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Centre for Financial Reporting Reform



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Governance



Strengthening Auditing and Reporting in
the Countries of the Eastern Partnership

STAREP Annual Update

Progress Report 2014
and
Plan 2015

This document was prepared by:

CFRR»

**Centre for Financial
Reporting Reform**



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List of Abbreviations and Acronyms

ACCA	Association of Chartered Certified Accountants (UK)	IESBA	International Ethics Standards Board for Accountancy (IFAC Board)
ADA	Austrian Development Agency	IFAC	International Federation of Accountants
A&A	Accounting and Auditing	IFRS	International Financial Reporting Standards
AACoP	Accounting and Auditing Community of Practice	ISA	International Standards on Auditing
AO	Audit and Oversight	KM	Knowledge Management
CAPSAP	Corporate and Public Sector Accountability Project for Azerbaijan	MDTF	Multi-Donor Trust Fund
CFR	Corporate Financial Reporting	M&E	Monitoring and Evaluation
CFRCoP	CFR Community of Practice	MoF	Ministry of Finance
CFRR	Centre for Financial Reporting Reform	MSMEs	Micro, small and medium-sized entities
CoP	Community of Practice	PAO	Professional Accountancy Organization (PB)
CPD	Continuing Professional Development/CPE	PB	Professional Body (PAO)
DAC	Donor Advisory Council	PIE	Public Interest Entity
EaP	EU Eastern Partnership	POS	Public Oversight System
EBRD	European Bank for Reconstruction and Development	QAS	Quality Assurance
ECA	World Bank Europe and Central Asia Region	STAREP	Strengthening Auditing and Reporting in the Eastern Partnership
ECAFM	Financial Management Unit of the ECA	REPARIS	Road to Europe: Program of Accounting Reform and Institutional Strengthening
EduCoP	Accounting Education Community of Practice	ROSC	Report on the Observance of Standards and Codes
EU	European Union	SAD	Statutory Audit Directive
EPI	Economic Prosperity Initiative of USAID	SME	Small or Medium-sized Enterprise
FR	Financial Reporting	SMP	Small or Medium Accountancy Practice
FSB	Financial Stability Board	SOW	Senior Officials Workshop
GDLN	Global Development Learning Network	TA	Technical Assistance
IASB	International Accounting Standards Board	USAID	United States Agency for International Development
IAESB	International Accounting Education Standards Board	WB	World Bank
ICE	In-Country Engagement	WS	Workshop
IDF	Institutional Development Fund (World Bank)		
IES	International Education Standards for Professional Accountants		

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Summary

Since 2004, the World Bank has been working with the countries of the EU's Eastern Partnership - Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine - to assess accounting and auditing standards and offer policy recommendations under the ROSC program. Given the often similar issues faced, a regional program on Strengthening Auditing and Reporting in the Eastern Partnership (STAREP) was launched by the World Bank's Centre for Financial Reporting Reform (CFRR) in October 2013 to support the design and implementation of sound corporate financial reporting reforms that strengthen business and investment climates and bring closer integration with the European Union.

STAREP provides knowledge and convening services, and fosters peer-exchange on the practical challenges and successful approaches to financial reporting reform. Priorities are to maintain momentum for reform at all levels of national administrations; to encourage the adoption of modern, effective and ongoing educational frameworks for accountants and auditors; to support the implementation of good international practices in financial reporting; and to build capacity and strengthen the effectiveness of financial regulators.

2014 was the first full year of STAREP activities. Key events included a ministerial level conference to discuss financial reporting, with a particular focus on creating conditions for SME growth, and a senior officials' workshop, which considered the progress of reform and EU requirements. PAO representatives from STAREP joined REPARIS colleagues for a forum organized by CFRR with the International Federation of Accountants to discuss issues of concern to the profession. Two communities of practice began work - addressing accounting education, and accounting and auditing standards. Prudential regulators from STAREP countries joined other regional colleagues for a CFRR/IFRS Forum designed to help them confidently engage with IFRS-based financial information. There have also been regular contacts in support of country-specific reforms.

A robust results framework was applied to STAREP activities in 2014. Indicators suggest that the areas of focus and the level of CFRR engagement is appropriate. As there is some diversity of knowledge and practice amongst STAREP countries, the initial activities have concentrated on building understandings of the issues involved in financial reporting reform and developing commitment to the process. There has been a high level of interest in joining events, strong repeated participation in Communities of Practice, and some initial progress towards achieving many of the Program's outcome indicators.

STAREP activities will continue to develop in 2015. These have gained added impetus in the three countries who have now signed EU Association Agreements and are working to implement their requirements. The Communities of Practice will begin to have an impact in their various areas. Benchmarking of curricula, using a CFRR developed tool being implemented by the EduCoP, promises to be particularly exciting in helping move forward educational reform. There will be an increased focus this year on developing systems of audit oversight and quality control; and on improving financial reporting in the public sector, especially in State Owned Enterprises. As personnel in key positions change there will be efforts to ensure that reform of financial reporting remains a priority.

1. Introduction and Background

Rationale and Program Development Objective

Program Development Objective

The STAREP program works with Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine (the six countries of the EU's Eastern Partnership (EaP)) 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 (see annex). This sets out the intended outcomes supporting the overall development objective, the means of achieving these, and the method of assessment.

The Role of Financial Reporting and Reform

Effective systems of corporate financial reporting contribute directly to economic growth by allowing investment decisions to be made more efficiently. They give banks the confidence to rely less on collateral and base more of their lending decisions on cash flow and business prospects, helping innovative small and medium-sized enterprises (SMEs) access credit.

Transparent reporting plays a key role in promoting good corporate governance, and with modern interdependent national economies it is important that corporate transparency extends across national borders. Shared frameworks for financial reporting, such as International Financial Reporting Standards (IFRS) adopted globally by more than 100 countries, play a crucial role in this process.

EaP countries 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. Progress has been more limited in establishing an adequate institutional framework and building sufficient capacity conducive to sound financial reporting practices.

Since 2004, the World Bank has conducted reviews of accounting and auditing standards and practices in the EaP countries through the Reports on the Observance of Standards and Codes on Accounting and Auditing (A&A ROSCs). The A&A ROSCs are prepared in close cooperation with national authorities and key in-country stakeholders and conclude with a set of policy recommendations to improve corporate financial reporting practices. In some of the countries, the A&A ROSCs have led to national technical assistance activities designed to improve the legal framework and to raise the capacity of local institutions.

STAREP: a Regional Program Responding to Common Needs

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 center for technical expertise in corporate financial reporting in the ECA region, launched the regional program for Strengthening Auditing and Reporting in the Eastern Partnership (STAREP) in October 2013 to help the participating countries design and carry out CFR reforms. 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 qualification; (iii) for continuing professional development of those already qualified.

Component 3 – Accounting and Auditing Standards

To support 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), 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.

