-align: center;"><b><u>Events:</u></b></p> <ul style="list-style-type: none"> <li>• Workshop: Launching Management Reporting in Georgia<sup>7</sup>, February 2018;</li> <li>• Training: Training to SARAS Board Members on Audit Regulation, February 2018;</li> <li>• Workshop: Working Group on National Initiatives in Accounting Education in Georgia, March 2018 and April 2018 and May 2018<sup>8</sup>;</li> <li>• Roundtable: Corporate Governance and Financial Reporting (joint with IFC), May 2018 and October 2018;</li> <li>• Roundtable: Continuous Professional Development, May 2018<sup>12</sup> and June 2018;</li> <li>• Workshop: IFRS and IFRS for SMEs for the Accounting Profession (joint with IFRS Foundation), May 2018<sup>12</sup>;</li> <li>• Conference: A&amp;A standards and Audit Regulation (in the regions: Batumi and Zugdidi), July 2018 and August 2018;</li> <li>• Peer Learning Event: Visit by SARAS to the Netherlands Authority for the Financial Markets (AFM) to learn on audit quality reviews, inspections system and procedures, December 2018.</li> </ul>
<p style="text-align: center;"><b>Status and Progress towards Program Outcomes</b></p>	<ul style="list-style-type: none"> <li>• Policy/strategy informed: Government officials are on board with the CFR reforms and competent in the subject. Stakeholders debates and involvement are ongoing and contribute to effective reform implementation;</li> <li>• Client capacity increased &amp; Knowledge deepened: Government officials and representatives of the profession increased their understanding of EU legislation, good international practices and increased their capacity through STAREP workshops and bi-lateral exchanges established under STAREP;</li> <li>• Legal framework modernized including adoption of International Accounting and Auditing Standards: new Accounting &amp; Audit Law approved in 2016 brings Georgia's CFR legislation closer to the EU norms, introduces public audit oversight, strengthens auditor independence, and enhances transparency in financial reporting;</li> <li>• Institutional capacity of the profession enhanced: accountants' certification/ registration process is modernized, audit quality</li> </ul>

<sup>7</sup><http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/EXTCENFINREPREF/0,,contentMDK:23772666~pagePK:64168445~piPK:64168309~theSitePK:4152118,00.html>

<sup>8</sup><http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/EXTCENFINREPREF/0,,contentMDK:23778921~pagePK:64168445~piPK:64168309~theSitePK:4152118,00.html>

	<p>assurance systems are aligned closer to the new A&amp;A Law and good international practices;</p> <ul style="list-style-type: none"> <li>Accounting education systems modernized: improved understanding of IES among academia and profession.</li> </ul>
Important reform efforts that would require a further continuation of STAREP project	<ul style="list-style-type: none"> <li>Technical support to full implementation of public oversight function via regional network (STAREP) and peer learning;</li> <li>Ensure sustainability of ongoing translation of accounting and auditing standards such as IFRS, IFRS for SMEs and ISAs;</li> <li>Update of the curriculum in accounting and audit to leading universities;</li> <li>Support to professional accounting associations and small-and-medium practices to build capacity continuous professional development, in particular in SME advisory.</li> </ul>

## Moldova

Activity/Topic	<ul style="list-style-type: none"> <li>Policy Dialogue and Technical Assistance including mission travels to advise on reorganization issues of Public Oversight Body</li> <li>The “National Education Initiatives” draft document for Moldova finalized. The paper states the objectives and goals of accounting and auditing education development in Moldova and defines the trends and priority development directions aligned with international good practices</li> <li>Workshop: IFRS Financial Information for Supervisory Practices<sup>9</sup> A two-and-a-half day workshop, designed for banking supervisory staff responsible for supervising banks and drafting accounting and prudential regulations, was held in Chisinau between 5 and 7 December, 2018. Over 40 representatives from various departments including the Department of Banking Supervision and Department of Reporting and Statistics, as well as members of the Audit Committee of the National Bank of Moldova participated.</li> </ul>
Status and Progress towards Program Outcomes	<ul style="list-style-type: none"> <li>Enhanced understanding of accounting for financial instruments and other items in accordance with new International Financial Reporting Standards by relevant staff of National Bank of Moldova;</li> </ul>

<sup>9</sup> This activity was organized jointly with FinSAC; more information is available here: <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/EXTCENFINREPREF/0,,contentMDK:23789257~pagePK:64168445~piPK:64168309~theSitePK:4152118,00.html>

