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STAREP: Lessons learned and beneficiary countries' experience

Ukraine

01 December 2022

IMPLEMENTATION OF THE EU ACQUIS ON STATUTORY AUDIT AND ACCOUNTING

In 2018 the Law of Ukraine on Audit of financial reporting and audit activity entered into force which is harmonized with the Directive #2006/43/EU and Regulation #537/2014

In 2018 the amendments to the Law of Ukraine on Accounting and financial reporting in Ukraine came into force which take into account the provisions of the Directive #2013/34/EU

The Law sets forth:

- ✓ The differentiation of the audit firms
- ✓ Implementation of the optimally balanced model of public oversight and self-regulation of the audit
- ✓ Improvement of the audit self-regulation system
- ✓ Transition to the EU model of auditors' certification

The Law sets forth:

- ✓ Mandatory IFRS application by big companies and nationally significant companies carrying out minerals extraction activities
- ✓ Classification criteria for micro-, small, medium and big enterprises
- ✓ Financial reporting filing in the unified electronic format by the companies applying IFRS

In 2022 the above mentioned Law on financial reporting was amended to deepen the harmonization with the EU legislation on audit:

In 2022 the Law on accounting was amended for improvement and harmonization with the European legislation in the area of accounting:

- ✓ Ensuring unambiguity of the content of the audit report
- ✓ Specifying the list of prohibited non-audit services
- ✓ Specifying the possible term of execution of the statutory audit of the PIE financial reporting

- ✓ Introduction of categories of groups of parent companies and their subsidiaries
- ✓ Exemption from mandatory preparation and filing of consolidated financial reporting for small and medium groups

IMPLEMENTATION OF THE EU ACQUIS ON STATUTORY AUDIT AND ACCOUNTING

Statutory audit

The following regulations were approved to implement the law:

- ✓ The Regulation on managing the register of auditors and audit firms
- ✓ The regulation on audit quality assurance inspections
- ✓ A number of regulations on auditors' certification:

Examination procedure for auditors' certification

Examination credit procedure

Regulation on auditors' professional experience

Regulation on CPD

Accounting

With the view of implementing the Law:

- ✓ the Procedure of financial reporting filing as well as forms and procedure for preparing simplified financial reporting for SMEs and microenterprises were improved
- ✓ national accounting standards were amended
- ✓ the form and Procedure for preparing the report on taxes for the forestry sector companies were approved
- ✓ the guidelines for drafting the Management Report were approved

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The situation is difficult:

- ✓ economic downturn in Ukraine
- ✓ significant number of accountants and auditors became internally displaced persons or stay outside of Ukraine
- ✓ audit market has contracted
- ✓ Audit Public Oversight Body's activity has been optimized; some projects have been reviewed and suspended
- ✓ difficulties related to filing of financial reporting by the companies during the martial law
- ✓ it is not possible for the companies to fulfill the requirements of timeliness and completeness of financial reporting publication
- ✓ problems with property stock-taking by the companies which were (are) located in the areas of hostilities

But we do not stop:

To protect the economic interests of the state and stimulate the audit activity in Ukraine the changes were adopted to the Law on audit of financial reporting and audit activity for the period of martial law and post war economic recovery which entered into force in June 2022 and which, in particular, prohibit the auditors and audit firms related to the aggressor state to be in the Register of auditors and audit firms.

To implement measures for business support, the Law of Ukraine on relief from liability for failure to meet the time limit of financial reporting publication during the martial law and the Resolution of the Cabinet of Ministers of Ukraine regulating the peculiarities of stock-taking by the companies located in temporarily occupied areas and/or areas of hostilities and also regulating the terms of financial reporting filing by the companies which failed to file the financial reporting within the terms specified in the legislation during the martial law were adopted.

- ✓ stable operations of the audit public oversight bodies have been ensured
- ✓ the main functions of quality assurance and disciplinary proceedings are performed
- ✓ measures for the audit market support are being undertaken
- ✓ we are working on the assignments for the EU membership