2. Activities and Progress 2014

Overview of Activities Completed in 2014

Component	Outputs (including additions not contained in 2014 Program Plan)	Status
Component 1	Ministerial Conference*, June 3	Completed
	Senior Official Workshop, June 4	Completed
	Online information portal*	Ongoing
	Benefits of CFR/CFRR video*	Completed
	Publication of updated “Guide to the Acquis Communautaire”*	Nearly completed
Component 2	“Introduction to EduCoP” Workshop, January 16-17	Completed
	EduCoP Workshop “Achieving Academic Excellence”, April 1-2	Completed
	EduCoP Workshop “Education for Opportunity: Starting the process of change”, October 8-9	Completed
	Regional PAO forum*, June 2	Completed
	“Framework based teaching” virtual seminars**	Underway
	Development of accounting and auditing “sample curriculum”	Underway
Component 3	A&ACoP Launch Workshop, April 2-3	Completed
	A&ACoP Workshop “Improving audit quality by understanding and transposing the EU <i>acquis communautaire</i> ” October 9-10	Completed
	Regional Dialogue Series on EU <i>acquis communautaire</i> in the field of accounting and auditing - virtual seminars	Ongoing
	Publication “Audit Quality Assurance: from principles to practice”	Nearly Completed

Component	Outputs (including additions not contained in 2014 Program Plan)	Status
Component 4	IFRS Executive Seminar*, 4-6 June	Completed
	“Dialogue between Supervisors and Auditors” * workshop	Moved to May 2015
	“IFRS practices for Banking and Insurance Supervisors” virtual seminars*	Completed
	“Relationship between Supervisors and Auditors” working paper*	Underway
Component 5	Provide help desk and advisory services tailored to individual country needs	Ongoing
Armenia	Technical assistance and advisory services to Armenia	Ongoing
Azerbaijan	Input to Corporate and Public Sector Accountability Project in Azerbaijan	Ongoing
Belarus	“Fundamentals of Financial Statements Audit” workshop in Belarus	Completed
Georgia	Update of Georgia A&A ROSC	Underway
	Engagement with Georgian government on environment for SMEs	Ongoing
	Support Georgia in drafting the transposition tables	Underway
	Participate in FINSAC mission on transition to IFRS for the banking sector	Completed
Moldova	Follow up work on recent Moldovan A&A ROSC	Completed
	Support Moldovan updating of transposition table	Completed
	Support A&A curricula improvements in Moldovan universities	Ongoing
	Support Moldova in-country dissemination of STAREP activities and knowledge	Completed
Ukraine	Joint Workshop with EBRD on Corporate Financial Reporting Reform in Ukraine	Completed
	Joint Workshop with Ukrainian Association of Professional Accountants and Auditors on accounting reforms and respective challenges to the profession **	Completed
	Support Ukraine in drafting the transposition tables **	Ongoing
	Initiate in-country dialogue regarding the scope and design of proper public audit oversight system in Ukraine**	Completed

* joint activity with REPARIS program ** additional activity not included in STAREP Program Plan 2014 *** 1st Seminar Feb 2015 (Kyiv) – see section 4

Details by Component and Country

Component 1 - Reform Momentum and Support

Ministerial Conference

The CFRR ministerial conference, held jointly with REPARIS program participating countries in Vienna on June 3, 2014, addressed the importance of effective financial reporting frameworks, especially in relation to improving the business environment for small and medium sized enterprises (SMEs). With more than 200 participants from 30 countries in Europe and Central Asia, including the Minister of Finance from Moldova and senior representatives from all STAREP countries, the conference allowed government officials, bankers, business leaders, accountants, auditors, regulators, standard setters, and academics to review progress in the implementation of sound systems of financial reporting, which are a critical aspect of creating a business climate conducive to credit and investment.

Senior Officials Workshop

STAREP countries senior officials met for a workshop on June 4, 2014 in Vienna which reinforced the vital role of participants in supporting the momentum of reform in their countries and discussed progress and ongoing reform work in corporate financial reporting and audit. They reviewed STAREP goals and activities, and considered the possible impact of new EU accounting legislation, and developments in EU statutory audit regulation reform. The workshop discussed the role of transposition tables for STAREP countries to monitor and assess their reform progress and highlight areas for further work.

Online Information Portal and CFR Video

An online information portal within the World Bank CFRR website (www.worldbank.org/cfrr) was maintained and further developed, providing material on STAREP events and information on relevant subjects. A quarterly newsletter was sent to all STAREP contacts updating them on recent CFRR activities and other topical news. A short introductory video outlining the importance of effective corporate financial reporting and the role of the CFRR was produced. The video is available on the CFRR website and was used at STAREP events in 2014.

Publication of updated “Guide to the Acquis Communautaire”

A third revised version of the Guide to Corporate Financial Reporting in the *Acquis Communautaire* is nearing completion, incorporating recent EU legislative changes.

Component 2 – Accounting Education Reform

Regional PAO Forum

Representatives of Professional Accountancy Organizations (PAOs) and experts in accounting practices from all STAREP countries, together with colleagues from 14 other countries of central, southeast and Eastern Europe, met in Vienna on June 2, 2014, for the 2nd CFRR and IFAC Regional Forum for PAOs. The forum shared knowledge, exchanged ideas, and stimulated wide ranging discussions on issues related to education and the future development of the profession, the

adoption of modern tools and technology, and ways to maintain relevance and enhance services, with a particular focus on working with SMEs.

EduCoP Workshops

A CFRR mentored community of practice (EduCoP) began work in January 2014. Involving accounting educators from both the university sector and professional accountancy organizations (PAOs) the EduCoP seeks to identify common approaches and shared solutions to challenges in education. An introductory event on January 16-17, 2014, included members of the REPARIS CoP (on which it was modelled) to share their experiences. It focused on raising awareness of the value and importance of academic partnerships and learning technologies in modern accountancy education, and considered how partnerships could help improve the employment prospects of accounting, audit and financial management graduates. The CoP officially launched at a workshop in Moldova on April 1-2, 2014. Participants considered the role of universities in providing high-quality initial professional development education and the value, importance and role of academic research. The growing demand for learning technologies in modern accountancy education and financial support opportunities were also addressed. The work of the EduCoP continued at a workshop in Tbilisi on October 8-9, 2014. This event addressed content and learning outcomes appropriate to bachelor level accounting programs and discussed the establishment of a regional benchmark for these undergraduate courses.

“Framework based teaching” Virtual Seminars

The EduCoP spent its first year focused on establishing good understandings of the range of educational challenges STAREP countries face. Work on curriculum development was prioritized by the group so the introduction of new “framework based” teaching was delayed and rescheduled to begin in September 2015.

Development of Accounting and Auditing “Sample Curriculum”

The first phase of development of a profiling tool, developed by the CFRR, which benchmarks the content of university accounting courses is complete. EduCoP members will pilot the tool in the STAREP countries. It should reduce the amount of duplication between syllabus planning, benchmarking and accreditation that currently exists for Universities whilst also providing a useful monitoring tool for syllabus changes and gaps. The tool will be further refined over the coming years.

Component 3 – Accounting and Auditing Standards

A&A CoP Workshops

Building on preparatory work undertaken in 2013, a Community of Practice of policy makers, standard setters and PAOs (A&ACoP) launched with a workshop on differentiated financial reporting requirements on April 2-3, 2014, in Chisinau. Themes included alignment with EU standards and good international practices, and addressing the specific reporting needs of SMEs. A second meeting took place on October 6-7, 2014, in Tbilisi. This workshop concentrated on new EU statutory audit reform, which includes significant amendments to the Statutory Audit Directive (2006/43/EC), including the public oversight function, and the new EU Regulation on specific requirements regarding statutory audit of public-interest entities (No 537/2014).

Regional Dialogue Series on EU *acquis communautaire* in the field of accounting and auditing Virtual Seminars

A series of virtual seminars were held as distance learning events featuring guest speakers from the European Commission. The first was on October 30, 2014, for a STAREP audience with a limited knowledge of the EU. It gave a history and overview of the EU; the development of the internal market; the main treaties and institutions; and the procedures and mechanisms used by the EC to monitor harmonization. The second, on November 6, 2014, outlined the EU accounting directive and offered detailed information on differentiated accounting and auditing requirements for various types of entities. Other sessions were moved to 2015. In addition to the standard video-conference connection offered in World Bank offices, participants were also able to join these events online using a WebEx connection (in English language only). This allowed participation by a larger number of people.

Publication “Audit Quality Assurance: from Principles to Practice”

Work has begun drafting a publication “Audit Quality Assurance: From Principles to Practice”, an introduction to audit oversight and quality assurance building on relevant CFRR research for use by members of the A&ACoP and others with an interest in the subject. It is expected to be finalized in 2015.

