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# “New Challenges and Opportunities for the Development of Accounting and Auditing Profession in the Republic of Moldova”



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**The Republic of Moldova tends to adhere to the European Union; hence, the accounting and auditing law shall be aligned with the EU legislation**

### **Current normative framework relating to financial reporting**

- Accounting Law – in force since 01.01.2008;
- International Financial Reporting Standards (IFRS);
- National Accounting Standards (NAS);
- Comments of NAS enforcement;
- Chart of Accounts;
- Regulations, guidelines and other acts approved by the regulatory bodies responsible for accounting.

# Accounting Law – the Main Provisions

- Obligation to use the IFRS by the Public Interest Entities (PIE);
- The possibility for other entities not included in the PIE category to use the IFRS;
- Define the competences of the main institutions responsible for financial reporting;
- Constitute the Financial Reporting Information System;
- Define the financial reporting requirements for different types of entities.

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- **Why do we need quality financial reporting?**
  - **What is the impact of this deed on our day-by-day life?**

***No transparency, no trust;***

*No trust, no credit;*

*No credit, no investment;*

*No investment, **no growth!***

Martin Grull, Economist

# Accounting Profession Values

Under conditions of globalisation, the Accounting Profession has become a dynamic one, in constant state of change. Some values accepted yesterday, are called into question today.

Example: The document issued by the European Commission – Green Paper “Audit Policy: Lessons from the Crisis”.

The Accounting Profession shall go through the challenges of the present time. We shall anticipate the changes and help the entities overcome the economic problems.

# Accounting Profession Values :

- Continuous Education;
- Ethics, the IFAC Code of Ethics;
- Quality of services provided:
  - advanced professional standards;
  - strong professional body;
  - operational public oversight system.

## The current challenges facing the Accounting Profession are determined by the following factors:

- Human factor;
- Relations between accounting and taxation system;
- Preconditions and capacity to implement and enforce the IFRS and the NAS;
- Quality of services provided;
- Defining an advanced institutional framework;
- The need of a strong professional body at the national level.

The first and the utmost aspect describing the Accounting Profession is the human factor – Accountant characterised by:

- education ( IFAC IES1-8);**
- ethics (IFAC Code of Ethics);**
- professional judgment (PJ).**

Professional judgment is based on the knowledge of the principles defined by the IFRS. This is pretty difficult for the Republic of Moldova. Subordination of accounting to taxation system does not encourage the development of PJ.

# Problem of National Interest

- The need to have a national-level Continuous Education Concept in place, which would ensure consistent use of Education Standards within all professional bodies;
- Set up a single education space by joint endeavours of:
  - national level decision-making bodies;
  - professional bodies of the RM;
  - academic and university community;
  - audit firms;
- ensure quality accounting services.

# Challenges facing the Accounting Profession

***“The accounting-taxation system relation is the key-issue in the business environment.***

Set up initially as a tool for the taxation system, at present accounting gained much more users, not just the budget and the national accounts”.

*Marin Toma – Honorary President of CECCAR*

In the Republic of Moldova the accounting and fiscal regulations are issued by the same institutions; thus, there is a major risk to determine the accounting to satisfy one single interest – the budget interest.

In some cases, the budget interest prevails the NAS and accounting regulations contents in the explanations of the bodies empowered by the State.

# Challenges facing the Accounting Profession

- **Disconnecting Accounting from accounting is a solution** to resolve this conflict, the split shall pursue two aspects: methodological and institutional;
- Methodological disconnection – accounting based on IFRS, leaving the taxation system to comply with the requirements laid down by the fiscal law;
- Institutional disconnection – one institution deals with accounting standards and regulations; and the other – with the fiscal law. **A professional association in place empowered with rights of self-regulation relative to accounting profession;**
- Up until then it is pretty difficult to talk about accounting in the public interest.

# Challenges facing the Accounting Profession

Implementation of IFRS in the RM faces serious difficulties:

- Transition to the IFRS is expensive, being an unbearable burden for many entities;
- Accounting firms cope with an enormous challenge – education and training of their employees;
- Lack of experts knowing the IFRS – entities, accounting firms, tax bodies, state institutions;
- IFRS are based on principles rather than on rigid rules. Accepting the priority of principles shall replace the detailed rules, which have become traditional in the RM.

