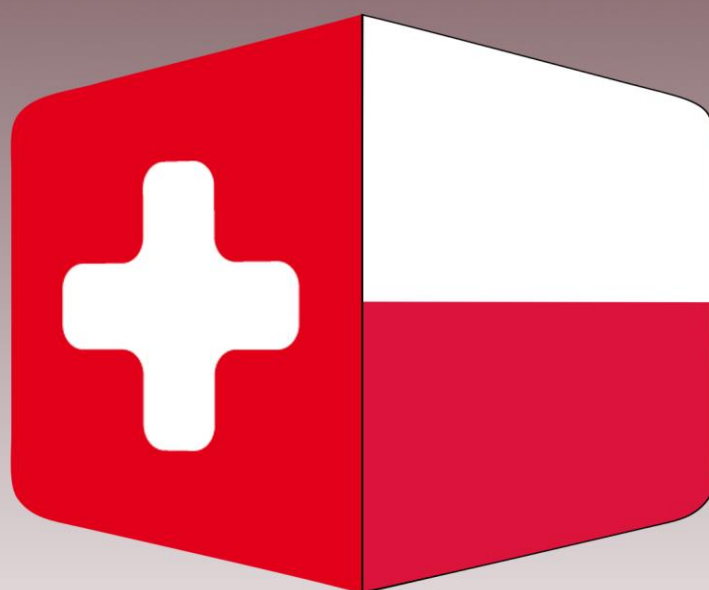


**FRTAP POLAND**

Financial Reporting Technical Assistance Programme

# **Implementation of the Agreement for Advisory Services between Poland and the World Bank**

(Centre for Financial Reporting Reform - Executing Agency)



# **FINAL REPORT**

MAY 2017

# CFRR»

**Centre for Financial  
Reporting Reform**



**WORLD BANK GROUP**  
Governance

Centre for Financial Reporting Reform (CFRR)  
Governance Global Practice, The World Bank  
Praterstrasse 31  
1020 Vienna, Austria

Web: [www.worldbank.org/cfrr](http://www.worldbank.org/cfrr)

Email: [cfrr@worldbank.org](mailto:cfrr@worldbank.org)

Phone: +43-1-217-0700

© 2017 International Bank for Reconstruction and Development / The World Bank  
1818 H Street NW  
Washington DC 20433  
Telephone: 202-473-1000  
Internet: [www.worldbank.org](http://www.worldbank.org)

This work is a product of the staff of The World Bank with external contributions. The findings, interpretations, and conclusions expressed in this work do not necessarily reflect the views of The World Bank, its Board of Executive Directors, or the governments they represent.

The World Bank does not guarantee the accuracy of the data included in this work. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of The World Bank concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

## **Rights and Permissions**

The material in this work is subject to copyright. Because The World Bank encourages dissemination of its knowledge, this work may be reproduced, in whole or in part, for noncommercial purposes as long as full attribution to this work is given.

Any queries on rights and licenses, including subsidiary rights, should be addressed to World Bank Publications, The World Bank Group, 1818 H Street NW, Washington, DC 20433, USA; fax: 202-522-2625; e-mail: [pubrights@worldbank.org](mailto:pubrights@worldbank.org).

# CONTENTS

<b>MAIN ABBREVIATIONS AND ACRONYMS .....</b>	<b>II</b>
<b>EXECUTIVE SUMMARY .....</b>	<b>III</b>
Project objectives, scope and approach.....	iii
Project activities and results contributed to improvements in financial reporting in Poland.....	iv
Overall conclusions and lessons learned.....	xi
Priorities for future reforms .....	xiii
<b>I. FINANCIAL REPORTING TECHNICAL ASSISTANCE PROJECT IN POLAND – OVERALL ARRANGEMENTS AND RESULTS .....</b>	<b>1</b>
Background and Project Objective .....	1
Institutional Responsibilities .....	1
Overall Project Implementation and Results .....	2
Conclusions.....	9
Lessons Learned .....	10
Expenditure .....	11
<b>II. ASSESSMENT OF THE PROJECT BY COMPONENTS.....</b>	<b>12</b>
Components I and II - Implementation of public oversight and quality assurance systems for statutory auditors .....	12
Component III. Enhancing the relationship between financial and tax accounting .....	23
Component IV. Institutional capacity building regarding financial reporting.....	27
Component V. Regulatory Framework.....	40
Component VI. Monitoring and evaluation – ROSC on Accounting and Auditing .....	43
Component VII. Specialized English Language and Communications Training for Financial Reporting Experts.....	46
Component VIII. Adoption and implementation of International Standards on Auditing (ISA) .....	48
Component IX. Continuing Education for Accounting Professionals .....	52
<b>ANNEX 1. CUMULATIVE PROJECT EXPENDITURE BY COMPONENTS FOR THE PERIOD 11TH DECEMBER 2009 - DECEMBER 31, 2016, CHF .....</b>	<b>58</b>
<b>ANNEX 2. PROJECT OBJECTIVES, ACTIVITIES, RESULTS AND FUNDS.....</b>	<b>60</b>
<b>ANNEX 3. INFORMATION ON THE PROJECT OUTPUTS AND OUTCOMES.....</b>	<b>73</b>
Detailed quantitative and qualitative description of outputs.....	73
Detailed quantitative and qualitative description of outcomes .....	76

## MAIN ABBREVIATIONS AND ACRONYMS

AOC	Audit Oversight Commission (KNA)
CFR	Corporate Financial Reporting
CFRR	Centre for Financial Reporting Reform (World Bank)
CPE	Continuing Professional Education
EPSAS	European Public Sector Accounting Standards
EU	European Union
ExC	Examination Commission
FRTAP	Financial Reporting Technical Assistance Programme
IASB	International Accounting Standards Board
IFAC	International Federation of Accountants
IFIAR	International Forum of Independent Audit Regulators
IFRS	International Financial Reporting Standards (including IAS)
IPSAS	International Public Sector Accounting Standards
ISA	International Standards on Auditing
KIBR	The National Chamber of Statutory Auditors
KNF	Polish Financial Supervision Authority
MoD	Ministry of Development
MoF	Ministry of Finance
NCU	National Coordination Unit in the Polish Ministry of Development
PIE	Public interest entity
POS	Public Oversight System
QAS	Quality Assurance System
RAS	Reimbursable Advisory Services
ROSC	Report on the Observance and Standards of Codes
SECO	Swiss State Secretariat for Economic Affairs
SME	Small and Medium-sized Enterprise
SMP	Small and Medium-sized Practice
SKwP	The Accountants Association in Poland
WB	World Bank

## EXECUTIVE SUMMARY

1. Through its Centre for Financial Reporting Reform (CFRR), the World Bank provided advisory services to enhance implementation of the European Union (EU) financial reporting requirements in Poland under the Financial Reporting Technical Assistance Project (FRTAP) from December 2009 to December 2016.<sup>1</sup> Funds were provided to Poland under the Swiss-Polish Cooperation Program.
2. This executive summary describes FRTAP objectives, activities and results, as well as lessons learned from its implementation. The concluding section also contains areas where additional reforms efforts could be considered for the future.

### Project objectives, scope and approach

3. The objective of the project was to enhance implementation of the EU *acquis communautaire* as it relates to financial reporting in Poland, through: (i) implementing a public oversight system for statutory auditors; (ii) implementing a quality assurance system for statutory auditors; (iii) enhancing the relationship between tax and financial accounting; (iv) supporting institutional capacity building regarding financial reporting; (v) enhancing the accounting regulatory framework and ensuring compliance; (vi) implementing a monitoring and evaluation system to measure progress in financial reporting; (vii) organizing specialized English language and communications training for financial reporting experts; (viii) supporting the adoption and implementation of International Standards on Auditing (ISA); and (ix) facilitating education for accounting professionals.

**Poland's financial reporting environment has improved. The project has, inter alia, helped increase corporate sector transparency and governance.**
4. The CFRR, as executing agency, delivered services in accordance with the agreement for reimbursable advisory services between the World Bank and the Republic of Poland and was responsible for producing specific outputs agreed and coordinating with project beneficiaries, the Ministry of Finance (MoF- intermediary body) and the Ministry of Development (MoD). The activities contributed to outcomes set by the project agreement between the Swiss Confederation and the Republic of Poland.

**The project provided key contributions to AOC design and development and supported KIBR quality assurance body.**

---

<sup>1</sup> In accordance with the Project Agreement between SECO and the Ministry of Regional Development of Republic of Poland dated December 11, 2009 and Amendment No. 1 to the Project Agreement of October 6, 2014; and the agreement between the Ministry of Finance of the Republic of Poland and the World Bank dated December 11, 2009 and the amendment dated October 6, 2014.