Component 4 – Financial Regulators Practice Forum

IFRS Executive Seminar

A second Executive IFRS Workshop for financial regulators was held June 4-6, 2014, in Vienna. Designed to help supervisors confidently engage with IFRS-based financial information and understand its role in monitoring and supervision, this workshop brought together 70 senior staff of regulatory agencies responsible for supervising banks, insurance companies and listed companies, and those in charge of drafting accounting and prudential regulations, from STAREP and other countries, for detailed exchanges. Discussions were led by a range of experts including from the International Accounting Standards Board (IASB); the IFRS education initiative; the European Banking Authority (EBA); the European Insurance and Occupational Pensions Authority (EIOPA); and other banking experts and regulators. The workshop updated participants on recent IFRS changes and ongoing IASB projects; enhanced understandings of differences between financial reporting and prudential regulation; and engaged with the issues, judgments and estimates involved in applying IFRS.

“IFRS Practices for Banking and insurance Supervisors” Virtual Seminars

STAREP Forum Members continued to take part in virtual seminars on IFRS related themes (GDLN events), organized with the REPARIS program. On May 14, 2014, all STAREP countries were represented at an online event which provided updates on recent accounting and regulatory changes. Topics addressed included the transparency of banks' capital positions and disclosure requirements for Own Funds - outlining the new Single Rulebook designed to enhance regulatory harmonization in Europe and strengthen regulatory requirements, and comparing these to requirements under IFRS. There was also discussion of the impact of the Basel III framework, including capital, leverage ratio, and liquidity requirements; assessing how banks are coping with

these regulatory changes and highlighting key points that regulators need to be aware of when supervising and assessing the risks of banks.

Publication: “Relationship between Supervisors and Auditors”

Supervisors from STAREP countries have contributed to a survey of senior banking supervisors which will form the basis of this publication addressing their relationship with auditors and offering practical suggestions to improve it. Survey results are being analyzed and publication is expected in spring 2015.

“Dialogue between Supervisors and Auditors” Workshop

In order to most effectively address the findings of the survey and reflect on the conclusions drawn in the publication on the relationship between supervisors and auditors, this workshop was rescheduled to take place in May 2015.

Component 5 – Country-level Implementation Support

A range of activities in support of reform took place at country level. These all complement the work of the STAREP program although some are funded as part of other programs.

Armenia

A Country Strategy and Action Plan (CSAP) was published in November 2014 setting out a comprehensive short to medium term reform program for corporate financial reporting in the Republic of Armenia. The CSAP was prepared under a project funded by the FIRST Initiative and managed by the CFRR. It was developed through a participatory process involving key in-country stakeholders. It provides a tool for the Armenian authorities to guide further reform and mobilize implementation support from the donor community and in-country stakeholders. It has been designed in a way to that ensures appropriate synergy with the STAREP program. Regular dialogue was maintained with the Government in a range of areas including public oversight, educational development, the application of IFRS, and updating of auditing and accounting standards’ translations into Armenian.

Azerbaijan

The Corporate and Public Sector Accountability Project (CAPSAP), a World Bank project launched in 2009, has been implemented with support from CFRR. CAPSAP’s development objective is to strengthen accountability and transparency in financial reporting for the public and corporate sectors in Azerbaijan, in line with international good practices. Among the project’s achievements are: (1) establishment of the Finance Scientific and Training Center (FSTC) and provision of a variety of training and certification programs through FSTC to upgrade skills of accountants, with training now provide for more than 3500 professionals; (2) implementation of the FARABI system (financial accounting and reporting system for entities financed from the state budget), which automates the financial accounting and reporting system and expands financial management capabilities; (3) establishment of a professional accountancy organization, through expansion and adaptation of an existing association, to provide sustainable improvements in transparency, self-governance and education in the accounting and audit profession. CAPSAP is due to close in June 2015. STAREP will

provide a good vehicle for building upon the achievements of CAPSAP through continuing collaboration and knowledge-sharing with peers.

Belarus

Belarus was represented at all regional STAREP events. In addition, the CFRR delivered an audit training course in Minsk on November 20-21, 2014 in support of Ministry of Finance efforts to improve the quality of financial reporting and audit among state and privately owned companies in the country. More than 30 representatives of the audit profession, and specialists from the Ministry of Finance, considered the principles governing audits of financial statements, and looked at practical examples of carrying out the audit process.

Georgia

The Georgia A&A ROSC Update was undertaken in 2014, and provided an in-depth analysis of the current state of Georgia's financial reporting system by a CFRR expert team and included detailed discussions with a wide range of key Georgian stakeholders. The report, which is expected to be published in the first half of 2015, identifies the main corporate financial reporting and audit reform priorities for Georgia in line with their 2014 Association Agreement with the European Union. The ROSC program is funded from the World Bank's budget.

Additional in-country work to continue raising the profile of STAREP and the CFR agenda was carried out through the CFRR's participation on a European Commission SME policy panel in Kvareli, Georgia in October. This event provided a good opportunity to promote STAREP goals and to continue engaging with business support organizations and government officials in charge of SME-related policy issues in EaP countries. A CFRR expert participated in the FINSAC mission to provide technical assistance to the National Bank of Georgia on the transition of the banking sector to IFRS for prudential returns.

Moldova

The CFRR continued its in-country engagement, especially to follow up the 2013 Moldova A&A ROSC update and help take forward reforms necessary to align with the EU *acquis communautaire*, per the Moldova-EU association agreement, including technical discussions with the MOF on transposition tables to benchmark Accounting and Auditing legislation to EU. A roundtable on "New European legislation in the field of accounting and auditing and the need to transpose into national law" on 26 November 2014 attracted 30 participants from various institutions and bodies including Ministry of Finance, Auditing Oversight Council, Methodological Council, Certification Commission, profession, and academia. To raise awareness of key educational challenges and disseminate knowledge from regional STAREP EduCoP activities, 50 Moldovan educationalists joined a roundtable "Education for opportunity: Starting the Process of Change" on November 26, 2014. An audit "training of trainers" workshop on 15-16 May, again based on regional training events held in Vienna, covered topics related to application of the International Standards on Auditing for 30 participants from various institutions and bodies including the Ministry of Finance, Auditing Oversight Council (AOC) and the Certification Commission.

Ukraine

The Ukraine-EU association agreement, signed in June 2014, led to strengthening of CFRR's in-country agenda in Ukraine. A short- to medium-term cooperation plan with next steps was agreed

with Ukrainian counterparts for 2014, and this work will continue in 2015. Engagement in Ukraine included technical assistance to the MOF on drafting transposition tables to benchmark Accounting and Auditing legislation to respective EU Directives, as well initiation of round-table discussions between the MOF and other key Ukrainian counterparts on the scope and design of public audit oversight system to be established in Ukraine.

A first round table discussion on establishing public audit oversight, on 23 September 2014, gathered approximately 40 representatives from the MOF, National Bank, National Commission for Securities and Stock Market, National Commission Regulating Financial Services Markets, other regulators and representatives of audit profession.

A workshop, organized with the EBRD, on “Corporate financial reporting reform in Ukraine: Focus on SME”, was held in Kyiv on December 16, 2014 for over 110 regulators, academics, private business, professional organizations, the accounting and audit profession, and financial consultants. EU accounting and auditing developments and good international practices, such as the use of international standards, were illustrated by real business cases from leading Ukrainian companies and successful SMEs. This successful cooperation with EBRD paves the way for future joint events in the region under STAREP and other regional programs.

