



New World Bank report points to developments in Moldovas accounting and auditing environment

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Report highlights key challenges that influence the quality of corporate financial reporting
CHISINAU, September 25, 2013 - The World Bank Centre for Financial Reporting Reform (CFRR), jointly with the Ministry of Finance of the Republic of Moldova, launched today the updated Report on the Observance of Standards and Codes on Accounting and Auditing (A ROSC) in Moldova. The updated Report offers a thorough assessment of accounting and auditing practices and is part of an initiative implemented by the World Bank and the International Monetary Fund. It aims to support the Government of Moldova in its efforts to improve the countrys business environment and investment climate. The updated A ROSC Report focuses on the strengths and weaknesses of the accounting and auditing environment that influence the quality of corporate financial reporting, said Zeynep Lalik, Senior Financial Management Specialist, World Bank. "It uses International Financial Reporting Standards (IFRS) and the International Standards on Auditing (ISA) as benchmarks and draws on international experience and good practices, as well as the European Unions acquis communautaire, to provide a set of recommendations on strengthening corporate financial reporting in Moldova. The updated A ROSC report highlights that there has been significant progress over the past 9 years to improve the statutory framework for accounting and auditing. However, implementation and enforcement of reform measures has been hampered by capacity and resource constraints. The report notes that weak transparency and governance, as well as weak capacity to implement IFRS by non-bank entities impact the overall quality of corporate financial reporting in the country. The report provides a series of recommendations. Firstly, it points out the need for a review of accounting and auditing laws to remove internal inconsistencies and achieve closer alignment with EU Directives, including simplification of accounting requirements for smaller entities. Secondly, it underlines the importance of capacity building at both enterprise and institutional levels, including regulatory institutions and tax authorities, to support local public-interest entities in the implementation of IFRS and guidance on the resulting tax implications. Thirdly, it notes the need for close collaboration between the Ministry of Finance and professional associations to strengthen training in accounting and auditing. "Improving corporate financial reporting and reforming accounting and auditing practices is a priority for the Moldovan Government, which can bring major benefits to the business community, said Anatol Arapu, Minister of Finance. "High quality financial information is critical to improve access to finance and ensure private sector development. Furthermore, it provides assurances to existing and potential investors on the reliability of the information upon which they base or will base their investment decisions. Therefore, the updated ROSC Report on Accounting and Auditing is an analytical tool that can serve as a solid basis for the Ministry of Finance to advance reforms in the sector. Since Moldova joined the World Bank in 1992, over US\$1 billion has been allocated to 49 operations in the country. Currently, the World Bank portfolio includes 11 active projects with total commitments of US\$205.7 million. Areas of support include regulatory reform and business development, education, social assistance, e-governance, healthcare, water and sanitation, agriculture, and others. The International Finance Corporation has provided total investments in the amount of US\$191 million and the Multilateral Investment Guarantee Agency has provided guarantees totaling US\$95 million. Both institutions are members of the World Bank Group. In Chisinau Victor Neagu tel : +373-22-200706
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