## **Project activities and results contributed to improvements in financial reporting in Poland**

5. The project contributed to improvements in the financial reporting environment in Poland. It has helped increase transparency and governance in the corporate sector by: (i) providing knowledge and training on audit oversight and quality assurance systems, International Financial Reporting Standards (IFRS) and ISA training (including the use of modern software-based audit methodologies). This provision of knowledge and training was directed at auditors, accountants, preparers of financial statements, tax inspectors, university lecturers, and MoF employees.
6. The project also made significant contributions by: (i) drafting policy recommendations in the Report on the Observance of Standards and Codes on Accounting and Auditing (ROSC A&A); A&A ROSC suggested that Polish accounting law is not detailed enough in some areas. Those areas were already covered by the new accounting standards developed under Swiss Contribution program. These are: Public Private Partnership, agriculture, fixed assets, perpetual usufruct of land and stocktaking; (ii) enhancing financial sector stability through the provision of training and knowledge sharing activities to financial sector supervisors; and (iii) promoting a business environment conducive to domestic and foreign investment through the provision of policy recommendations related to financial reporting for small and medium-sized enterprises (SMEs) in the ROSC A&A and Tax and Accounting Report, which named several areas where Polish law might be modified; the Accounting Standards Committee already chosen 12 recommendations from that report. Some of these recommendations include: (i) the moment of commencing and completing the depreciation charges for fixed assets – unification of the accounting and tax rules. Currently, according to tax law the depreciation charge should commence in the month following the acceptance of fixed asset for usage, while according to accounting act, depreciation charges should not commence earlier than after acceptance of fixed asset for usage; (ii) perpetual usufruct of land – the asset would not be amortized, due to long-lasting characteristic of an asset, but the entity would have responsibility of testing the assets for potential loss of value due to specific circumstances; (iii) construction contracts – recognition of revenue and costs. The tax law does not take into account the concept of progress of work and partial recognition of revenue and expenses as a consequence, which is recognized in accounting legislation. Further convergence of these two pieces of legislation for construction contracts have been agreed; (iv) unrealized foreign exchange differences – tax legislation gives the choice of using one of the two options: recognizing the unrealized foreign exchange differences at the balance sheet date after meeting certain criteria (audited financial statements for the last 3 years) using the average exchange rate from the balance sheet date published by National Polish Bank and option of not recognizing these differences on the balance sheet date. The accounting act gives only first option. The recommendations relate to streamlining the options available for entities and abolish unnecessary administrative burden, especially for small entities; etc. The

project succeeded in raising awareness of, and developing commitment to, the need for change among project beneficiaries and implementing agencies. This was accomplished, for example, through activities in the area of audit oversight and quality assurance with reference to good practices and experiences of developed economies, as well as capacity building in institutions responsible for key functions of the country's financial reporting infrastructure, e.g. by offering training on IFRS to financial sector supervisors. Reforms take time, however, and need to continue, especially in the practical application and enforcement of legislation so that it complies with the EU *acquis communautaire*. For example, The World Bank commented on draft accounting & auditing legislation, which is transposing the requirements of recent updates of EU *acquis communautaire* into Polish legislation that had to be transposed by June 2016 but were delayed and only adopted in early 2017.

7. The timing and content of the project were appropriate. Based on the knowledge obtained during preceding engagements (e.g. through the ROSC A&A), the CFRR was able to tailor all activities to the specific demands of the MoF, the Polish National Chamber of Statutory Auditors (KIBR) and other beneficiaries.

### **Box 1: Country context<sup>2</sup>**

With a population of around 38 million and a GDP per capita of nearly US\$12,400 (2016), Poland has the largest economy in Central Europe. Economic growth is estimated to increase to 3.1 percent in 2017, up from 2.5 percent in 2016.

The country has borders with Belarus, the Czech Republic, Germany, Lithuania, Russia, Slovakia and Ukraine. Its primary exports include machinery and equipment, textiles and shoes, metal products, machinery and equipment, minerals and fuels, chemicals and agricultural products.

Poland has pursued a policy of economic liberalization since 1990. It was the only EU country to avoid a recession through the 2008-09 economic downturn. Although EU membership since 2004 and access to EU structural funds have provided a major boost to the economy since 2004, GDP per capita remains significantly below the EU average.

The country currently ranks 24th place worldwide with respect to the ease of doing business—one place higher than in 2016 (*Doing Business 2017 Index*). This improved result is partially because of the 2016 insolvency law. While obtaining credit is comparatively easier than in most other countries (ranked 20<sup>th</sup>), Poland lags behind with regard to starting a business (ranked 107<sup>th</sup>).

---

<sup>2</sup> Source: <http://www.worldbank.org/en/country/poland/overview>



8. The project achieved its overall goal of improving the quality of financial reporting in Poland through fostering consensus among stakeholders on public oversight and quality assurance systems (methodologies and training, tools for auditors, international standards translations). The project's overall objective was also achieved by building knowledge and skills of a broad range of beneficiaries: members of both public oversight and quality assurance systems, accountants, auditors, financial supervisors and academia through knowledge exchange visits, training for applying modern audit tools, and training for financial sector supervisors.
- Many ROSC A&A recommendations addressed, e.g. legislation updated, professional examination process revised and strengthened, ISA introduced, and AOC created.**
9. The project responded to the then-existing needs for increased capacity in various areas comprising a sound financial reporting regime. The project worked with Polish auditors to increase their capacity to perform ISA-based audits, as well as collaborating with the MoF to develop audit oversight capacity and its integration into international structures. Other significant achievements included the following: the project's response to evolutionary changes in the auditing environment where auditors are called upon to provide assurance on non-audit subject matter; assisting auditors in developing audit software skills; and integration into international structures. As a result of FRTAP in Poland, thousands of professionals throughout the country have increased their capacity to work in the modern financial reporting environment.
  10. These achievements need to be sustained and built upon. There remain areas of implementation, monitoring and enforcement that require further attention. In particular, these relate to the transposition and implementation of recently adopted EU directives into Polish law and establishing a sound system of public audit oversight with fully functioning and capable institutions. Detailed policy recommendations are included in the ROSC A&A.
  11. Box 2 highlights just two examples of the project's many successes. These examples and other achievements that have led to increased capacity are described in detail in this report, including the greater ability of tax inspectors to understand financial reporting, better accounting and auditing education and qualifications, and enhanced skills of financial sector supervisors to oversee and monitor financial reporting by regulated entities.

### **Box 2: Examples of Success**

Poland decided to implement ISA in the Act on Statutory Auditors in 2009. The Audit Oversight Committee (AOC) adopted ISA as the national standards effective for the audits of public interest entities (PIEs) from December 31, 2016 and for audits of non-PIEs from December 31, 2017. Since the national auditing standards that had previously been applied were not comparable with ISA in either depth or complexity, migration to ISA represented

a major and difficult undertaking. A key success of the project was increasing the capacity of Polish auditors. As a result of the project, the capacity of significant number of small and medium-sized audit practices (non-Big Four auditors) increased, which should enable the majority of these practices to perform non-complex ISA audits. This is a substantial change that should have lasting impact.

Similarly, the project played a major role in the design and development of the AOC and the quality assurance body at the KIBR. The concept of audit oversight was introduced in the 2009 Act on Statutory Auditors, at the same time as the project was being designed. The project was therefore an ideal vehicle to provide the experience, knowledge and expertise to the AOC necessary to increase the capacity of AOC members, including the AOC's admission to relevant international bodies.

12. The project successfully delivered a significant number of individual project outputs. All activities were agreed with beneficiaries and in line with the corresponding agreements. Some activities were adjusted during the project's lifespan to accommodate the changed circumstances and the absorptive capacity to implement reforms.

**Activities undertaken across Poland in nine key reform areas that are necessary for well-functioning corporate financial reporting infrastructure**

13. The project beneficiaries valued the activities and results of the project which generated demand for additional activities as well as extension of the project timeline. There was great demand and stakeholder interest in additional activities, specifically in supporting the initiation of public sector accounting reforms through the implementation of international standards. As a result, the Polish authorities jointly with SECO decided to extend the project by one year to December 31, 2016. The vast majority of the planned activities were completed, with the exception of some activities related to public audit oversight reform. This was due to uncertainty surrounding the final version of the audit law, as the proposed draft legislation had not been approved by Parliament by the time the FRTAP concluded.

**Knowledge and skills of international accounting and financial reporting standards increased**

14. The project fostered cooperation among partners and institutions responsible for various corporate and public sector financial reporting functions. One example is that as the result of project activities, the KIBR and the Examination Commission started to have regular joint meetings to work together and further their collective goals. The KIBR has also scheduled meetings to discuss regulatory concerns with the MoF in the area of auditors' qualification, and has committed to increasing its efforts to communicate more effectively with universities,

the Examination Commission, and the MoF to both provide and seek input on initiatives that are being undertaken.

15. The project used 96 percent of the total budget available. Of the total budget of 10,000,000 CHF, 9,536,412 CHF were disbursed and 463,588 CHF remained unused. Detailed information on project expenditures against the budget is included in Table 3 and Annex 1.
16. Activities were designed and delivered by the CFRR to address specific project objectives. Where appropriate, the activities involved other FRTAP-participating countries (Slovenia, Czech Republic, and Latvia), thus providing regional knowledge-sharing opportunities leading to greater value-for-money impact. Such impact was possible due to (i) economies of scale as knowledge was provided under four FTPAP programs to participants from four countries; and (ii) the fact that all four participant countries were able to learn from each other and develop common solutions to common challenges they are facing. The project focused on nine key areas of reform. The table below summarizes project objectives, results and activities.

**Greater value-for-money impact through regional knowledge-sharing opportunities.**

**Table 1: Project objectives and summary of results**

<p><b>Project Objective I:</b> Foster consensus among stakeholders and support implementation of a public oversight system for auditors.</p> <p><b>Project Objective II:</b> Foster consensus among stakeholders and support implementation of an external quality assurance system for auditors.</p>	
<p>Cooperation and understanding among professionals, regulators and standard-setters promoted and facilitated, foundation for future cooperation created. Project activities reached out to over 500 people through workshops, trainings and conferences.</p> <p>Institutional support was offered to the AOC and the KIBR through policy advice and institutional analysis, which will be used to further develop legislation and institutions.</p>	
<p><b>Project Objective III:</b> Assist policymakers in reviewing and optimizing accounting system in place and to assess the impact of the rapidly changing financial accounting system (including influence of IFRS) on the tax accounting system to determine what changes may be warranted for the tax accounting system. Enhance the capacity of tax authorities in implementing the reforms resulting from policy choices.</p>	
<p>Extensive international cooperation facilitated to enable comparison of how the tax versus accounting issues are handled in other countries. Relevant training and materials developed and provided.</p> <p>Training activities delivered to over 5,000 people. Training materials developed, converted into e-learning materials and sustained through training of trainers' courses, which are part of existing institutional set-up for training tax employees. As a measure of sustainability, the training program prepared under the project should be regularly updated and adjusted; an</p>	<p><b>Tax inspectors' awareness and understanding of modern financial reporting was increased.</b></p>

education program should also be mandatory for all tax officials whose work is affected by the differences between IFRS-based, or local accounting regulations-based financial reporting and tax legislation.