EU Accounting and Audit requirements and how their transposition will impact the accountancy profession were also the theme of a CFRR workshop for approximately 100 certified accountants from across Ukraine on December 17, 2014, organized in cooperation with the Ukrainian Association of Professional Accountants and Auditors.

3. Assessment of Intermediate Results and Lessons Learned

Assessment by Thematic Area

Progress towards the Program Development Objective is assessed using the results framework defined in 2012 at the inception of the program (see Annex). The status of achievement at the end of program year 2014 is summarized below. A simplified results framework table provides an overview of this information.

Raising awareness in STAREP countries of the program and the specific focus areas for reform, especially in relation to requirements under EU Association Agreements, was a key objective of this period and given the level of participation and interaction with stakeholders is considered achieved. STAREP countries were well represented at the **ministerial conference**, an excellent opportunity to engage with high-level STAREP decision makers to help ensure their continued commitment to CFR reform. The **senior official's workshop** further developed peer to peer exchange and sharing of information on reform efforts and provided a range of detailed information on the latest developments in accounting and auditing in the EU.

The hosting of relevant information on the **CFRR website** continued in 2014 and traffic remained steady with particular interest immediately before and during STAREP events, and when the quarterly CFRR newsletter issues. On average, the website features about 380 page views per month from about 105 unique visitors from STAREP countries, which constitutes approximately 10% of all CFRR website traffic. Most visitors come from Moldova, with Ukraine in the second place and Armenia in third.

STAREP events were **well attended** in 2014. EduCoP workshops in April and October gathered 29 and 33 participants respectively, from all STAREP countries. The two A&ACoP workshops attracted 31 and 46 participants respectively, and three virtual seminars were attended by 46, 80 and 67 people in STAREP regional World Bank offices, with more watching over live streaming. The series of CFRR events hosted in June 2014 included 14 STAREP participants in the PAO Forum, 41 at the ministerial conference, 22 at the senior officials' workshop and 11 at the IFRS supervisors' workshop.

The CFRR **monitors the impact of events** through questionnaires, either electronically or handed out and collected, after each workshop or seminar. These gather feedback on the content, design and organization of events; assess whether the content was relevant for individuals' in their day-to-day work, and if the learning can be practically implemented and applied; and additionally act as a self-evaluation tool for individual participants learning progress. This feedback helps in the design of follow-up events to ensure content is relevant, that the design and level of content is appropriate for joint learning and that individual learning progress maximised. The feedback in 2014 was overwhelmingly positive. Typical comments included "relevant material", "good speakers and high level of organization" and "most valuable is exchange of experience with colleagues". Constructive suggestions, such as requests for further events on specific themes, comments on the length of time allocated to different sessions, and thoughts on the effectiveness of individual speakers, are incorporated into planning for future events.

The **EduCoP** seeks to create a shared vision; agree minimum proficiencies at each level across the region and develop syllabuses to meet these; encourage regional accreditation and recognition; and integrate educational continuum from undergraduate through certification to ongoing professional development. Three workshops, with engaged and enthusiastic participants representing all STAREP countries, were held. The initial activities have begun to build technical knowledge and raise awareness of the relevant aspects of the *acquis communautaire*. The EduCoP has benefited from regular input from relevant stakeholders and specialist CFRR technical advice. Activities helped increase the awareness of the gaps between the current teaching approaches and curricula, and modern accountancy education systems. Systematic feedback collected from participants suggests that the subjects and level of engagement is appropriate.

The **A&ACoP** is working towards improving stakeholder awareness of international good practices for accounting standards, especially for SMEs. It is now well established with a committed and enthusiastic group of participants and regular learning events – both face to face and virtually. Event satisfaction surveys were overwhelmingly positive. The seminars are contributing to increased awareness and understanding of EU directives, as seen in the increasingly detailed contributions made by participants resulting in better understanding of gaps with the EU *acquis* and approaches to bridge them. There seems to be a growing understanding of common challenges although no concrete actions as yet.

The **Financial Regulators Practice Forum** continues to build confidence amongst those working with IFRS-based financial information. Activities are well received and attended, with Armenia, Moldova, and Georgia being more consistently engaged. Those taking part in the IFRS workshop confirmed its value in explaining upcoming IFRS and prudential filters, one of the main objectives of the forum. The Forum's setting allows STAREP participants to exchange views and best practices with participants for Central and South-Eastern Europe. In addition to raising awareness of the accounting standards and of the role of the auditors in the quality of financial reporting, participants learn from standards setters and peers of practical example of application of the standards and best practices on cooperation with external auditors. Further efforts are needed to fully engage all STAREP countries in the Forum.

There has been a broad range of **in-country activity** across all STAREP participant countries, helping establish and develop engaged networks of practitioners and policy makers and growing knowledge and understanding about the program and the need for CFR.

Assessment by Country

The country strategy and action plan (CSAP) for **Armenia**, building on the policy recommendations of the [2008 A&A ROSC](#), sets out a comprehensive reform program for corporate financial reporting in the short to medium term to be implemented by the Ministry of Finance with support, including through regional [STAREP](#) activities.

The CAPSAP in **Azerbaijan** is in its final phase and, although the overall project is still being assessed there is clear evidence of enhanced institutional capabilities and improvements in the implementation of accounting legislation through, for example, (1) expansion of Azerbaijan's

financial management capacity through creation and implementation of an innovative, automated financial accounting and reporting system for entities financed from the state budget; (2) establishment of an accounting-related training center that has trained more than 3500 professionals so far in international good practices; (3) establishment of a professional accountancy organization, through expansion and adaptation of an existing association, to provide sustainable improvements in transparency, self-governance and education in the accounting and audit profession.

Interest and engagement from **Belarus** has increased significantly in 2014 with representation at all regional events. A training course, organized for small and medium size audit firms' practitioners and MOF experts, enhanced understanding of ISAs and their practical implementation.

The **Georgia** A&A ROSC Update was effectively researched, identifying some improvement since the previous A&A ROSC in 2007, and suggesting additional reform efforts going forward.

Moldova's commitment to STAREP continued to be high. There was significant demand for local dissemination of CoP activities and commitment to implement learning, such as testing the CFRR-developed university benchmarking tool. Relevant Ministry of Finance staff demonstrated increased knowledge and understanding of the provisions of the EU Accounting and Auditing Directives; the Ministry drafted and made public¹ Accounting and Auditing transposition tables which will serve as a sound analytical underpinning for the development of new laws on accounting and auditing in 2015. The bachelor degree in Accounting has been improved, including better analytical programs and study plan, and more topics based on good international practice. ACCA confirmed that graduates of this degree from the key Moldovan provider of accounting education, ASEM, could claim exemption from 6 out of the 9 papers for ACCA qualification. Also, a training course was organized in cooperation with Ministry of Finance helped more than 30 officials and representatives of the profession to improve their knowledge on ISA application.

Ukraine stakeholders' engagement with the CFR agenda increased during 2014. Ukrainian counterparts are actively involved in the work of both STAREP CoPs, helping shape reform and undertaking concrete actions. Working groups have been established: (i) for accounting curricula reform, and (ii) for amending the accounting and auditing frameworks to be aligned with the EU Accounting and Auditing Directives. A good start was made on in-country consultations with the Ministry of Finance and other stakeholders on the design of a proper public oversight system in Ukraine. The two workshops organized jointly with the EBRD and UFPAA were well received and increased understanding of the EU Accounting and Auditing Directives among local professional and businesses.

Lessons Learned

Overall, activities contributed to the PDO. There is clear evidence of commitment among stakeholders to modernize regulatory frameworks, especially in the context of EU Association

¹ Accounting and Auditing transposition tables were published on the MOF's official website (<http://mf.gov.md/newsitem/9577>) at the beginning of 2015

Agreements in Moldova, Georgia and Ukraine. This has led to greater demand for STAREP support which is reflected in the program plan for 2015. Awareness of transposition tables is growing and their use is being encouraged.