	<ul style="list-style-type: none"> <li>• Key reform and development directions in the accounting and auditing education defined by “National Education Initiatives”;</li> <li>• Public Oversight Body (POB) is reorganized in accordance with the provisions of new Auditing Law, new Regulation on POB activity (developed with STAREP support) is approved and executive director is hired. The composition of the new POB Board was approved by the Government and the key tasks of the reorganized POB during the first 6 months of 2019 would be development of by-laws, in particular the regulation and methodology on quality assurance, and hiring quality control inspectors;</li> <li>• Full implementation of some provisions of new Accounting law is delayed by 1 year. To ensure a proper implementation of the new Accounting Law, which comes into effect in January 2019, Ministry of Finance decides to allow practitioners with 1 year of transitional period and to apply the provisions of improved National Accounting Standards (NAS) starting from January 2020 (these standards are applicable to non-Public interest entities). The draft NASs were developed with STAREP support and it is expected that these will be approved and published in Official Monitor in early 2019.</li> </ul>
<p><b>Important reform efforts that would require a further continuation of STAREP project</b></p>	<p>The important reform efforts in Moldova that would benefit from further STAREP support are:</p> <ul style="list-style-type: none"> <li>• implementation support and assistance for Ministry of Finance and other key stakeholders related to new Accounting and Auditing Legislation;</li> <li>• technical assistance to Public Oversight Body in developing regulation and methodology on quality assurance, based on good international practice as well as support to increase the capacity of the inspectors doing quality review;</li> <li>• support and assistance for Ministry of Finance in delivering a tailored training for selected instructors on new financial reporting requirements, following the approval of new NASs; compliant with the EU accounting directive;</li> <li>• support to professional accounting associations and small-and-medium practices to build capacity continuous professional development, in particular in SME advisory;</li> <li>• support roll out of reconciliation approach to apply prudential filters in financial sector supervision;</li> <li>• support to ensure public availability of financial statements;</li> </ul>

	<ul style="list-style-type: none"> <li>• implementation support of the identified reform priorities under “National Education Initiatives” to the universities and professional accounting associations.</li> </ul>
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## Ukraine

Activity/Topic	<p>Policy Dialogue and Technical Assistance in practical implementation of new Accounting and Audit Laws, including establishment of audit oversight function, delegation to the profession, sustain the dialogue with academia and professional community to advance audit quality, trust into financial information in the country. Investing into future of the profession is critical via updating accounting education curricula and support continuous professional development.</p> <p style="text-align: center;"><b><u>Events:</u></b></p> <ul style="list-style-type: none"> <li>• Roundtable: Audit Reform and new Audit Law presentation to all major stakeholders co-hosted by the Parliament Committee, April 2018;</li> <li>• Conference: IFRS and new Accounting Law (jointly with the Ministry of Finance), June 2018;</li> <li>• Workshop: National Initiatives for Strengthening Accounting Education in Ukraine, June 2018;</li> <li>• Peer Learning Event: Video Conference between Ukraine Ministry of Finance, Audit Chamber, other stakeholders and Turkey Public Oversight, Accounting &amp; Auditing Standards Authority (KGK) to learn about audit register, and other on-line services offered by the Authority, July 2018;</li> <li>• Conference: IFRS Forum for Banking Regulators (jointly with IMF and the National Bank of Ukraine), October 2018;</li> <li>• Roundtable: Auditors Certification under the new Audit Law, December 2018;</li> <li>• Workshop: STAREP EduCOP Replication Event on Development of Competency-Based Assessment Methods, December 2018.</li> </ul>
Status and Progress towards Program Outcomes	<ul style="list-style-type: none"> <li>• Policy/strategy informed: Government officials are on board with the CFR reforms and competent in the subject. Stakeholders consultations and debates are ongoing and build foundation for effective reform implementation;</li> <li>• Client capacity increased &amp; Knowledge deepened: Government officials and representatives of the profession increased their</li> </ul>