**Project Objective IV: Training and capacity building regarding financial reporting including implementation of IFRS and International Public Sector Accounting Standards (IPSAS).**

Knowledge and skills of Polish Financial Supervision Authority (KNF) staff to monitor and enforce the application of IFRS among financial sector regulators enhanced. Increased capacity of preparers of financial statements developed through a series of IFRS training activities and annual conferences. Various project activities reached out to over 6,500 people through knowledge exchanges, training activities and workshops.

**Financial supervisors better equipped to monitor financial reporting by regulated entities.**

An immediate outcome of the project was increased knowledge by participants—primarily MoF staff—of IPSAS and good international practice in public sector accounting, the training courses, IPSAS gap analysis, and workshops helped raise awareness on the scope of financial reporting in the public sector. These activities also successfully promoted the importance of engagement in policy dialog on ongoing EU public sector accounting and budgeting harmonization reform, including the decision to develop and introduce European Public Sector Accounting Standards (EPSAS). Also, in December 2015 the World Bank prepared the “Public Sector Accounting and Financial Reporting Policy Note” which recommended potential areas for concentrated reform efforts in relation to the budgetary system and public sector accounting in Poland in the foreseeable future.

**As an addition to the initial project design, the project covered public sector accounting reform area.**

**Over 8,120 people have benefited from knowledge exchanges, training activities and workshops.**

**Project Objective V: Support policymakers in the area of accounting and auditing through researching financial reporting issues to feed into policymaking activities with a view to identify areas where better regulation and/or enforcement would contribute to a better business environment and providing hands-on technical assistance to assist in the development of enhanced capacity to carry out certain regulatory activities.**

Training to policymakers provided, international experience exchange facilitated, overall capacity of regulators increased, and training materials provided for future use.

In addition, Increased capacity of accounting regulators in Poland through development of a number of analytical and research reports covering various areas of accounting standards and other legislation.

**Project Objective VI:** Monitoring and Evaluation – assess the reform progress by updating Accounting and Auditing Report on the Observance of Standards and Codes (ROSC A&A report).

The 2013 ROSC A&A measured financial reporting infrastructure in Poland improvements over time, including improvements resulting from FRTAP assistance. Many recommendations were addressed: legislation updated, including Public Private Partnership, agriculture, fixed assets, perpetual usufruct of land and stocktaking, professional examination process revisited and strengthened, ISA introduced, and audit oversight capacity increased. Some areas need further attention, especially audit public oversight and public availability of financial statements.

**Good practices and experience sharing raised awareness of need for change. Areas for consideration on policies were proposed in the ROSC A&A.**

**Project Objective VII:** Acknowledging the importance of English in the EU and international policymaking in the area of financial reporting, including accounting and audit, the project provided participants with the opportunity to attend foundation and specialized English language training in order to increase capacity of Polish policymakers to participate effectively in European and international policymaking arenas.

Training provided, glossary of terms in Polish completed, and capacity increased. A total of 35 policymakers enhanced their business English language skills.

**Business English skills of key policymakers enhanced.**

**Project Objective VIII:** Supporting statutory auditors and audit firms in broadly based and in-depth understanding of ISA and their application in practice, with the objective of supporting high quality implementation of ISA.

Comprehensive and issue-specific training courses delivered countrywide, training materials provided for future use, and overall capacity increased. Over 5,000 auditors (cumulatively) attended various training events and gained sufficient knowledge to be able to perform audits on the basis of ISA. At the time of delivery, KIBR membership stood at approximately 7,000 statutory auditors, whereof about 50 percent were active members, i.e. those providing audit services. Data collected during the training delivery demonstrated the significance of the project for the process of transition from national to international auditing standards. Participation in individual modules of the training ranged from 3,035 to 3,482 auditors, i.e. a vast majority of active auditors participated in all training modules.

**Poland has adopted ISA for audits of public interest entities (PIEs) and non-PIEs. The project provided training to over 5,813 auditors to prepare implementation of this policy adopted.**

**Project Objective IX:** Facilitating the delivery of high-quality continuing education to members of the National Chamber of Statutory Auditors (KIBR) and of the Association of Accountant in Poland (SKwP) and monitoring members' compliance with their initial and continuing education requirements.

Continuing Professional Education (CPE) for accounting professionals structure created, training materials developed and provided for future use. The project assisted with an enhanced system for initial education and qualification of auditors. Over 100 people, including trainers, were trained on CPE and IT based audits learning. A help line function was established by KIBR, which offered over 420 consultations during the project's lifespan and will continue after its completion.

**Accounting and auditing education and qualifications improved. Systems and processes for delivering continuing education improved.**

17. A more detailed matrix of project activities and results is presented in Section I of this report (Table 2) and in Annex 2. The detailed information on the project results is included in Annex 3.
18. Overall, the beneficiaries provided positive feedback on the activities delivered as part of the project. The feedback was provided in the form of evaluation forms after each workshop or activity delivered, as well as through regular communication of the project team and representatives of the beneficiary institutions. Furthermore, during the concluding workshop undertaken in December 2016, participants underscored the benefits they had derived from the project and its positive impact.<sup>3</sup>

## Lessons learned

19. A number of lessons learned from the Polish FRTAP will help in implementing similar projects in the future. The FRTAP was one of the first reimbursable advisory services by the World Bank in the Europe and Central Asia (ECA) region, and it was innovative in many aspects. Key lessons learned include: (i) commitment by the counterpart institutions and those playing a role in project management is crucial; (ii) beneficiary institutions sometimes need to take a more active and leading role and allocate sufficient time for managing project delivery and monitoring the results, including outcomes; (iii) ensuring commitment by beneficiaries to various activities often takes time and additional effort; (iv) administrative aspects of the project and associated costs should be properly considered. These include documenting expenses and preparing payment claims.
20. In more detail, the lessons learned can be summarized as follows:

<sup>3</sup><http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/EXTCENFINREPREF/0,,contentMDK:23738561~pagePK:64168445~piPK:64168309~theSitePK:4152118,00.html>

- (i) Corporate financial reporting (CFR) reforms take time and the initial project length was perhaps overly optimistic given the range and extent of the reforms envisaged. The CFR reform agenda is complex, involves many institutions and requires commitment of a number of stakeholders responsible for various roles in the financial reporting infrastructure (standard setting, monitoring and enforcement, publication of financial statements, provision of education or member services to professional accountants etc.). Extending the FRTAP in Poland in 2014 allowed the project team to deliver a substantial part of the activities envisaged and to achieve significant results, as noted above. This would not have been the case had that extension not been agreed upon.
- (ii) The commitment of counterpart institutions is key to achieving the project objectives their senior management need to embrace the aims and potential benefits of cooperation. Effective working relationships need to be established promptly in order to elicit demand from beneficiaries and should be continuously developed throughout the project. Likewise, political support for such projects is essential from initiation until completion. One potential solution to this lesson is establishing a high-level steering committee for the project implementation which would give sufficient political support during implementation, including supporting adequate legislative initiatives in line with good international practices.
- (iii) Some project implementation solutions need to be agreed in advance with beneficiary institutions before investing in their development; during the project implementation institutions were not always ready for more advanced solutions, such as modern IT platforms which undermined value of resources invested.
- (iv) Effective management and coordination of project activities among multiple beneficiary institutions, monitoring the results and adapting activities accordingly is time-consuming and challenging; team members and beneficiaries require excellent organizational and interpersonal skills.
- (v) Regional activities, especially among countries with similar challenges, are cost effective for knowledge and learning activities (e.g. knowledge exchange visits, regional workshops and activities of communities of practice) and offer opportunities for peer-to-peer learning and sharing experiences and solutions. FRTAP projects were set up as country-level projects with different timelines, which sometimes made implementation of such regional activities unduly challenging.
- (vi) New and alternative ways of tackling the issue of administration costs could be explored for future programs of this type. New solutions should ascertain the reporting requirements and transparency of spending for the donor and intermediate body and at the same time, possibly reducing the administrative burden for the executing agency.
- (vii) Proximity of the CFRR, based in Austria, to Poland enhanced the ability to interact effectively with project counterparts.



- (viii) In terms of administrative requirements of the project, i.e. progress reporting on results and project billing, the requirement to prepare such reports every six months seems reasonable. Such a timeframe is sufficient to both capture the most crucial elements of the project's realization and to promote awareness of material issues, if they arise. The project team have also indicated that the project's administrative burden could be scalable when taking into accounts issues such as: total project value, duration, complexity, nature, institution playing the role of executing agency, etc. Certain flexibility when designing the procedure for individual activities needs to be incorporated into the project design to allow adaptability to changing circumstances.
- (ix) Various reports and other materials developed during the lifespan of the FRTAP in Poland could be easily tailored to the needs of stakeholders in other countries in the region. These aspects are contributing even further to the sustainability of the project, and also apply at the regional level. For example, the World Bank is implementing two regional programs in Western Balkan and Eastern partnership countries: *Strengthening of Auditing and Reporting Countries of the Eastern Partnership* (STAREP) and the *Road to Europe: Program of Accounting Reform and Institutional Strengthening* (EU-REPARIS). Both groups of countries already benefitted from knowledge generated in Poland, and will continue doing so in the future<sup>4</sup>.