Knowledge of international accounting and auditing standards is increasing but there is still wide variance in the ability of both practitioners and regulators to work with them. Translations into local languages help with this, but many countries still lack sustainable mechanisms to maintain the process of translating updated standards.

All STAREP countries now have engaged PAOs, which appear committed to modernizing and improving accountancy education and professional development programs. The CFRR-developed tool to benchmark university courses, which STAREP EduCoP members will trial during 2015, will contribute to this process. The accounting profession remains rather fragmented in STAREP countries, with supply not always meeting the right demands. This will improve though the increasing guidance of active PAOs, engaged regionally and also globally through events like the World Bank Accountancy Development for Results conference in Rome in November 2014 attended by Ukrainian and Georgian PAO representatives.

Armenia is a good example of how country-specific activities and projects can usefully be complemented by work undertaken at the regional level. Additionally, combined events with participating countries in the REPARIS and FRTAP programs help create an effective knowledge cascade offering participants implementation experiences and knowledge.

Three countries that have signed the EU association agreements are seeking increased support from STAREP, thus activities in Moldova, Georgia and Ukraine will need to be geared up after further consultations with in-country stakeholders. The program plan 2015 already reflects deeper engagement as appropriate.

Summary: Results Framework and Status²

Component 1 - Reform Momentum and Support

Outcome	Legal Framework Modernized
Outcome Indicators	<ul style="list-style-type: none"> • Environment conducive to international good practices, including EU directives • Suitable accounting standards for PIES and SMEs in place • Enhanced capacity of small/medium accounting and auditing practices • Translation of standards into local languages available and regularly updated
Intermediate Outcomes	<ul style="list-style-type: none"> • Government and stakeholder support and continued commitment • Senior policymakers in a position to make well-informed reform decisions. • Information on reform and laws available online.
Status	<ul style="list-style-type: none"> • Stakeholder relationships developed/maintained to good effect. Improved recognition of value of financial reporting. Broad high-level commitment to concept of reform, implementation remains challenging.

² Simplified framework based on the agreed results framework (see annex)

Component 2 – Accounting Education Reform

Outcome	Institutional Capacity of the Profession Enhanced
Outcome Indicators	<ul style="list-style-type: none"> • Certification/registration process • Quality assurance systems established • Translation/Updates of professional/ethical standards available
Intermediate Outcomes	<ul style="list-style-type: none"> • Stakeholder awareness of qualification and licensing systems. • Sharing of up-to-date educational material among countries. • Agreement on common approach on development of new syllabus, examinations and continuing education.
Status	<ul style="list-style-type: none"> • Active PAOs in all countries. Increasing awareness and understandings among profession.

Outcome	Accounting Education Systems Modernized
Outcome Indicators	<ul style="list-style-type: none"> • Increased number of qualified accountants and licensed auditors • Closer alignment with IFAC’s International Education Standards (IES) and EU Statutory Audit Directive (SAD)
Intermediate Outcomes	<ul style="list-style-type: none"> • Stakeholder awareness of qualification and licensing systems. • Sharing of up-to-date educational material among countries. • Agreement on common approach on development of new syllabus, examinations and continuing education.
Status	<ul style="list-style-type: none"> • Significant engagement among EduCoP members. Growing interest in curriculum reform.

Component 3 – Accounting and Auditing Standards

Outcome	Accounting and Auditing Standards Substantially Adopted
Outcome Indicators	<ul style="list-style-type: none"> • Environment conducive to international good practices, including EU directives • Suitable accounting standards for PIES and SMEs in place • Enhanced capacity of small/medium accounting and auditing practices • Translation of standards into local languages available and regularly updated
Intermediate Outcomes	<ul style="list-style-type: none"> • Stakeholder awareness of international good practices for SME accounting standards. • Increased understanding about common challenges and shared actions. • Increased awareness and understanding of EU directives. • Improved understanding and abilities on how to draft transposition tables.
Status	<ul style="list-style-type: none"> • Stakeholders gained knowledge and practical insights on the purpose of transposition tables and their use for the adoption and implementation of new accounting directive, including new requirements for SMEs; • MOFs of some STAREP countries drafted Accounting and/or Auditing transposition tables; • Improved knowledge of the provisions of the recently amended Statutory Audit Directive, newly adopted Regulation on specific requirements regarding statutory audit of public-interest entities.

Component 4 – Financial Regulators Practice Forum

Outcome	Technical Capacity of Prudential Regulators in the Area of A&A Strengthened
Outcome Indicators	<ul style="list-style-type: none"> • Increased capacity of supervisors • Reconciliation approach • Increased number of financial statements reviewed by regulators
Intermediate Outcomes	<ul style="list-style-type: none"> • Participants’ understanding of application of prudential filters. • Awareness and knowledge of relevant IFRS and new standards
Status	<ul style="list-style-type: none"> • Good relationships developed between regulators and auditors; knowledge level of IFRS maintained or improving (as new standards are published). • Stronger cooperation between countries

Summary: Country-specific Update

Country	Intermediate Outcomes	Status
Armenia	<ul style="list-style-type: none"> • Support to the development and implementation of selected Country Action Plans. • Sound policy guidance on country-specific requests. • Country-level assistance as needed. • Establishment of relationships among stakeholders, i.e. policy makers, regulators, international bodies. 	Publication of Country Strategy and Action Plan building on recommendations of 2008 A&A ROSC
Azerbaijan		CAPSAP
Belarus		Enhanced understanding of ISA and their practical implementation by small and medium size audit firms’ practitioners.
Georgia		A&A ROSC update raised awareness among key stakeholders on updated EU legislation on accounting and auditing, and additional reform efforts needed bring Georgian legislation closer to compliance with EU norms.
Moldova		<p>Policy advice provided as part of technical discussions with the MOF on transposition tables to benchmark Accounting and Auditing legislation to the requirements of the EU <i>acquis communautaire</i>.</p> <p>Raised awareness among wide range of local stakeholders of updated EU legislation on accounting and auditing through presentations delivered at the round tables in Chisinau, Video Conferences and virtual seminars.</p> <p>Improved knowledge on ISA application among wide range of local stakeholders through replication training course.³</p>

³ <http://www.mf.gov.md/newsitem/9265>



Ukraine		<p>Relationships established between policy makers, regulators, profession and businesses through consultations and workshops in Kyiv and GDLN events.</p> <p>Policy advice provided as part of round-table discussions with the MOF on public audit oversight function.</p> <p>Country-level assistance provided on drafting transposition tables for aligning Ukrainian legislation on accounting and audit with requirements of EU <i>acquis communautaire</i>.</p>
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4. Planned Activities and Expected Outcomes 2015

The following sections describe the objectives and general approach for each component and the main activities planned for 2015.

