Guidance on good practices in the area of compliance monitoring and enforcement

Presented by

Tetiana Iefymenko
President
Academy of Financial Management, Ministry of Finance, Ukraine

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Monitoring of Compliance and Enforcement (MC&E) Mechanisms for Corporate Reporting, Audit, and Requirements for Professional Accountants in Ukraine

Dr. Tetiana Iefymenko
President
of the State Educational and Scientific Institution «Academy of Financial Management» under the Ministry of Finance of Ukraine, Ph.D. in Economics, Professor, Corresponding Member of the National Academy of Sciences of Ukraine

Dr. Liudmyla Lovinska
Deputy Director
of the Financial Research Institute of the State Educational and Scientific Institution «Academy of Financial Management» under the Ministry of Finance of Ukraine, Ph.D. in Economics, Professor
I. Introduction and background

II. Conceptual Framework for building the MC&E system

III. Monitoring of compliance and enforcement of corporate reporting requirements

IV. Monitoring of compliance and enforcement of reporting requirements for public sector entities in accordance with IPSAS

V. Monitoring of compliance and enforcement of auditing requirements and quality assurance

VI. Monitoring of compliance and enforcement of requirements for professional accountants
GROSS NATIONAL DISPOSABLE INCOME (GNDI) OF THE STATE GOVERNANCE SECTOR (as % of the official GDP) (2013)

Source:
Source:
2) «Національні рахунки України за 2013 рік» /Держстат: статистичний збірник. – Київ, 2015. – 164 с
SHADOW ECONOMY (as % of the official GDP)

Source:

2) Тенденції тіньової економіки в Україні: I квартал 2015 року / Мінекономрозвитку. - [Електронний ресурс]. – Режим доступу: http://www.me.gov.ua/Documents/List?lang=uk-UA&id=e384c5a7-6533-4ab6-b56f-50e5243eb15a>tag=TendentsiiTinovoiEkonomiki
EXTERNAL RISKS

• Economic, social and political threats;
• Increased competition and changes in market conditions;
• Fiscal risks;
• Legal and regulatory changes;
• IT changes;
• Litigations and fraud;
• Risks associated with inefficient activities of Oversight Bodies.

INTERNAL RISKS

• Noncompliance with regulatory requirements;
• Deficiencies in internal control systems;
• Unethical and unprofessional conduct of managers of all levels and employees;
• Failures of computer information systems;
• Possible errors caused by wrong managerial decisions.
In most countries, state expenditures represent one third of GDP.

Public services undergo rapid changes and, accordingly, requirements for public services increase along with taxes.

In certain western countries the public debt exceeds GDP;

Public expectations regarding the quality of public services are growing.

There is a growing need for continuous improvement of accountability and transparency of public funds;

Other challenges (population ageing, social services reform, environment and climate changes, military expenditures, costs of fighting terrorism and crime, etc.).
THE RESULTS OF APPLYING ADT AND THE SYSTEM OF MC&E MECHANISMS TO CORPORATE REPORTING IN UKRAINE

These tools have been used to develop the following bills:

- Draft Law of Ukraine on Amendments to the Law of Ukraine on Accounting and Financial Reporting in Ukraine (24.04.2015);
- Draft Law of Ukraine on an Audit of Financial Statements and Auditing (17.08.2015);
- Draft Law of Ukraine on Internal Audit (07.07.2015).
1. In the area of coordination of the work on issues of strengthening corporate and public transparency and accounting:

- Ensure the quality of maintaining accounting records and preparing financial statements in the public sector when the scope of the MC&E system is defined (for example, by the following criteria, such as relevance, faithful representation, understandability, comparability, timeliness etc.) – paragraph 12;

- Resolve issues of monitoring of compliance with the reporting standards by public sector entities – paragraph 13.

2. In the area of coordination of the work on monitoring of compliance and enforcement of requirements for corporate reporting:

- Expand the scope of MC&E to cover institutions included in the public sector: general government, government-owned corporations, budget-funded entities – paragraph 41.
3. In the area of coordination of the work on monitoring of compliance and enforcement of requirements for audit and quality assurance:

- Specify the Oversight Bodies that supervise and control the compliance with accounting standards by public sector entities – paragraph 51;

- Disclose institutional mechanisms of internal monitoring, such as the appointment of internal auditors in government entities; organizational and financial independence of internal government auditors, their official subordination and accountability; professional and social protection, etc. – paragraph 52;

- Disclose the criteria applied by national regulators to reform national accounting and audit systems, in particular, the best global and European standards – paragraphs 61-62;

- Initiate the inclusion of specific provisions regarding the need for post-audit support services and strengthening the responsibility of a government corporation’s management for the use of the auditor’s report and implementation of recommendations made by the auditor – paragraph 60-601;
4. In the area of coordination of work on monitoring of compliance and enforcement of requirements for professional accountants:

- To the MC&E Guidance, add the provisions for training potential workforce for public sector entities involved in providing public services – paragraph 85;

- In the scope of impact assessment, include requirements for public disclosures in the area of disciplinary proceedings and imposition of differentiated (violation-based) sanctions against auditors, audit firms, and professional accountants – paragraph 89.
THANK YOU!

afu@afu.kiev.ua