	<p>understanding of EU legislation, good international practices and increased their capacity through STAREP workshops and bi-lateral exchanges established under STAREP (i.e. with Georgia);</p> <ul style="list-style-type: none"> <li>• Legal framework modernized including adoption of International Accounting and Auditing Standards: new Accounting &amp; Audit Laws approved bringing Ukraine's CFR legislation closer to the EU norms, introducing concept of PIEs, requiring them to audit and publish their financial statements, establishing new audit regulation model, public oversight body and reorganization of the current audit regulator – Auditors` Chamber of Ukraine, strengthening auditor independence, and enhancing transparency in financial reporting;</li> <li>• Accounting education systems modernized: improved understanding of IES among academia and profession.</li> </ul>
<p><b>Important reform efforts that would require a further continuation of STAREP project</b></p>	<ul style="list-style-type: none"> <li>• Implementation support of new Accounting and Auditing Legislation;</li> <li>• Technical support to full implementation of public oversight function via regional network (STAREP) and peer learning;</li> <li>• Ensure sustainability of ongoing translation of accounting and auditing standards such as IFRS, IFRS for SMEs and ISAs;</li> <li>• Update of the curriculum in accounting and audit to leading universities in beneficiary countries.</li> </ul>



## Updated/Revised Results Framework and Status Report

	Indicator	Unit of Measure	Baseline Value	Actual Value	Target Value
<b>OUTCOME LEVEL</b>					
Program Development Objective: Enhanced approximation with EU norms and application of international standards for corporate financial reporting in EU Eastern Partnership (EaP) countries, by building the capacity of relevant practitioners, policymakers and stakeholders.					
A	Progress in updating legal framework that are in line with the EU framework and good international practices	No. of countries	0	3 <sup>10,11</sup>	4 <sup>12</sup>
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	1147	864 beneficiaries [6 countries x 6 representatives x 6 <sup>13</sup> events per year x 4 years]

<sup>10</sup> 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.

<sup>11</sup> Georgia, Ukraine, Moldova

<sup>12</sup> Target includes 3 countries that have signed Association Agreements with the EU and Armenia, where improved legislation initiative was in place with expecting approval timing by the end of 2018

<sup>13</sup> Target of regional events per year includes: 2 A&ACOPs, 2 EduCoPs, 1 SOW, 1 IFRS for Regulators event

	Indicator	Unit of Measure	Baseline Value	Actual Value	Target Value
C	Public oversight systems established in line with the EU framework and operational	No. of countries	0	2 <sup>14</sup>	3 <sup>15</sup>
INTERMEDIATE OUTCOME LEVEL					
GENERAL					
1	Contributed to stakeholder involvement	Text	n/a	Senior officials and practitioners of all beneficiary countries regularly and enthusiastically attend program events	Senior officials and practitioners of all beneficiary countries regularly attend program events
2	Disseminated and facilitated exchange of good practice w/ clients	Text	n/a	Participating countries learning from EU member states (6 speakers from EC and 6 <sup>16</sup> Member States involved at STAREP events), or from each other (i.e. Georgia, Moldova and Ukraine which adopted improved legislation)	All participating countries learning from EU member states or peer STAREP participants, applying good practices in practice (all 6 countries)
3	Public debate stimulated	Number of public discussions on new regulations / legislations held before new A&A legislation approved	0	21	12

<sup>14</sup> POB is operational in GE and has been reorganized at the end of 2018 in MD

<sup>15</sup> Target includes Moldova, Ukraine and Georgia, following the requirements of AA

<sup>16</sup> Poland, France, Estonia, Croatia, Romania, Germany, Nederland

	Indicator	Unit of Measure	Baseline Value	Actual Value	Target Value
<b>COMPONENT 2 – ACCOUNTING EDUCATION</b>					
4	Capacity increased to modernize the certification/registration process 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	12
5	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	6
<b>COMPONENT 3 – ACCOUNTING &amp; AUDITING STANDARDS</b>					
6	Availability of transposition tables that benchmark national legislation in the field of accounting & auditing to the relevant EU framework and good international practices	No. of countries	0	2 <sup>17</sup>	4 <sup>18</sup>
7	IFRS adopted and applicable for PIEs	No. of countries	3 <sup>19</sup>	6	6
8	ISAs (IAASB) and Code of Ethics (IESBA) adopted	No. of countries	4	4 <sup>20</sup>	5 <sup>21</sup>

<sup>17</sup> MD and GE; UA reported that TT are developed but not published

<sup>18</sup> Target includes 3 countries that have signed AA and Armenia, as they developed improved legislation.