## Priorities for future reforms

21. Priorities for future reforms that may continue in Poland and require further support and technical assistance could include the following areas:
  - (i) Strengthening initial professional development (IPD) and continuous professional development (CPD) accounting education offerings through improving curricula and making the process even more transparent and fair. This could be achieved by following up and further implementing technical advice which is already available as a result of the project.
  - (ii) Continuing implementation of strategies developed for audit oversight and quality assurance. Strengthening the AOC for inspection capacity through the development of methodologies, and improving reporting on AOC activities by designing a comprehensive communication strategy and tools, including a website.
  - (iii) Reform of public sector accounting and reporting by bridging the gap between local and international standards and good practices, continuing education activities to enhance practical knowledge, understanding, and use of IPSAS based financial reporting in public sector, and ensuring strategic direction when preparing the country's consolidated

---

<sup>4</sup> In case materials developed under FRTAP will be used, they will continue correspond to visibility requirements, including relevant logos included in the original reports or materials.



financial statements, taking into account all levels of administration (whole-government accounts).

- (iv) Improved access to companies' financial statements in court registers through the digitalization of financial statements, with the support of the Ministry of Justice which is responsible for filing of financial statements and their digitalization.

These priority areas could benefit from the additional expertise of the World Bank CFRR and could become areas of focus for potential follow-up projects for Poland.

# **I. FINANCIAL REPORTING TECHNICAL ASSISTANCE PROJECT IN POLAND – OVERALL ARRANGEMENTS AND RESULTS**

## **Background and Project Objective**

1. On December 11, 2009, the World Bank signed an implementation agreement with the Republic of Poland for the Centre for Financial Reporting Reform (CFRR) to provide technical advice under the Financial Reporting Technical Assistance Project (FRTAP), funded under the Swiss-Polish Cooperation Program. The objective was to enhance implementation of the EU *acquis communautaire* as it relates to financial reporting in Poland. This was to be achieved by: contributing to the development of audit public oversight and quality assurance systems; contributing to the establishment of a public register of auditors and audit firms; increasing capacity to implement International Financial Reporting Standards (IFRS) effectively; and monitoring and providing an evaluation at the end of the project of the corporate financial reporting institutional framework in Poland, including recommendations for further improvements.
2. The agreement provided that, except as otherwise agreed by the recipient and the World Bank, advisory services would commence on December 11, 2009, and terminate on December 31, 2015. Amendment No. 1 to the Project Agreement, signed on November 6, 2014, by Switzerland and the Republic of Poland, extended the FRTAP implementation period until December 31, 2016. The World Bank and the Republic of Poland subsequently also agreed on an extension of their agreement for the CFRR to provide advisory services. This Final Project Report summarizes progress on the project as at December 31, 2016 in relation to the goals set out in the original Project Proposal.

## **Institutional Responsibilities**

3. Responsibilities for coordination and implementation were assigned by the Project Agreement, as amended, between Switzerland, represented by the Swiss State Secretariat for Economic Affairs (SECO), and the Republic of Poland. Overall supervision of the FRTAP in the context of the broader Swiss-Polish Cooperation Program—including financial control and audit of the use of grant funds — was undertaken by the National Coordination Unit (NCU) for Poland in the Ministry of Regional Development. The NCU also verified and certified payment claims, supporting documentation and interim reports submitted by the CFRR. The Ministry of Finance of the Republic of Poland (MoF) functioned as the intermediate body between the NCU and the World Bank, responsible for policy dialogue, coordination of project activities with all stakeholder entities, and for submitting reimbursement requests to Switzerland for approval and payment. Project activities in the implementation agreement were delivered by the CFRR, accountable to the NCU through the MoF. The CFRR produced semi-annual interim reports and drafted, in close coordination with the MoF and all

stakeholder entities in Poland, annual progress reports and this final report.

4. The Head of the CFRR—initially John Hegarty and, from January 2011 by Henri Fortin, followed by Jarett Decker from June 2016—had overall responsibility for the delivery of services provided under the FRTAP in all participating countries and led the CFRR team. Senior members of the CFRR’s team included Jan Tyl during the time of the project preparation, taken over during implementation by John Carchrae and, from 2012 Alexander Fawcett, followed by Andrei Busuioc from 2014, had primary responsibility for leading the planning, administration and delivery of FRTAP advisory services. They were supported by the following: Iwona Warzecha; Pascal Frerejacque; John Hodge; Alfred Borgonovo; Bonnie Sirois; Kalina Sukarova; Denise Brettschneider; Susan Schroeder; Antonia Viyachka; Barbara Ziołkowska; Andrew Mackie; Jan Tyl; and David Cairns. The CFRR also retained consultants and experts in specialized areas for the preparation or delivery of specific activities, including: Piotr Pyziak; Aneta Wilk-Łyś; Waldemar Majek; Aleksandra Rytko; Grzegorz Błaszowski; Mariusz Ulicki; Tomasz Wojtania; Justyna Sułkiewicz; Katarzyna Kowalczyk; Ranjan Ganguli; Michael Wells; David Cairns; Shamim Diouman; Gilbert Gelard; Jonathan Hooper; Ecaterina Gusarova; Anna Maria Tymosz; Magdalena Boniukiewicz; and others. Throughout the project’s lifespan, the following CFRR staff provided administrative support services: Salim Abado; Nany Salchar; Natalia Novorojdin; Natalia Ohorodnik; Anastasiia Iarovenko; Cherry Hodak; Anara Tokusheva; Barbara Nowakowska; and Barbara Skwarczyńska.

## Overall Project Implementation and Results

5. The project made a notable contribution to the overall goal of improving financial reporting in Poland and successfully implementing the financial reporting aspects of the EU *acquis communautaire*. This has helped improve transparency and governance in Poland’s corporate sector, enhanced financial sector stability, and contributed to the development of a business environment conducive to foreign investments. Reforms take time but developing understanding of, and commitment to, the need for change amongst project beneficiaries and implementing agencies was an important project achievement. Work remains to be done in the areas of implementation, monitoring and enforcement—especially transposing and implementing recently adopted EU legislation into Polish law. However, as a result of the project, there is now much greater awareness and engagement in these areas. Furthermore, the project has increased the capacity of key stakeholders responsible for certain financial reporting functions in Poland.
6. The key impact indicator, the improvement in the corporate financial reporting framework as measured by an updated Report on Standards and Codes: Accounting and Auditing (ROSC A&A) assessment, can be assessed as largely achieved. The ROSC A&A<sup>5</sup> concluded that the financial reporting regime in Poland is generally able to prepare financial statements of

---

<sup>5</sup> The 2013 ROSC is the 3<sup>rd</sup> report for Poland; the previous editions were published in 2002 and 2005.

reasonable quality. However, easy access to these statements remains an issue. The Accounting Act prescribing the national accounting framework is applicable to most companies, with an exception of the consolidated financial statements of banks and listed companies, which are obliged to prepare their financial statements in accordance with IFRS. The audit oversight system needs further development and strengthening.

7. The original project proposal focused on areas for CFRR advisory services. Results were assessed using indicators which were adjusted through the project's lifespan. These are addressed in more detail in Section II of this report.

**Table 2: Summary of project objectives, results and activities**

COMPONENTS 1 and 2: Implementing a public oversight and quality assurance systems for statutory auditors <sup>6</sup>	
<b>Objectives</b>	Foster consensus among stakeholders and support implementation of (i) a public oversight system (POS) for auditors; and (ii) an external quality assurance system (QAS) for auditors
<b>Activities delivered</b>	Summary of quantitative information regarding the output: <ul style="list-style-type: none"> <li>• 4 knowledge exchange visits on audit oversight and Quality Assurance (QA) to Switzerland, Norway, Netherlands, and France;</li> <li>• 2 knowledge exchange visits for KIBR Audit Quality Committee (KKN) to Institute of Chartered Accountants of Scotland (ICAS) and Institute of Chartered Accountants in England and Wales (ICAEW), 2013;</li> <li>• 3 conferences on Audit Committees with 450 participants in total;</li> <li>• 3 regional workshops for FRTAP countries (Poland, Slovenia, Latvia, Czech Republic) with 28 participants from Poland representing AOC, MoF, KKN;</li> <li>• 1 workshop on legal matters of enforcement for 15 KNA members and staff;</li> <li>• Report on the QA inspection methodology overview, Audit Market Study and KIBR Institutional Assessment Study;</li> <li>• PR strategy for KNA;</li> <li>• ICAS audit methodology for small and medium-sized practices (SMPs): to support ISA implementation by SMPs;</li> <li>• 1 knowledge exchange visit to ICAS for 5 KIBR and KKN staff (2014);</li> <li>• Improving KKN's QA system, based on Common Audit Inspection Methodology (CAIM) and training for 18 staff;</li> <li>• Translation of International Federation of Accountants (IFAC) publication "A Framework for Audit Quality."</li> </ul>

<sup>6</sup> While the implementation of a public oversight system and a quality assurance system are each identified as separate project components, they are discussed together for purposes of this report since there is a significant overlap and synergy between the two and individual activities undertaken clearly relate to both components.