# Challenges facing the Accounting Profession

- Enforcement of new NAS starting on **1 January 2014**. When will they get published?
- International practice:
  - review and comment timeframe – not less than 9 months;
  - studying timeframe – at least 6 months;

**Extract from History** – the current NAS were published on 31.12.1997 and put into force on 01.01.1998.

**Question:** would the history repeat?

# Challenges facing the Auditing Profession

- Currently, quality assurance of audit practice is not operational;
- *First of all, due to the lack of money to fund the public oversight bodies, which, in its turn, leads to the absence of experts in the quality control area. So far, the state budget is the single source for funding the empowered bodies;*
- Both the certified auditors and the audit firms are not bound by law to be affiliated with a professional organization. Practically, the professional bodies have been excluded from the auditing self-regulatory activity and monitoring the quality of auditors' practice.



# Challenges facing the Auditing Profession

Preconditions and capacity to implement and enforce the International Standards on Auditing (ISAs) and the IFAC Code of Ethics dated 01.01.2013.

# What shall be done?

- **REPARIS Programme: the experience of Slovakia, Macedonia, Croatia, Estonia, video conferences, etc;**
- **Collaboration, exchange of experience: CECCAR, CAFR, Royal Nivra, etc;**
- **Communication, advice: IFAC, FIDEF;**

We found ourselves at a stage when all, i.e. the state bodies, auditors, audit firms, professional bodies, know what shall be done first and utmost to set up an operational system to supervise and ensure audit quality.

We need strong **WILL** to take courageous decisions despite all the constraints and doubts, which are eternal!

# Challenges facing the Accounting Profession

- The need to have a strong professional body acting on the basis of IFAC values and principles, and being empowered with profession-related self-regulatory competences;
- This results from the responsibility the profession has got to protect public interest;
- Fundamental areas: education, ethics, quality control.



**ACAP is the best solution!!!**

## MISSION, GOAL, OBJECTIVES



1. **Mission**: develop a strong accounting profession capable to serving public interest, disseminate information and advice among its members, and provide professional services at the highest level possible;
2. **Goal**: manage the accounting and auditing profession;
3. **Objectives**:
  - introduce the IFAC and IASB standards in the area of accounting and auditing;
  - base the accounting and auditing profession in Moldova on international standards in terms of:
    - ▶ Education;
    - ▶ Ethics;
    - ▶ Quality of services (quality control).

# Role of Professional Bodies



- Represent the professional interest of their members;
- Collaborate with other domestic and foreign associations and profile NGOs;
- Develop and implement their own professional rules in compliance with the Standards on Auditing and the Code of Ethics.

# International recognition



- Co-operation Agreements signed with professional associations from the CIS countries and the EU;
- Getting the Member status of profile international bodies:



**International Federation  
of Accountants**



**South Eastern European  
Partnership on  
Accountancy Development**



**EUROPEAN  
COUNCIL OF  
CERTIFIED  
ACCOUNTANTS AND  
AUDITORS**



**Fédération Internationale des  
Experts-Comptables  
Francophones**



# It is important

- To be united: accountants, auditors, professional organisations, state institutions and to ensure together the cohesion of values in the accounting profession;
- To find solutions aimed at overcoming the current difficulties; and, the last, but not the least
- To show wisdom, ethics and morality in the actions we take.

# **We want to continue and strengthen the accounting and auditing reforms !!!**

- High-quality professional standards known by all (state authorities, entities, auditors, accountants, etc.);
- Learning and implementing the IFRS (NAS based on IFRS) – this is the shortest way possible to give impetus to accounting profession in our country !!! The shortest way possible to have quality financial reporting in place !!!
- Learning and implementing the ISAs;
- The profession has to contribute to the funding or the oversight and quality control system for audit (accounting) practice;
- We need to have a professional organisation of accountants and auditors recognised by the whole society and empowered with profession self-regulatory functions.



# THANK YOU FOR YOUR ATTENTION!

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