<sup>19</sup> ARM, GE, MD

<sup>20</sup> Code of Ethics is not adopted in Armenia, only IASs

<sup>21</sup> BY expressed the commitment to adopt ISAs

	Indicator	Unit of Measure	Baseline Value	Actual Value	Target Value
9	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	4 <sup>22</sup>	4
10	National Register of auditors and audit firms is available to public	No. of countries	1 <sup>23</sup>	5 <sup>24</sup>	4
11	Availability of translated standards	No. of countries	n/a	IFRS: 5 countries <sup>25,26</sup> IFRS for SMEs: 4 <sup>27</sup> countries ISAs (IAASB) and Code of Ethics (IESBA): 4 countries <sup>28</sup>	IFRS: 6 countries IFRS for SMEs: 4 countries ISAs (IAASB) and Code of Ethics (IESBA): 5 <sup>29</sup> countries

<sup>22</sup> IFRS for SMEs adopted in ARM, AZ, UA and GE; improved NASs for various categories of non-PIEs adopted in GE and drafted in MD

<sup>23</sup> UA

<sup>24</sup> AZ, MD, UA, GE, BY

<sup>25</sup> In Belarus the official Russian version translation is used

<sup>26</sup> The latest version of IFRSs translated into Ukrainian and Armenian is as of 2017 and 2012 respectively

<sup>27</sup> The latest version of IFRS for SMEs translated into Ukrainian is as of 2009; in Azerbaijan it is under translation

<sup>28</sup> The latest version of the Code of Ethics (2018) translated into local language is not available in any of countries, i.e. AZ (2015); MD (2015); GE (2016); UA (2012)

<sup>29</sup> Adoption of ISA is expected in BY

	Indicator	Unit of Measure	Baseline Value	Actual Value	Target Value
<b>COMPONENT 4 – FINANCIAL SECTOR</b>					
12	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 <sup>30</sup>	4 <sup>31</sup>	5 <sup>32</sup>
13	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 <sup>33</sup>	6 <sup>34</sup>	6
14	Tools for enhanced banking supervision developed and disseminated	No. of publications	0	2	2

<sup>30</sup> UA

<sup>31</sup> ARM, UA, AZE, GE

<sup>32</sup> MD reported that will apply from 2019

<sup>33</sup> MD

<sup>34</sup> However, BY reported that banking supervisor doesn't review the FSs, only discuss the audit of FSs of banks with the auditors

## Results Framework (previous version)

Program Development Objective (PDO) (Statement of what is expected to change as result of the program)
Enhanced approximation with EU norms and application of international standards for corporate financial reporting in EU Eastern Partnership (EaP) countries, by building the capacity of relevant practitioners, policymakers and stakeholders.

### Outcomes: Contribution towards PDO

Outcomes	Outcome Indicators	Means of Verification	Institutional Constraints and Assumptions
<b>Legal Framework Modernized including International Accounting and Auditing Standards Substantially Adopted</b>	<ul style="list-style-type: none"> <li>Environment conducive to international good practices, including EU directives</li> <li>Suitable accounting standards for PIES and SMEs in place</li> <li>Enhanced capacity of small/medium accounting and auditing practices</li> <li>Translation of standards into local languages available and regularly updated</li> </ul>	<ul style="list-style-type: none"> <li>Transposition tables</li> <li>A&amp;A ROSC Update</li> <li>Published standards</li> <li>Published financial statements</li> <li>Program progress reports</li> <li>Quality review report</li> </ul>	<ul style="list-style-type: none"> <li>Commitment of government and stakeholders to modernize the regulatory framework</li> <li>Government's ability to lead the reform process (including drafting of laws)</li> <li>Government and standard-setters' commitment to improving standards and compliance with these.</li> <li>Profession's commitment to quality</li> </ul>
<b>Institutional Capacity of the Profession Enhanced</b>	<ul style="list-style-type: none"> <li>Certification/registration process in place</li> <li>Quality assurance systems established</li> <li>Translation of professional/ethical standards into local languages available and regularly updated</li> </ul>	<ul style="list-style-type: none"> <li>Stakeholder survey</li> <li>Program progress reports</li> <li>A&amp;A ROSC Update</li> </ul>	<ul style="list-style-type: none"> <li>Commitment of currently fragmented and weak accounting profession that lacks statutory or market recognition to take key role in reform process</li> </ul>