<b>Results</b>	<ul style="list-style-type: none"> <li>• Strengthened capacity of Audit Oversight Commission (AOC/KNA).</li> <li>• Consensus built in favor of, and support for, POS/QAS implementation;</li> <li>• Facilitating cooperation and implementation of roles and responsibilities of relevant institutions, i.e. AOC and KNN;</li> <li>• Enhanced capacity of POS/QAS staff;</li> <li>• International Standards on Auditing and other relevant standards for auditors translated and available to local auditors;</li> <li>• AOC became a member of the International Forum of Independent Audit Regulators (IFIAR) and has developed productive relationships with peer institutions in the EU and globally.</li> </ul>
----------------	--

### COMPONENT 3: Enhancing the relationship between tax and financial accounting

<b>Objectives</b>	<p>Assist policymakers in reviewing and optimizing the tax accounting system in place - specifically, the degree of interdependence between tax and financial accounting.</p> <p>Enhance the capacity of tax authorities in implementing the reforms resulting from policy choices.</p>
<b>Activities delivered</b>	<p>Summary of quantitative information regarding the output:</p> <ul style="list-style-type: none"> <li>• Tax and Accounting Study: Enhancing the relationship between tax and financial reporting in Poland;</li> <li>• Pilot training of Tax Inspectors, April - June 2014, 6 modules, 50 participants;</li> <li>• Training of Tax Inspectors, April - June 2015, 5 modules: 2165 participants;</li> <li>• Training of Tax Inspectors, April – December 2016, 2 modules: 3030 participants;</li> <li>• Two groups of trainers among tax inspection staff: for 50 future trainers;</li> </ul>
<b>Results</b>	<p>Recommendations regarding legislative updates in the area of financial reporting, auditing, accounting standards, etc. 12 recommendations from that report have been already implemented. Some of these recommendations include: (i) the moment of commencing and completing the depreciation charges for fixed assets – unification of the accounting and tax rules. Currently, according to tax law the depreciation charge should commence in the month following the acceptance of fixed asset for usage, while according to accounting act, depreciation charges should not commence earlier than after acceptance of fixed asset for usage; (ii) perpetual usufruct of land – the asset would not be amortized, due to long-lasting characteristic of an asset, but the entity would have responsibility of testing the assets for potential loss of value due to specific circumstances; (iii) construction contracts – recognition of</p>

	<p>revenue and costs. The tax law does not take into account the concept of progress of work and partial recognition of revenue and expenses as a consequence, which is recognized in accounting legislation. Further convergence of these two pieces of legislation for construction contracts have been agreed; (iv) unrealized foreign exchange differences – tax legislation gives the choice of using one of the two options: recognizing the unrealized foreign exchange differences at the balance sheet date after meeting certain criteria (audited financial statements for the last 3 years) using the average exchange rate from the balance sheet date published by National Polish Bank and option of not recognizing these differences on the balance sheet date. The accounting act gives only first option. The recommendations relate to streamlining the options available for entities and abolish unnecessary administrative burden, especially for small entities; etc.</p> <p>Improved use of financial information by tax authorities as a result of a training series: strengthening capacity of more than 3,000 tax inspectors.</p>
--	---

<p style="text-align: center;"><b>COMPONENT 4:</b>  <b>Institutional capacity building regarding financial reporting and raising awareness of International Public Sector Accounting Standards (IPSAS)</b></p>
--

<b>Objectives</b>	Capacity building for IFRS implementation.
<b>Activities delivered</b>	<p>Summary of quantitative information regarding the output:</p> <ul style="list-style-type: none"> <li>• Over a hundred IFRS and IPSAS trainings, workshops, courses: 4960 participants including accountants, auditors, university teachers, civil servants, regulators, and students;</li> <li>• 6 annual IFRS conferences between 2011 and 2016;</li> <li>• Two European Financial Reporting Advisory Group (EFRAG) outreach events: 200 participants;</li> <li>• IFRS community of practice: 1300 participants;</li> <li>• IPSAS Gap Analysis Report;</li> <li>• Technical Papers: Issues for Considerations in the Adoption of an IPSAS Framework in Poland, Poland: Selected Budget Reform Issues, Integration of the Charts of Accounts and Budget Classification.</li> </ul>
<b>Results</b>	<ul style="list-style-type: none"> <li>• Enhanced knowledge and skills of financial regulators to monitor and enforce IFRS application;</li> <li>• Increased capacity of preparers of financial statements developed through series of IFRS training sessions and annual conferences.</li> </ul>

<b>COMPONENT 5:</b> <b>Regulatory Framework</b>	
--	--

<b>Objectives</b>	This activity aimed at supporting policymaking in the area of accounting and auditing. It involved (i) research of financial reporting issues to feed into policymaking activities (ii) providing hands-on technical assistance to assist in the development of enhanced capacity to carry out certain regulatory activities.
<b>Activities delivered</b>	<p>Summary of quantitative information regarding the output:</p> <ul style="list-style-type: none"> <li>• Delivery of five studies to support KSR National Accounting Committee:               <ol style="list-style-type: none"> <li>1. Stocktaking of materials, goods and products;</li> <li>2. Fixed Assets;</li> <li>3. Recognition, valuation and presentation of perpetual usufruct of land;</li> <li>4. Agriculture activities;</li> <li>5. Public-Private Partnership contracts (recognition, measurement and presentation of assets and liabilities).</li> </ol> </li> <li>• Accounting Market Study Report;</li> <li>• Auditing market study report;</li> <li>• Study on Accounting Regulation for Business Combinations;</li> <li>• Accounting Vouchers and Principles of Bookkeeping - Expectations in 21st Century;</li> <li>• Review of Polish and International Accounting Standards in Scope of Financial Instruments.</li> </ul>
<b>Results</b>	Increased capacity of accounting regulators in Poland through development of analytical reports, training and knowledge exchange visits.

<b>COMPONENT 6</b> <b>Monitoring and evaluation</b>	
--	--

<b>Objectives</b>	Updating the Accounting and Auditing Report on the Observance of Standards and Codes (ROSC A&A).
<b>Activities delivered</b>	The final report was published in 2015 and can be found at the following address: <a href="http://hdl.handle.net/10986/22677">http://hdl.handle.net/10986/22677</a>
<b>Results</b>	Publication of updated ROSC report, confirming Poland's significant progress.

<b>COMPONENT 7:</b> <b>Specialized English Language and Communications Training for Financial Reporting Experts</b>	
--	--

<b>Objectives</b>	This activity was specifically designed to increase the capacity of Polish policymakers to participate effectively in European and international
-------------------	--

	<p>polymaking arenas, including being able to make their case persuasively, and to increase the sustainability of the project's achievements.</p>
<b>Activities delivered</b>	<p>Summary of quantitative information for training workshop and number of beneficiaries: 13 semester courses between October 2010 and December 2016 for 35 participants; developing English-Polish glossary of terms.</p>
<b>Results</b>	<p>Participants acquired or increased their accountancy-related linguistic capacity.</p>

<p style="text-align: center;"><b>COMPONENT 8:</b> <b>Adoption and Implementation of International Standards on Auditing (ISA)</b></p>
--

<b>Objectives</b>	<p>The purpose of this activity was to achieve among statutory auditors and audit firms, those responsible for conducting external quality assurance inspections, members of the AOC and relevant staff at the Ministry of Finance in Poland, a broadly based and in-depth understanding of ISA and their application in practice with the objective of supporting high quality implementation of the "clarified" ISA.</p>
<b>Activities delivered</b>	<p>Summary of quantitative information regarding the output:</p> <ul style="list-style-type: none"> <li>• <b>ISA comprehensive training</b> for practicing auditors (including apprentices), civil servants, regulators, April 2011–April 2015: <b>4</b> modules over <b>6</b> days, <b>129</b> groups (of approximately <b>30</b> participants each), <b>17</b> cities: total of <b>10845</b> attendees in all modules; approximately <b>3750</b> auditors trained;</li> <li>• <b>ISA in practice training</b> for practicing auditors, civil servants, regulators, June 2016 – December 2016: <b>3</b> days, <b>31</b> groups (of <b>20</b> participants each), <b>10</b> cities: approximately <b>630</b> auditors trained;</li> <li>• <b>Non-audit services training</b> covered 7 modules, <b>2</b> days for each, <b>25</b> groups (of <b>30</b> participants each) in <b>5</b> cities: approximately <b>750</b> people trained, including auditors, civil servants and regulators, in the following subjects: <ol style="list-style-type: none"> <li>1. Assurance on CSR reports;</li> <li>2. Valuation services;</li> <li>3. Assurance services other than financial statement audit or review and other services;</li> <li>4. ISAE 3400 and ISAE 3402 assurance reports;</li> <li>5. Audit of plan for legal change of entity or sole trading into legal person and vice versa;</li> <li>6. Audit of EU grant projects and other projects financed by the public grants (e.g. PFRON);</li> <li>7. Review of the financial statement as per ISRE 2400;</li> </ol> </li> <li>• Translation of IFAC publications "<i>Guide to Review Engagements</i>" and "<i>Guide to Compilation Engagements</i>;"</li> </ul>



	<ul style="list-style-type: none"> <li>• Train the trainer for ISA trainers: Practical case based on ICAS materials for quality audit procedures for SMPs: <b>2</b> groups (approximately <b>30</b> people each), 1 and 2-day training in June and November 2016;</li> <li>• Conference supporting SMP – ISA audit in the context of public administration, Łódź, September 2016: 100 participants (auditors and civil servants).</li> </ul>
<b>Results</b>	<ul style="list-style-type: none"> <li>• The project played a key role in the ISA migration process in Poland, disseminating knowledge about ISA, promoting good quality audits based on ISA among auditors – resulting in improved quality of audits in general.</li> <li>• Practitioners, regulators, MoF and other relevant staff received comprehensive training and were exposed to the international audit practice and regulatory scene.</li> <li>• The project made it possible for a large number of practitioners to apply ISA in their work.</li> <li>• Further, the project provided the knowledge and means to the regulators and standard setters to comply with the acquis.</li> <li>• ISA training for KIBR QA inspectors.</li> </ul>