Overview of Planned Activities for 2015

Component 1 - Reform Momentum and Support

Activity	Topic	Jointly w/ EU-REPARIS	Time	Location
Workshop	<i>Senior Officials Workshop: Cooperation and Enforcement</i>		April	Bucharest
Publication	<i>Acquis Guide (Update)</i>	✓	February	N/A
	<i>FR in State Owned Enterprises (SOE FACT)</i>	✓	October	N/A
Knowledge management	<i>Video: Benefits of FR reform II</i>	✓	October	N/A
	<i>Website pages: topics, events, country</i>	✓	Jan-Dec	N/A

Component 2 – Accounting Education Reform

Activity	Topic	Jointly w/ EU-REPARIS	Time	Location
Workshops	<i>Tax and Law Working Groups for University Syllabus</i>		February	Kyiv
Workshop	<i>Development of University Profiling Tool</i>		April	Baku
Workshop	<i>Teaching IFRS Master Class in collaboration with IFRS Foundation</i>		September	Kyiv
Workshop	<i>Development of Professional Education Profiling Tool</i>		November	Yerevan
Virtual seminar	<i>Teaching IFRS for SMEs (3)</i>		September	N/A

Component 3 – Accounting and Auditing Standards

Activity	Topic	Jointly w/ EU-REPARIS	Time	Location
Workshop	<i>Practical Guidance on Transposing the EU Acquis</i>		April	Bucharest
	<i>Set-up and Operation of Audit Oversight and QA System</i>		October	Tbilisi

Activity	Topic	Jointly w/ EU-REPARIS	Time	Location
Virtual seminar	<i>EU Directives (3)</i>		Feb-Dec	N/A
Publication	<i>Audit Oversight and QA</i>	✓	November	N/A

Component 4 – Financial Regulators Practice Forum

Activity	Topic	Jointly w/ EU-REPARIS	Time	Location
Seminar	<i>Relationship between Supervisors and Auditors</i>	✓	May	Vienna
	<i>IFRS Executive Seminar for Supervisors</i>	✓	September	Vienna
Virtual seminar	<i>IFRS Technical Updates (2)</i>	✓	March & June	N/A
Publication	<i>Relationship between Supervisors and Auditors</i>	✓	May	N/A

Component 5 – Country-level Implementation Support

Country	Activity/Topic	Jointly w/ EU-REPARIS	Time	Location
Armenia	Mission: <i>Resource mobilization for Country Action Plan</i>		Jan-Dec	Yerevan
	Mission: <i>Policy dialogue</i>		Jan-Dec	Yerevan
Azerbaijan	Mission: <i>CAPSAP support (closes 30 June 2015)</i>		Jan-Dec	Baku
	Mission: <i>Policy dialogue</i>		Jan-Dec	Baku
Belarus	Workshop: <i>ISA Training to local auditors and MoF audit supervisors</i>		May	Minsk
	Mission: <i>Roundtable consultations on Education Reform</i>		May	Minsk
Georgia	Mission: <i>A&A ROSC Dissemination</i>		May	Tbilisi
	Mission: <i>Support to transposition tables in A&A</i>		April	Tbilisi
	Mission: <i>Technical assistance with drafting amendments to A&A law</i>		April-Dec	Tbilisi
	Workshops: <i>Additional local capacity building activities supporting EU Georgia association agreement and implementation of ROSC recommendations</i>			Tbilisi
Moldova	Mission: <i>Continuing assistance on transposition tables in A&A and adoption of</i>		March - Nov	Chisinau



Country	Activity/Topic	Jointly w/ EU-REPARIS	Time	Location
	<i>EU-endorsed IFRS</i>			
	Mission: <i>Technical assistance with drafts of new A&A laws</i>		March - Nov	Chisinau
	Mission: <i>Follow-up on EU-Moldova Association Agreement</i>		March - Nov	Chisinau
	Mission: <i>Support to improve functionality of Public Register of financial statements</i>		March - Nov	Chisinau
	Workshops: <i>local replication events, including 4th local training of trainers (ToT) on ISA and other activities in support of EU association agreement and implementation of ROSC recommendations</i>		March - Nov	Chisinau
Ukraine	Mission: <i>Policy advice via roundtable consultations with stakeholders and technical support on developing Public Oversight System</i>		Jan & Sept	Kyiv
	Mission: <i>Continuing assistance on transposition tables in A&A</i>		May-June	Kyiv
	Mission: <i>Technical assistance with drafting amendments to A&A laws</i>		March-Nov	Kyiv
	Seminar: <i>Public Oversight & EU Statutory Audit Directive</i>		Jan	Kyiv

Details by Component and Country

Component 1 - Reform Momentum and Support

Senior Officials Workshop: Cooperation and Enforcement (April 2015, Bucharest)

Senior officials from the STAREP countries will meet to review their reform experiences, consider common challenges, share innovative approaches, and outline future priorities and the role the CFRR can play in helping achieve these focused on cooperation and enforcement.

Video: Benefits of Financial Reporting Reform in EaP Countries (October 2015)

Following on from the video produced in 2014, as an easily accessible introduction, this video will give a more detailed account of the benefits of financial reporting reform using the voices of those involved and STAREP beneficiaries. It will help develop deeper understandings of how corporate financial reform benefits society and contributes to building economies.

Information Portal on Financial Reporting Reform and Newsletter (ongoing)

The CFRR will continue to develop an online portal as a useful resource on financial reporting by offering information on relevant financial reporting topics, countries participating in CFRR programs as well as event pages. In that respect, the portal aims to be a “one-stop-shop” for program



participants - providing registration services beforehand and making materials connected to events available for reference or use afterwards. Key aspects of program activities and related materials will continue to be disseminated in a regular newsletter.

Publication: Guide to the EU Acquis Communautaire, 3rd Issue (March 2015)

The updated Guide to Corporate Financial Reporting in the Acquis Communautaire will outline the key features of the EU's legislative framework for those seeking to align or use the EU regulatory model in devising national policy. The update will take account of EU legislative changes since publication of the 2nd edition in 2011.

Publication: ECA State Owned Enterprises Financial Accountability, Controls and Transparency Study (SOE FACT) (October 2015)

State Owned Enterprises (SOEs) have a significant role in the economies of many countries in the Europe and Central Asia Region: contribution of revenues to GDP, share of overall employment, share of total investments, etc. Despite their importance, however, performance of SOEs is uneven. This publication will: (i) provide client countries with an easy-to-use benchmarking tool to compare SOE practices and accountability landscape across ECA region; and (ii) help inform the Bank's SOE reform agenda to provide enhanced advisory services and tailored assistance to our partner countries in the Region. The study builds on the "Corporate Governance of State-Owned Enterprises Toolkit" published by the World Bank in October 2014, and aims to take stock of the requirements pertaining to accounting, reporting, and auditing by SOEs in ECA Region.

Expected Outcomes

Activities in this component will reinforce the importance of policymakers' ongoing commitment to CFR reforms, especially in the context of closer relationships with the EU and the reform steps needed to bring local legislative frameworks closer to good international practices.

Component 2 – Accounting Education Reform

Tax and Law Working Groups for University Syllabus (February 2015, Kyiv)

The Tax and Law Working Groups of the STAREP Education Community of Practice will meet in Kyiv on February 25 and 26, 2015 for a workshop as part of ongoing efforts to modernize accounting education and develop accountants and auditors in Eastern Partnership countries

EduCoP Workshop: University Profiling Tool (April 2015, Baku)

The CFRR have developed a profiling tool which can be used to benchmark the content of university accounting courses to reduce duplication between syllabus planning, benchmarking and accreditation, monitors syllabus changes and highlights gaps. EduCoP members at this workshop will learn how to apply the tool and interpret the findings in their institutions.

EduCoP Workshop: Development of Professional Education Profiling Tool (November 2015, Yerevan)

This workshop will consider the experience and first results of EduCoP members in applying the CFRR profiling tool, seeking to further refine and improve the tool as STAREP moves to phase 2 and 3 in the intellectual steps.



Teaching IFRS Master Class (September 2015, Kyiv)

Since 2010, the IFRS Foundation’s Education Initiative has promoted a new student-centered approach to teaching effective application of the global International Financial Reporting Standards (IFRS) – “framework-based teaching of IFRS”. A series of virtual seminars on using this approach will be organized for universities in STAREP Countries, beginning in the third quarter of 2015 with the delivery of a “Master Class” to demonstrate effective teaching techniques.