Outcomes	Outcome Indicators	Means of Verification	Institutional Constraints and Assumptions
<b>Accounting Education Systems Modernized</b>	<ul style="list-style-type: none"> <li>Increased number of qualified accountants and licensed auditors</li> <li>Closer alignment with IFAC's International Education Standards (IES) and EU Statutory Audit Directive (SAD) including number of IES compliant courses and continuing education</li> </ul>	<ul style="list-style-type: none"> <li>National register of qualified accountants and auditors</li> <li>Employers survey</li> <li>Program progress reports</li> <li>A&amp;A ROSC Update</li> <li>IFAC compliance program</li> </ul>	<ul style="list-style-type: none"> <li>Capacity of professional associations to develop education and training materials in line with IES is limited</li> <li>Good collaboration between professional associations and academia</li> <li>Government commitment to modernizing education</li> </ul>
<b>Technical Capacity of Prudential Regulators in the Area of A&amp;A Strengthened</b>	<ul style="list-style-type: none"> <li>Increased capacity of supervisors to monitor quality of institutions' financial statements</li> <li>Reconciliation approach to apply prudential filters in place</li> <li>Increased number of financial statements reviewed by regulators in accordance with new regulations</li> </ul>	<ul style="list-style-type: none"> <li>Training courses evaluation</li> <li>Progress reports</li> <li>A&amp;A ROSC Update</li> </ul>	<ul style="list-style-type: none"> <li>Commitment from financial supervisors to introduce appropriate training arrangements.</li> </ul>

## Outcomes per Component

Component	Intermediate Outcomes	Indicators	Outputs/ Means
<b>Reform Momentum and Support</b>	<ul style="list-style-type: none"> <li>• Support of governments and in-country stakeholders and their continued commitment to CFR reform</li> <li>• Senior policymakers in a position to make well-informed reform decisions</li> <li>• Information on reform and laws available online</li> </ul>	<ul style="list-style-type: none"> <li>• Number of participants at conferences and seminars</li> <li>• Number of exchanges with senior officials</li> <li>• CFRR website traffic</li> </ul>	<ul style="list-style-type: none"> <li>• Biennial ministerial level conferences and regular senior official seminars</li> <li>• Online information portal</li> <li>• Series of video conferences</li> <li>• Technical assistance and advice</li> </ul>
<b>Development of the Profession and Accounting Education Reform</b>	<ul style="list-style-type: none"> <li>• Stakeholder awareness of existing education, qualification and licensing systems</li> <li>• Sharing of up-to-date educational material among countries</li> <li>• Agreement on common approach towards development of new syllabus, examinations and continuing education</li> </ul>	<ul style="list-style-type: none"> <li>• Number of workshop participants and returning participants</li> <li>• Assessments of level and quality of participation during events</li> </ul>	<ul style="list-style-type: none"> <li>• Community of Practice workshop and exchange including Global Development Learning Network (GDLN) sessions</li> <li>• Collaboration with relevant international organizations</li> <li>• Technical advice</li> </ul>
<b>Accounting and Auditing Standards</b>	<ul style="list-style-type: none"> <li>• Stakeholder awareness of international good practices for SME accounting standards</li> <li>• Increased understanding about common challenges and agreements on shared actions</li> <li>• Increased awareness and understanding of EU directives</li> </ul>	<ul style="list-style-type: none"> <li>• Number of workshop participants and returning participants</li> <li>• Assessments and degree of participation during events</li> </ul>	<ul style="list-style-type: none"> <li>• Regular peer learning events through thematic Community of Practice activities</li> <li>• Partnering with relevant global bodies</li> <li>• Analytical and research support</li> <li>• Regular GDLN sessions</li> <li>• Technical assistance and advice</li> </ul>



Component	Intermediate Outcomes	Indicators	Outputs/ Means
<b>Financial Sector Practice Forum</b>	<ul style="list-style-type: none"> <li>• Participants' understanding of application of prudential filters</li> <li>• Awareness and knowledge of relevant IFRS and new standards</li> </ul>	<ul style="list-style-type: none"> <li>• Number of workshop participants and returning institutions</li> <li>• Assessments and degree of participation during event</li> <li>• Follow-up surveys</li> </ul>	<ul style="list-style-type: none"> <li>• IFRS training events and exchanges</li> <li>• Virtual seminars</li> <li>• Analytical work and research</li> <li>• Peer to peer exchanges</li> </ul>
<b>Country-level Implementation Support</b>	<ul style="list-style-type: none"> <li>• Support for the development and implementation of selected Country Action Plans</li> <li>• Sound policy guidance on country-specific requests</li> <li>• Country-level assistance as needed</li> <li>• Establishment of relationships among stakeholders, i.e. policy makers, regulators, international bodies</li> </ul>	<ul style="list-style-type: none"> <li>• Draft laws being developed</li> <li>• Number of reform events held in the country</li> <li>• A&amp;A ROSC updates</li> </ul>	<ul style="list-style-type: none"> <li>• Technical assistance and support through mission travels</li> <li>• Establishment of a network of practitioners</li> <li>• Help desk for country specific requests</li> <li>• Country-level activities as needed</li> </ul>

## Program Background

### Program Development Objective

The STAREP program works with Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine to build capacity in accounting and auditing, and develop and implement an institutional framework for corporate financial reporting which is 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.