<b>COMPONENT 9:</b> <b>Continuing Education for Accounting Professionals</b>	
<b>Objectives</b>	<p>The component was designed to facilitate the delivery of high-quality continuing education to members of the National Chamber of Statutory Auditors and of the Association of Accountants in Poland, to monitor members' compliance with their initial and continuing education requirements, and to encourage the mutual recognition of continuing education courses provided by both bodies (so as to reduce disproportionate burdens on individuals who are members of both bodies).</p>
<b>Activities delivered</b>	<p>Summary of quantitative information regarding the output:</p> <ul style="list-style-type: none"> <li>• Knowledge exchange visit to Ireland for 6 MoF, KIBR AND SKwP staff on e-learning, development of IPD and CPD, and supervising the work of the professional bodies, June 2012;</li> <li>• Conference supporting Small-and Medium-Sized Audit Practices, Łódź, December 2014, <b>150</b> participants – certified auditors;</li> <li>• Introduction of help-line for KIBR members: <b>420</b> consultations between December 2014 and November 2016;</li> <li>• Train the trainer for CPD trainers "How to teach": 2 groups comprising <b>30</b> people trained between September and December 2016;</li> <li>• Auditing course based on IT course (Descartes) at University of Łódź: <b>21</b> students and <b>50</b> university teachers;</li> </ul>

	<ul style="list-style-type: none"> <li>• Development of <b>CPD Guide for KIBR</b></li> <li>• <b>CPD topics</b> research and proposal for 2018;</li> <li>• Assistance in developing <b>promotional materials</b> dedicated to candidates and promotion of statutory auditor profession;</li> <li>• Development of <b>CPD QA Manual</b> - guidance for Training Commission when organizing and supervising obligatory trainings.</li> </ul>
<b>Results</b>	<ul style="list-style-type: none"> <li>• Existing continuing professional education arrangements reviewed and specific recommendations to upgrade the system delivered to ensure compliance with relevant international requirements;</li> <li>• Process to develop e-learning platform started and brought to the roll-out phase;</li> <li>• Process seeking the unification of CPE arrangements and mutual recognition arrangements involving both professional bodies started to ensure compliance of the CPE system with relevant international requirements.</li> </ul>

8. A comprehensive table of project activities and results is presented in Annex 2.

## Conclusions

9. The project delivered a range of technical activities and trainings, offering Poland access to World Bank, EU and other global experts' knowledge in the area of corporate financial reporting. CFR reforms take time and the initial project length was insufficient to complete the range of reforms envisaged. Extending the project ensured that the work undertaken to that point was not wasted and could be taken forward to implementation. There would have been scope to further extend the project in some areas had the circumstances permitted.
10. While the results table indicates overall success in achieving project objectives, it should be noted that due to the mid- to long-term nature of some reform processes for particular activities, it was only possible to start the process and establish the foundation for future reform efforts. This is certainly the case in the following areas: migration from national to international standards in both accounting and auditing; strengthening the regulatory and audit oversight capacity; and increasing the overall capacity of the profession to be confident not only with the international standards but also with EU requirements. There is an urgent need to identify resources that will allow decision-makers—from both the profession and the regulatory and enforcement side—to continue with the processes set in motion by the project. Should the reforms fail to continue, it would almost certainly lead to a backslide in this area.

11. Regional knowledge and learning activities were particularly successful. These activities included bringing together counterparts from other FRTAP countries for focused knowledge exchange visits, and regional workshops and communities of practice. These workshops were not only cost-effective but also offered excellent opportunities for peer-to-peer learning and allowed colleagues from different countries facing similar challenges to share experiences, problems, and solutions. The proximity of the CFRR, based in nearby Austria, also helped ensure effective interaction with project counterparts.

## Lessons Learned

12. There was some underspending of the budgets that had been allocated for certain activities. This was primarily due to changed expectations during the project's lifespan. Although some activities had initially been requested and planned, it transpired that they would not make the best use of project resources due to limited absorptive capacity or insufficient readiness of the beneficiaries (e.g. it was originally envisaged to acquire and adapt the audit quality assurance software Pentana, and for KIBR to deploy Descartes software for use by its auditors; both initiatives were not possible to realize during the project, and suitable alternatives were designed where appropriate; for example the project delivered significant number of trainings to university teachers and students on modern software based audit methodologies, as well as offered ISA in practice training to auditors which was based on an audit software available on the market; these activities increased awareness of auditors and academia on modern audit practices and will ultimately increase usage of audit software in audits<sup>7</sup>). Although the initial commitment of counterpart institutions was there, a further assessment made a critical evaluation of the need and capacity to implement those solutions at the time of the project. In some cases, the assessment concluded that certain activities should not be implemented during the time of the project implementation. Ensuring that senior management understands the aims and potential benefits of cooperation and quickly developing effective working relationships with and amongst the various project recipients should be a priority in future projects of this nature.
13. Managing and coordinating project activities involving multiple beneficiary institutions, monitoring the results, and adapting activities accordingly is time-consuming and challenging. It would be important in future projects for the CFRR implementing team to learn from the challenges encountered and addressed in this project.
14. Project administration and management of payment claims could be optimized in any future projects. The FRTAP in Poland was one of the first reimbursable advisory services contracts concluded by the World Bank and the implications of costing and billing processes were not

---

<sup>7</sup> Significant percentage of surveyed auditor who participated in trainings indicated intention to start using audit software in their work, thus improving quality of audits by using modern and more rigorous methodologies.

fully estimated. This created a significant amount of work for both the World Bank and the Government.

## Expenditure

15. In general, the level of project spending is commensurable with the activities delivered. Details on project expenditures are presented in the table below.

**Table 3: Project expenditures by component (in CHF)**

Activity	Budget in Amended Project Extension <sup>8</sup>	Cumulative expenditures to 31 Dec 2016	Unused balance as at 31 Dec 2016
Implementing public oversight and quality assurance systems, including:	1,462,343	1,413,382	48,961
<i>Implementing a public oversight system</i>	<i>880,690</i>	<i>853,460</i>	<i>27,230</i>
<i>Implementing a quality assurance system</i>	<i>581,653</i>	<i>559,922</i>	<i>21,731</i>
Enhancing the relationship between financial and tax accounting	862,818	860,850	1,968
Institutional capacity building regarding financial reporting	2,541,620	2,539,138	2,482
Regulatory framework	776,998	688,112	88,886
Monitoring and evaluation	192,313	165,888	26,425
Specialized English Language and Communications Training for Financial Reporting Experts	217,288	194,625	22,663
Adoption and implementation of International Standards on Auditing (ISA)	1,959,566	1,840,714	118,852
Continuing Education for Accounting Professionals	987,054	859,749	91,305
Project management costs	1,000,000	937,954	62,046
<b>TOTAL</b>	<b>10,000,000</b>	<b>9,536,412</b>	<b>463,588</b>

16. Detailed information on project expenditures against the budget as reported in each payment claim is included in Annex 1.

<sup>8</sup> Based on the letter with proposed final allocation dated August 30, 2016

## II. ASSESSMENT OF THE PROJECT BY COMPONENTS

### Components I and II - Implementation of public oversight and quality assurance systems for statutory auditors

#### Objectives

17. Project objectives included fostering consensus among stakeholders involved in public oversight and quality assurance, as well as supporting the implementation of strategy and plans for the public oversight system (POS) and quality assurance system (QAS). Given the significant overlap between the implementation of these two systems, project activities were structured to combine both components and are therefore discussed together in this report.

#### Results

18. Output indicators established at the beginning of the project and in Amendment No. 1 to the Project Agreement were: (i) increased competencies of Polish auditors in terms of knowledge of regulations and best practices on auditing; (ii) increased competencies of Polish stakeholders in terms of knowledge of regulations and best practices on financial reporting; (iii) increased effectiveness of quality controls run by KNA; (iv) increased knowledge of financial reporting and auditing standards amongst participants who attended conferences and workshops. Some of these were adjusted during the project's lifespan and coordinated with project beneficiaries and the MoF.
19. The project played a major role in the design and development of the Audit Oversight Committee and the quality assurance body at the KIBR. The concept of audit oversight was introduced in the 2009 Act on Statutory Auditors, at the same time that the project was being designed. The project therefore served as an ideal vehicle to provide experience, knowledge and expertise to the AOC with the objective of increasing the capacity of AOC members, including the AOC's admission to relevant international bodies. The project supported activities on audit oversight and quality assurance that would achieve sustainable results, especially in learning and knowledge sharing, thus contributing to the development of sustainable solutions by creating a modern oversight system in Poland. Activities included:
  - (a) Assistance on the institutional design and initial operations of the Audit Oversight Commission (KNA), including training staff members on the implementation of oversight and quality control; The KNA's annual reports<sup>9</sup>, which include the results of oversight activities, have improved during the project's lifespan.
  - (b) Support for KNA membership of the International Forum of Independent Audit Regulators (IFIAR).

---

<sup>9</sup> Available at <http://www.mf.gov.pl/ministerstwo-finansow/dzialalnosc/ciala-kolegialne/komisja-nadzoru-audytowego/sprawozdania>

- (c) Developing technical understanding of quality assurance processes through direct engagement and by facilitating regional knowledge exchange with the Czech Republic, Slovenia and Latvia. This was accomplished through community of practice (CoP) activities focused on audit regulation, public oversight and quality assurance and including regional knowledge exchange visits.
- (d) Analysis and reporting on audit oversight and quality assurance in other EU countries, as well as exploring the possibility of broadening the analysis to include countries outside the EU.

## Outputs

### **Assistance on the institutional design and initial operations of the AOC**

- 20. The AOC is a collective body of public administration established by virtue of Article 63 of the Act of May 7, 2009 on Statutory Auditors and Self-Government Thereof, Entities Authorized to Audit Financial Statements, and Public Oversight. Since 2009, the AOC has been exercising public oversight over: performance of the profession of statutory auditors; activity of entities authorized to audit financial statements; and activities of the National Congress of Statutory Auditors (NCSA). The AOC is engaged in international cooperation through participation in the activities of, *inter alia*, the European Group of Auditors' Oversight Bodies, the European Audit Inspection Group and the IFIAR. Moreover, the AOC has continued its cooperation with oversight bodies from other countries.
- 21. World Bank experts provided professional advice and expertise on draft versions of new audit and accounting legislations. The World Bank commented on draft accounting & auditing legislation, which is transposing the requirements of recent updates of EU *acquis communautaire* into Polish legislation that had to be transposed by June 2016 but were delayed and only adopted in early 2017.