Virtual Seminar Series on Teaching IFRS for SMEs (September 2015)

Three 2-hour virtual seminars are planned focused on teaching IFRS for SMEs. The aim is to equip university teachers with the tools to improve the quality of financial reporting training at university level and through continuous professional development

Expected outcomes

With the continued engagement of all EduCop members, educational reform across the six countries is within reach as a series of intellectual steps from high school to authorized auditor. The first step of reviewing existing bachelor’s degree level curriculum being taught in Universities of the region and to benchmark the learning outcomes nationally, regionally and internationally will be undertaken this year, assisted by the CFRR profiling tool. This should reduce the amount of duplication between syllabus planning, benchmarking and accreditation that currently exists for Universities whilst also providing a useful monitoring tool for syllabus changes and gaps. The tool will be further refined over the coming years as STAREP moves to phase 2 and 3 in the intellectual steps.

Component 3 - Accounting and Auditing Standards

A&ACoP Workshop “Modernizing accounting and auditing legislation by transposing EU requirements and good international practices” (April 2015, Bucharest)

A workshop giving A&ACoP members practical insights on transposing the EU *acquis communautaire* in the field of accounting and auditing into domestic legislation using an interactive format with lots of group engagement and specific open sessions for participants to raise issues and concerns particular to their own environments.

A&ACoP Workshop “Establishing and Operating Audit Oversight and Quality Assurance Systems” (October/November 2015, Tbilisi)

Establishing and operating effective systems of audit oversight and quality assurance help ensure reliable financial reporting. This workshop will offer guidance on the key essential features necessary and consider different approaches globally to help participants in the development of systems appropriate to local conditions.

Regional Dialogue Series on the EU *acquis communautaire* in the field of accounting and auditing

This series of virtual seminars using GDLN technology will continue in 2015, providing detail and guidance on selected topics of the *acquis communautaire* as it applies to corporate sector accounting and auditing. It will offer guidance on how core elements of recent EU legislation can be transposed into domestic legislation, and update participants on current topics and changes in *acquis*.



Publication: “Audit Quality Assurance: From Policy to Practice” (November 2015)

Quality assurance is a topic of growing relevance to STAREP countries. This publication will complement the work being done in the A&ACoP, offering clear understandings of what is meant by audit oversight and quality assurance and how these principles can be put into practice. The publication will build on previous and ongoing relevant CFRR research and be available to members of the CoP as well as more widely for others with an interest in the subject.

Expected outcomes

Activities under this component will continue to develop stakeholders’ understandings of EU and international requirements and practice and increase their ability to transpose relevant parts of the acquis into national legislation. An increased understanding of the role and function of audit oversight and quality assurance, and steps to begin implementing improved systems, is expected. The majority of STAREP countries will draft Accounting and Auditing transposition tables or high-level overviews of their legislation by the year-end.

Component 4 – Financial Regulators Practice Forum

IFRS Executive Seminar – 3-day Seminar (Vienna, September 2015)

Financial regulators from participating countries will be invited to join their peers from the FRTAP and REPARIS countries for a third annual seminar in Vienna, jointly organized by the CFRR and IFRS Foundation, on working effectively with IFRS.

“IFRS Technical Updates” – Virtual Seminars (March and June 2015)

Two virtual seminars (GDLN events) will take place for members of the Forum from STAREP countries, organized in conjunction with the REPARIS program, on selected relevant IFRS themes.

“Enhancing the Relationship between Supervisors and Auditors” - Seminar (Vienna, May 2015)

The relationship between banking supervisors and auditors is increasingly in the spotlight and there is evidence of a direct link between an enhanced auditor/supervisor relationship and improved audit quality. Senior staff of banking supervisory agencies from STAREP and REPARIS participating countries will meet in Vienna to discuss areas for improved cooperation and review examples.

Publication: “Enhancing the Relationship between Supervisors and Auditors”

Supervisors from STAREP countries have contributed to a survey of senior banking supervisors from CFRR partner countries which will form the basis of this publication addressing their relationship with auditors and offering practical suggestions to improve it. Survey results are being analyzed for publication in the summer of 2015.

Expected outcomes

Targeted workshops will maintain commitment and continue to develop capacity amongst stakeholders. Improvements in the nature and frequency of dialogue between supervisors and auditors are expected as a result of the CFRR study and workshop.

Component 5 – Country-level Implementation Support

A range of activities are planned to support implementation of reform activities at country level. These all complement the work under the STAREP program although some are funded as part of other programs.

Activities and Expected outcomes

Armenia

A mission will mobilize resources and initiate policy dialogue on implementation of the Armenia strategy and action plan. CFRR technical assistance and advisory services will assist in (i) the development of an public oversight model for Armenia; (ii) progress towards a unified accounting and audit curriculum and text books and improved teaching methods; (iii) the development of oversight tools/methods for application of IFRS for SMEs and country specific guidance for Micro enterprises; and (iv) implementing a sustainable system for updating auditing and accounting standards' translations into Armenian.

Azerbaijan

A World Bank mission to Baku will oversee the final stages of CAPSAP and consider the project's success in improving the capacity, transparency, and accountability of state institutions and PIEs and implementation of the Accounting Law enacted in 2004 and continue policy dialogue around these topics. The CFRR team will support that process ensuring that, going forward, the STAREP Program helps sustain the reform efforts undertaken as part of CAPSAP.

Belarus

CFRR engagement with Belarus on the corporate financial reporting agenda will continue in 2015. Two events will be organized in Minsk: (i) a workshop in May 2015 for local auditors and Ministry of Finance audit supervisors on the use of International Standards on Auditing (ISA); and (ii) a roundtable consultation in May 2015 on accounting education reform with academics, Ministry of Finance, Ministry of Education, and other interested parties, will build on work undertaken in the regional STAREP EduCOP and help identify priority areas for reform, and agree the way forward.

Georgia

The Georgia A&A ROSC Update will be disseminated in the first half of 2015 and discussions of the recommendations of this in-depth analysis of the current state of Georgia's financial reporting system will continue. Support will be given to Georgia in drafting of transposition tables to assist with closer alignment with the EU *acquis communautaire*. Draft legislation is being prepared in 2015 to align the law of auditing with the revised EU audit directive.

Moldova

STAREP will continue to help Moldova address the requirements of their EU Association Agreement, including (i) technical input to the drafting of new accounting and auditing legislation on the basis of recently produced transposition tables for accounting and auditing; (ii) technical assistance in transposing the requirements of the IAS Regulation, in particular adoption of EU-IFRS in both, Romanian and Russian languages; (iii) Initial support and solutions will be provided to help the Public



Registry move towards becoming operational, and (iv) continuing replication of regional STAREP events at the national level to disseminate knowledge to a wide range of local stakeholders.

Ukraine

STAREP will provide tailored technical advice to Ukraine to take forward necessary reforms in the corporate financial reporting framework to align with the EU *acquis communautaire*. Activities will include: (i) technical assistance in drafting transposition tables to bring accounting and auditing legislation closer to the EU *acquis* in these areas; (ii) technical advice on amendments to the Laws on Accounting and Auditing, with a view to aligning them with the respective EU Directives; (iii) ongoing technical support in the design of a public audit oversight system in Ukraine; and (iv) continued strengthening of local expertise and capacity among key Ukrainian counterparts, including providing unique access to the EU experience.

5. 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 annually and in addition to addressing technical questions, provide the opportunity to review progress of the program and to endorse the work-plan.