### Program Approach and Structure

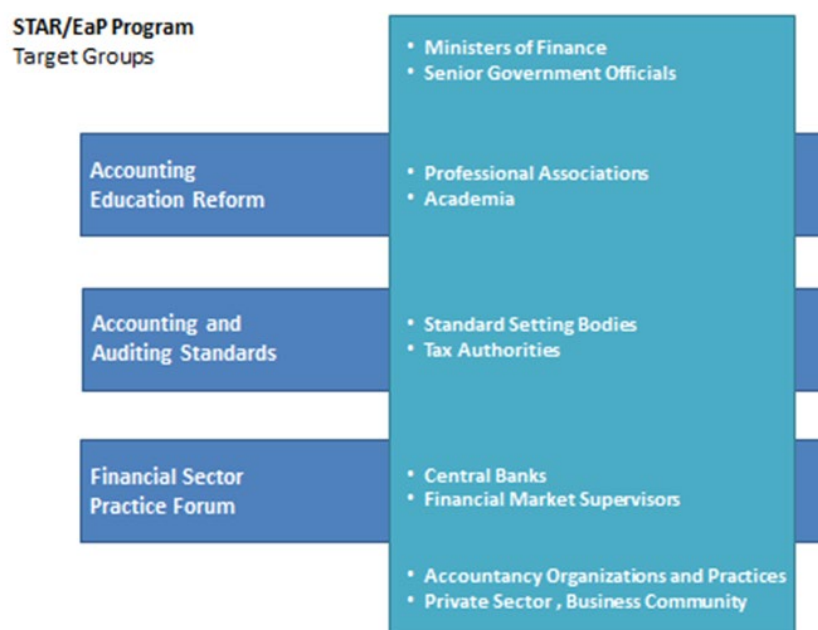
Eastern Partnership countries face common challenges as evidenced in A&A ROSCs, and have a common aspiration towards strengthening their relationship with the EU. The Centre for Financial Reporting Reform (CFRR), the World Bank's centre for technical expertise in corporate financial reporting in the Europe and Central Asia (ECA) region, launched the regional program for Strengthening Auditing and Reporting in the Eastern Partnership (STAREP) 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.

The program is structured around the notion of Engagement on Three Levels: knowledge and experience sharing; peer learning and targeted assistance; and supporting effective, sustainable implementation. Through expert presentations and professional facilitation, the program provides integrated advisory services, effective knowledge management, training, implementation support, 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.



The program is structured along three thematic components, and two cross cutting components plus program administration.



## Component 1 - Reform Momentum and Support

To maintain the momentum for accounting and audit reform among policy makers, including ministers of finance, their deputies and other senior officials.

## Component 2 - Accounting Education Reform

To promote the development of accounting education aligned with International Accounting Education Standards and the educational requirements of the EU's Statutory Audit Directive (i) at university level; (ii) for professional qualifications; (iii) for continuing professional development of those already qualified.

## Component 3 – Accounting and Auditing Standards

To support the implementation of accounting and auditing frameworks that meet the requirements of good international practices and of the *acquis communautaire*, addressing the specific reporting needs of MSMEs, the application of International Financial Reporting Standards (IFRS), the IFRS for SMEs and International Standards on Auditing (ISA), the enforcement of financial reporting requirements, and the introduction of public oversight and quality assurance arrangements for statutory audit.

## Component 4 – Financial Regulators Practice Forum

To build capacity and knowledge of IFRS among financial regulators, ensuring proper implementation of IFRS to contribute to market discipline, and reinforcing a clear and well defined relationship between IFRS reporting and prudential reporting.

## Component 5 – Country-level Implementation Support

STAREP is the only regional capacity development program in the area of CFR and provides valuable complementarity to country-specific initiatives. Tailored to individual country needs, activities include: providing help desk and ad-hoc advisory services to governments; advice and support in developing national activities; as well as implementation support and complementary activities to ongoing national projects.



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