### **Supporting AOC membership of IFIAR**

- 22. The project supported the AOC's successful application to join IFIAR by supporting the membership fees and associated logistics costs, such as participating in relevant plenary and inspection workshops. Membership helped the AOC become part of a global structure of audit oversight institutions with sustainable access to discussions, a global database of inspection findings, as well as tools and methodologies developed within the IFIAR. Membership will also facilitate cross-border oversight of auditors, especially in audits of multinational companies.

### **Developing technical understandings of quality assurance processes, including activities involving development of a regional community of practice (CoP)**

- 23. Senior representatives of bodies with audit oversight and quality assurance responsibilities in the Czech Republic, Estonia, Latvia, Poland and Slovenia were brought together in a

community of practice (CoP) for a series of 3 workshops and an analytical study on aspects of public oversight systems in some other European countries. The first regional workshop took place in December 2009. The workshop agenda included common challenges facing both oversight and professional bodies in the different countries and explored areas for further cooperation on both a regional and country specific basis. Participants also gained insights from experts in the field of audit oversight and quality assurance, including senior representatives from the UK Financial Reporting Council (FRC), the Swiss Federal Audit Oversight Authority (FAOA) and the IFIAR.

24. As part of the project, representatives from Polish institutions participated with their peers from the Czech Republic, Latvia and Slovenia in knowledge exchange with representatives from Switzerland, the Netherlands, Norway, the UK and Germany, to better understand public oversight and quality assurance systems and methodologies. Two AOC's representatives usually took part in such events, but they were sometimes joined by colleagues from the National Audit Oversight Committee (NAOC). The AOC experienced significant staff changes, particularly at the management level, during the project. Nonetheless, it was still possible to develop and maintain institutional memory which has contributed to the AOC's sustainable development.
25. The first knowledge exchange visit took place in Switzerland in 2012. Staff from the AOC and NAOC, with peers from Latvia and Slovenia, were hosted by the Swiss FAOA. The visit was facilitated by the CFRR staff and comprised two days of in-depth presentations and discussions on the structure, operations and practical aspects of implementing audit oversight as well as planning, executing and reporting on quality assurance inspections.
26. In March 2013, the CFRR organized a knowledge exchange visit to the Netherlands Authority for the Financial Markets (AFM), the body responsible for public oversight of auditors and for conducting external quality assurance inspections of auditors, and the Netherlands Institute of Chartered Accountants (NBA). The study visit focused on the AFM's structure and its approach to audit oversight and the NBA's quality assurance inspection approach, as well as the broader role of the professional body and its interaction with the AFM. Discussions included the following: the implications of audit oversight being conducted within a large, integrated financial services regulator responsible for the regulation of capital markets as well as banking and insurance; offering access to specialized expertise that might not otherwise be readily available; and greater potential for different areas of regulation to share relevant information.
27. Visiting Norway in April 2013, representatives from Poland and from other FRTAP participating countries heard from the Norwegian Financial Supervision Authority, which is responsible for public oversight of auditors and conducting external quality assurance inspections of auditors, and the Norwegian Institute of Auditors (DnR). The visitors discussed a range of topics, including: institutional frameworks for supervising auditors and audit firms; methodology for audit firm inspections, findings and reporting; thematic inspections;



investigations and discipline measures; the role of the profession and quality assurance work; the audit software Descartes developed by DnR.

28. A study trip was organized to the Institute of Chartered Accountants of Scotland (ICAS) for a group of seven people: KIBR (4), KNA (1), CFRR (1) and (1) interpreter. The project covered the cost of the flights, hotel and per diems. The main topics covered during the visit included the following: how ICAS is run as a business and how it is governed through its Council, various Boards and Committees; issues related to quality monitoring: i.e. the regulatory aspects of ICAS' monitoring systems, IT monitoring and reviewing the systems used; how Practice Support team works within an organization to improve audit quality and assist members in preparing for a monitoring visit or improving response in case of such visits; other support services and audit and non-audit products offered in support audit firms; CPD, monitoring and discipline; and the ICAS Education and Examination System.
29. The Bank organized a regional workshop on "Technical Training Session of Audit Regulators with the H3C France" in Paris in September 2014. The French Oversight Body – H3C – hosted the event and shared its experiences with representatives from FRTAP countries. Two representatives from the KNA participated. The presentations by H3C and follow-up discussions with participants concentrated on issues relevant to oversight bodies in participating countries, namely: funding; scope of jurisdiction; appointment/recruitment process for staff and members of the oversight bodies; organizational structure and decision-making process; initial and continuing training of members and staff; registration of auditors, inspections/QC review; investigations and disciplinary system; cooperation with domestic and foreign regulators; mutual recognition; reporting to the public; continuing education for the profession and role of oversight bodies in this process; plans for change in light of new EU directive; and other issues.
30. A regional workshop for public oversight and quality assurance institutions on "Enhancing audit quality in FRTAP countries" took place in Vienna in December 2013. Representatives of ministries of finance, audit public oversight authorities and professional associations from FRTAP countries including Poland, the Czech Republic, Slovenia and Latvia, as well as guest participants from Turkey, met at the CFRR. The delegation from Poland included three representatives from the Public Audit Oversight Body Office and two representatives from the quality assurance unit (KKN) of Poland's National Chamber of Statutory Auditors (KIBR). During the workshop, experts from the UK, Germany, Slovakia, Latin America and Canada were able to share their experiences and knowledge of audit quality issues and how they are approached in various countries. This was an excellent opportunity for participants to share, compare and reflect on different practices and experiences in audit oversight. The workshop was also a chance to update participants on the issues of interest in their field, notably the progress of proposed changes to the EU audit legislation.
31. A workshop on the legal matters related to enforcement and the scope and nature of the powers of the Audit Oversight Commission (KNA) to intervene in disciplinary proceedings took



place in May 2015. It was conducted by the KIBR, with the participation of 15 KNA members and staff. Key elements of the workshop included: (i) role of the KNA in disciplinary proceedings against statutory auditors; (ii) powers granted by the law, and the KNA's rights and obligations as a participant of disciplinary proceedings; (iii) disciplinary proceedings in the Act on Statutory Auditors, taking account of the positions and powers of the KNA; (iv) the essence and scope of the disciplinary proceedings: proceedings before common courts versus disciplinary proceedings; (v) the KNA's approach to the disciplinary proceedings, its representation in the disciplinary proceedings; and other relevant areas.

32. An FRTAP workshop for public oversight and quality assurance institutions on "Implementing the new EU Audit Framework" took place at the AOC in Berlin in June 2015. In order to promote peer learning and knowledge exchange, participants included representatives from public oversight bodies and ministries of finance of Hungary, the Netherlands, Slovakia, Croatia, Slovenia and the United Kingdom, in addition to AOC staff. The objective of the workshop was to continue supporting the FRTAP countries in their implementation of the *acquis* as it relates to auditing and audit oversight. Specifically, the workshop provided participants with an opportunity to discuss additional obligations and funding requirements, particularly for the competent authority, resulting from the new EU audit framework, which comprises the new Audit Directive and Audit Regulation. Topics covered included: clarifying and understanding the implications of the new audit framework; comparing and sharing implementation strategies and funding options with their peers for the new regulatory framework; and planning for further regional and national activities and assistance both with and without the FRTAP to enable successful implementation of the new audit framework.
33. The CFRR organized a workshop for public oversight and quality assurance institutions on "Implementing the New EU Audit Framework" in Warsaw in September 2016. Representation from the host country included 16 KNA staff and members. The objective of the workshop was to continue supporting current and former FRTAP countries in their implementation of the *acquis* as it relates to auditing and audit oversight. Specifically, the workshop provided participants with an opportunity to follow up on the June 2015 workshop in Berlin by sharing implementation experiences and revisiting issues relating to the additional obligations of the competent authority responsible for the Public Oversight System. These obligations result from the new EU audit framework comprising the new Audit Directive and Audit Regulation, which came into force on June 17, 2016, and include clarifying matters relating to the new EU audit framework as well as comparing and sharing the implementation and funding strategies. This workshop convened representatives from audit public oversight and quality assurance institutions in FRTAP countries together with guests from other EU member states. Representatives were those who play a key role in strengthening the audit frameworks in their respective countries, including those considering the policy implications of alternative revisions and responses to the new audit framework, preparing draft laws, managing audit regulatory authorities, and implementing auditor oversight and quality assurance systems.

34. Workshops for members of the KNA and employees of Audit Oversight Commission Office were conducted in September 2015 (at the KNA Office) and October 2015 (for members of the KNA). The workshops aimed to provide key elements of the process of building a public institution with a good reputation, having also special emphasis on the needs of the AOC. Participants were able to further discuss the basics of strategic planning, taking into account the analysis on how the organization is perceived from outside, mapping of stakeholders, learned how to formulate goals of communication internally and externally, develop communication strategies, and define the messages addressed to the outside world. The workshop also included a presentation of the main communication tools to reach KNA target groups.
35. The Bank completed a review in the 4<sup>th</sup> quarter of 2016 of the quality assurance programs (i.e. ISQC 1 and ISA) to be used in KNA's system for quality assurance review. The project involved: (i) developing a review program for assessing audit firms' quality controls together with related guidance based on Common Audit Inspection Methodology (CAIM's ISQC1); (ii) amending the guidance for specific Polish requirements; (iii) developing guidance for use by KNA reviewers, including a glossary and some explanation of the core concepts under each of the key requirements of ISQC1; and (iv) developing a review program for assessing whether audits have been conducted in accordance with the requirements of ISA together with related guidance.
36. The Bank developed and delivered a training workshop to 18 KNA participants on December 6 and 7, 2016. The training workshop covered the following key areas: (i) the objective of Quality Assurance over the Statutory Auditors' work; (ii) what the risk-based approach to Quality Assurance means; (iii) assessment of Internal Quality Control at the Firm Level (Using the CAIM ISQC 1 Methodology); and (iv) assessment of individual audit engagements and compliance with ISA.