Representatives from donors, regulators and standard setters, and 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 formally gathers 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, as well as 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 experts and a panel of specialized short-term consultants under the leadership of Henri Fortin. The CFRR is an integral part of the Governance Global Practice of the World Bank. The program is structured along five components each of them being led by a senior specialist ensuring high technical quality and efficient use of the program’s resources. Key team members include:

Management

Soukeyna Kane	Practice Manager
Henri Fortin	Head, CFRR

Country-relationship responsibilities

Country	CFRR	Country Office
Armenia	Alexander Fawcett	Garik Sergeyan
Azerbaijan	Jerry Decker	Tural Jamalov
Belarus	Natalie Manuilova	Irina Babich (Kyiv)
Georgia	Natalie Manuilova	Galina Alagardova, Irina Gordeladze
Moldova	Andrei Busuioc	Oxana Druta, Svetlana Platon
Ukraine	Natalie Manuilova	Irina Babich, Natalia Konovalenko

Activity responsibilities

Overall program oversight		Henri Fortin
Component 1	Reform Momentum and Support	Natalie Manuilova
Component 2	Accounting Education Reform	Alexander Fawcett, Ian Ritchie, Lejla Begtasevic Rudalija
Component 3	Accounting and Auditing Standards	Andrei Busuioc
Component 4	Financial Sector Practice Forum	Pascal Frerejacque
Component 5	Country-level Implementation Support	Alexander Fawcett
Program Administration		Reinhard Haslinger
Knowledge Management		Cora Gusarova, Cornelia Salcher
Administration and Support		Anara Tokusheva, Cherry Hodak

Financial Summaries 2014

Disbursements Overview 2014

Component	Budget (EUR)	Disbursements MDTF (EUR)	Disbursements SDTF (EUR)	Total Disbursements (EUR)	Unspent Balance (EUR)
C1 - Reform Mom & Support	250,650	232,824	40,522	273,346	(22,696)
C2 - Acc. Educ. Reform	248,700	183,351	33,482	216,833	31,867
C3 - Acc. & Aud. Standards	224,700	143,797	36,870	180,667	44,033
C4 - Fin. Regulators Practice Forum	225,950	48,180	5,607	53,787	172,163
C5 - Country-level Implem. Support	131,000	47,421	9,923	57,344	73,656
Program Admin.	83,300	16,278	8,281	24,558	58,742
Total	1,164,300	671,850	134,685	806,535	357,765

Overall, spending was in line with the initial budget with the exception of components 4, 5 and program management. Component 4 realized cost savings by encouraging participants to contribute to travel costs. In addition, a planned workshop on the relationship between supervisors and auditors was moved to 2015 due to delays with the underlying study and country responses to requests for information. Component 5, country-level implementation support was able to benefit from cost-savings through World Bank or other sources and also experienced some delays in implementation due to further preparation and country dialogue needed, political circumstances and other reasons.

Disbursement Details

	C1	C2	C3	C4	C5	Progr. Adm.	Totals
Staff, consultants, temporary	127,589	100,247	106,890	44,728	41,162	24,558	445,175
Travel expenses	20,370	24,739	16,637	794	7,569	-	70,109
Media, workshop, conference and meeting costs	120,205	85,833	54,737	7,338	6,821	-	274,934
Contractual services	-	4,392	131	138	532	-	5,193
Other	5,182	1,622	2,272	789	1,260	-	11,125
Total	273,346	216,833	180,667	53,787	57,344	24,558	806,535

Budget 2015

Budget information can be requested from the task team. Resources for this budget are being provided by two trust funds, the REPARIS Multi-Donor Trust Fund (MDTF) including the Austrian Finance Ministry, the Austrian Development Agency, the Swiss State Secretariat for Economic Affairs, and the Finance Ministry of Luxembourg, as well as a Single-Donor Trust Fund (SDTF) with the European Commission. It is expected that the MDTF will finance about 80%, and the SDTF about 20% of the total budget for 2015.

Annex: Results Framework

Program Development Objective <small>(Statement of what is expected to change as result of the program)</small>	Enhanced approximation with EU norms and application of international standards for corporate financial reporting in EaP countries, by building relevant practitioners, policymakers and stakeholders capacity.
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Outcomes (Contribution towards PDO)	Outcome Indicators	Means of Verification	Institutional Constraints and Assumptions
<i>Legal Framework Modernized including International Accounting and Auditing Standards Substantially Adopted</i>	<ul style="list-style-type: none"> * Environment conducive to international good practices, including EU directives * Suitable accounting standards for PIES and SMEs in place * Enhanced capacity of small/medium accounting and auditing practices * Translation of standards into local languages available and regularly updated 	<ul style="list-style-type: none"> * Transposition tables * A&A ROSC Update * Published standards * Published financial statements * Program progress reports * Quality review report 	<ul style="list-style-type: none"> * Commitment of Government and stakeholders to modernize regulatory framework * Government’s ability to lead the reform process (including drafting of laws) * Government and standard-setters’ commitment to improving standards and compliance with these * Profession’s commitment to quality
<i>Institutional Capacity of the Profession Enhanced</i>	<ul style="list-style-type: none"> * Certification/registration process in place * Quality assurance systems established * Translation of professional/ethical standards into local languages available and regularly updated 	<ul style="list-style-type: none"> * Stakeholder survey * Program progress reports * A&A ROSC Update 	<ul style="list-style-type: none"> * Commitment of currently fragmented and weak accounting profession that lacks statutory or market recognition to take key role in reform process

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

Outcomes/ Components	Intermediate Outcomes	Indicators	Outputs/ Means
Reform Momentum and Support	<ul style="list-style-type: none"> * Government's and in-country stakeholders' support and continued commitment to CFR reform * Senior policymakers in a position to make well-informed reform decisions * Information on reform and laws available online 	<ul style="list-style-type: none"> * No. of participants at conferences and seminars * No. of exchanges with senior officials * CFRR website traffic 	<ul style="list-style-type: none"> * Bi-annual ministerial level conferences and regular senior official seminars * Online information portal * Series of videoconferences * Technical assistance and advice
Development of the	<ul style="list-style-type: none"> * Stakeholder awareness of existing education, qualification and licensing systems 	<ul style="list-style-type: none"> * No. of workshop participants and returning 	<ul style="list-style-type: none"> * Community of Practice workshop and exchange incl. GDLN sessions

Outcomes/ Components	Intermediate Outcomes	Indicators	Outputs/ Means
Profession and Accounting Education Reform	<ul style="list-style-type: none"> * Sharing of up-to-date educational material among countries * Agreement on common approach on development of new syllabus, examinations and continuing education 	<ul style="list-style-type: none"> participants * Assessments of level and quality of participation during events 	<ul style="list-style-type: none"> * Collaboration with relevant international organizations * Technical advice
Accounting and Auditing Standards	<ul style="list-style-type: none"> * Stakeholder awareness of international good practices for SME accounting standards * Increased understanding about common challenges and agreements on shared actions * Increased awareness and understanding of EU directives 	<ul style="list-style-type: none"> * No. of workshop participants and returning participants * Assessments and degree of participation during events 	<ul style="list-style-type: none"> * Regular peer learning events through thematic Community of Practice * Partnering with relevant global bodies * Analytical and research support * Regular GDLN sessions * Technical assistance and advice
Financial Sector Practice Forum	<ul style="list-style-type: none"> * Participants' understanding of application of prudential filters * Awareness and knowledge of relevant IFRS and new standards 	<ul style="list-style-type: none"> * No. of workshop participants and returning institutions * Assessments and degree of participation during event * Follow-up surveys 	<ul style="list-style-type: none"> * IFRS training events and exchanges * Virtual seminars * Analytical work and research * Peer to peer exchanges
Country-level Implementation Support	<ul style="list-style-type: none"> * Support to the development and implementation of selected Country Action Plans * Sound policy guidance on country-specific requests * Country-level assistance as needed * Establishment of relationships among stakeholders, i.e. policy makers, regulators, international bodies 	<ul style="list-style-type: none"> * Draft laws being developed * Number of reform events held in the country * A&A ROSC updates 	<ul style="list-style-type: none"> * Technical assistance and support through mission travels * Establishment of a network of practitioners * Help desk for country specific requests * Country-level activities as needed

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