#### **Facilitating access to software based audit methodology**

37. The Bank supported research on the implementation of software supporting inspection – Pentana – by the KNA. This support included financing presentation of the software, facilitating answers to issues identified and questions raised by the KNA, financing knowledge exchange visits, and other relevant activities.
38. The Bank financed the development of the Audit Register software, which is used by the KIBR for collecting statistical data regarding the profession. Under the project, training on how to use the software was provided to KIBR administrative staff, selected MoF representatives, and selected employees of the AOC Office. The system streamlines the collection and analysis of statistical information and allows users to obtain the most current and up-to-date information regarding the audit procession in Poland.
39. The CFRR worked with the KIBR to promote the wide implementation of the Descartes Audit Software System among Polish auditors. This system, supported by the Norwegian Institute

(DnR) and its technology partner Bouvet, has been used successfully in Norway for several years. FRTAP supported some initial costs related to disseminating knowledge among auditors about the system as well as presentations and study visits to Norway and to Poland to encourage wider adoption of the audit software-based methodology. DnR delivered two FRTAP supported “training of trainers” workshops. These activities included the preparation of training materials and the delivery of five days training to six trainers, who will act as local trainers to users or potential users of Descartes. Ultimately there was not partnership agreement signed between DnR and KIBR to widely implement Descartes in Poland. However, as an alternative measure, the project managed to provide assistance to universities in teaching audits using Descartes, as well as providing a large scale training to significant number of auditors using another software based audit methodology available on the market. Both alternative measure increase awareness of audit software-based methodologies and most participants indicated their intention to adopt such software in their practices, which has an impact in raising the quality of audits performed.

### **Conferences on Audit Committees**

40. A conference on audit committees entitled “A key link in the financial reporting and audit process” was organized in Warsaw in January 2013. The audit committee plays an important role in ensuring that listed companies provide timely, reliable financial information to investors, which is crucial to the efficient operation of Poland’s capital markets. The AOC, in cooperation with the CFRR, organized a conference hosted by the Warsaw Stock Exchange to promote greater awareness and understanding of the audit committee’s role and responsibilities in the financial reporting process. The conference offered practical insights from a Polish and international perspective to audit committee members on how they can fulfill their role more effectively. It also provided an opportunity for them to discuss with their peers the challenges facing audit committees and how they can contribute to improving audit quality and safeguarding shareholders’ interests. The speakers and panelists discussed the audit committee's role and responsibilities in relation to financial reporting and share their practical experiences with meeting the challenges of implementing an effective audit committee. The matters discussed included: (i) selection of appropriately qualified members of Audit Committee (AC); (ii) definition of a mandate of AC members; (iii) information management; (iv) relationships with the key players in the audit process; (v) what to look for from the Chief Financial Officer (CFO) and his/her team to improve understanding of operations and current business issues; (vi) how to maximize the value of business understanding in discussions with the CFO, the external auditor and the internal auditor; and (vii) frequency of communication and dealing with different personalities.
41. The second conference on audit committees entitled “The Effective Audit Committee: Strengthening Controls, Managing Risk, and Improving Financial Reporting,” was organized in January 2015. As the economies in Poland and the region become ever more diverse and sophisticated, audit committees face increasing challenges in helping listed companies to

manage risk, maintain robust internal controls, and provide reliable financial reporting. The AOC, in cooperation with the CFRR and the Polish Institute of Directors, organized a conference hosted by the Warsaw Stock Exchange to help audit committee members perform their functions more effectively, and to improve communication and cooperation between audit committees and auditors, regulators, and stakeholders. Program of the conference focused more on the “nuts and bolts” of the audit committee’s work, offering information and tools to help audit committees do their jobs better and contribute even more to the growth of listed companies. The conference was attended by: chairs and members of audit committees; CFOs, Chief Executive Officers (CEOs) and other senior executives who work with their audit committees; investors; and statutory auditors, lawyers and other professionals who advise audit committees.

42. The third conference on audit committees entitled “The new EU Audit Requirements for Audit Committees: Getting Poland Ready” took place in Warsaw in November 2016. It was organized by the KNA, in cooperation with the CFRR, and hosted by the Warsaw Stock Exchange (WSE). EU audit legislation, which came into force for EU Member States on 17 June 2016, introduces more detailed requirements regarding the statutory audit of ‘Public Interest Entities’ (PIEs). The legislation aims to improve audit quality and to restore investor confidence in financial information by enforcing several important pronouncements. These include: (i) reinforcing the independence of the statutory auditor; (ii) contributing to a more dynamic audit market in the EU; and (iii) reinforcing the role and competence of the audit committee. Under new EU legislation, audit committees play a greater role in approving non-audit services, assessing the auditor’s independence, assessing the results of the audit, and selecting new auditors. It is important that audit committee members have a clear understanding of expectations in this new environment. The conference helped audit committee members perform their functions more effectively and improve communication and cooperation between audit committees and auditors, regulators, and stakeholders. The new expectations of audit committees raise a number of issues related to their composition and governance, the process of selection and appointment of the audit firm, monitoring the auditor’s independence, and whether auditor reporting requirements and oversight are more stringent than in previous legislation. The timing of this conference was ideal as it provided a platform to communicate these changes in the legislation and expanded the debate among representatives of top Polish companies regarding how to implement these new requirements in their businesses and make them good practice among Polish companies. The third conference built upon the two previous events held on January 10, 2013 and on January 16, 2015.

#### **Analytical work**

43. “Report on current situation of public oversight and quality assurance activities”. This report summarized the existing status of quality assurance methodology of entities responsible for public oversight and quality assurance activities of the audit profession in Poland. The work was carried out from March 31 to April 2, 2014. The report provides recommendations on

how to improve the existing methodology of quality assurance in Poland and recommended reforms in order to achieve these improvements.

44. “Chamber of Auditors Institutional Analysis”. This institutional analysis was prepared on the basis of fieldwork conducted in September 2015 and April 2016. It had the following major objectives: to provide policy options to the KIBR on the areas discussed and issues raised in previous analytical reports, notably the ROSC A&A (Update) of December 2013; to provide policy options to the KIBR on the issues of interest addressed in a questionnaire circulated among peer European professional accountancy organizations; and to assess the KIBR’s performance on matters suggested by IFAC as important for the establishment and development of a professional accountancy body. This assessment compared the KIBR’s policies, responsibilities and procedures with the principles listed in IFAC’s 2010 *Guide to Establishing and Developing a Professional Accountancy Body*. It also examined the KIBR’s compliance with the IFAC’s Statements of Membership Obligations, as well as with International Education Standards, to establish whether the KIBR meets these IFAC requirements of good practice for member bodies. This report raised awareness of key decision makers at KIBR, as well as MoF, and influenced strategic thinking of KIBR in formulating their strategic development plan.
45. “The Audit Market in Poland. Key Statistics and Market Perceptions”. This report provided a quantitative and qualitative analysis of the audit market in Poland. It examined a range of data, including the estimated number of entities subject to audit, the number and type of auditors and audit firms, leading audit firms and the auditors of the largest companies listed on the Warsaw Stock Exchange. The latest data obtained was, generally, as at 31 December 2015; where possible, previous years’ comparative data was provided to highlight trends. The report used data from KNA annual reports and covered many issues addressed in the KNA’s recently published “Report on developments in the market for providing statutory audit services to public-interest entities in Poland.” However, the CFRR report also included a range of other information related to auditing, including qualitative information, and, where possible, it outlined historical trends, making it a useful reference for all stakeholders in the Polish audit market.

## Expenditure

46. Project expenditure for POS/QAS activities are summarized in the table below.

**Table 4: Expenditures for POS/QAS activities (in CHF)**

Indicative lifespan budget	Budget in Amended Project Extension <sup>10</sup>	Cumulative expenditure to December 31, 2016	Unused balance
Public oversight	880,690	853,460	27,230

<sup>10</sup> Based on the letter with proposed final allocation, dated August 30, 2016

Indicative lifespan budget	Budget in Amended Project Extension <sup>10</sup>	Cumulative expenditure to December 31, 2016	Unused balance
Quality assurance	581,653	559,922	21,731
<b>Total (POS and QA)</b>	<b>1,462,343</b>	<b>1,413,382</b>	<b>48,961</b>

47. Detailed information on project expenditures against the budget is included in Annex 1.

## Conclusions and lessons learned

48. Public oversight and quality assurance are relatively new and complex concepts and their implementation is difficult and takes time. In the case of Poland, the challenges were increased by the late adoption of ISA and the significant gap between the previously applicable national standards and ISA. In addition, the latest EU requirements eliminate the option of professional body structures' involvement in the oversight process over PIE auditors. Since PIE audits pose the highest risk and complexity, expert knowledge is required on the part of the quality reviewers. In this context, it is important to note that the KNA is embedded in the MoF. While perhaps practical at first sight, this arrangement is likely to create significant issues when seeking knowledgeable quality review staff. The above-noted high risk and complexity associated with PIE audits requires the reviewers to possess a high level of knowledge and expertise possessed. The question arises regarding whether such staff can be accessed with the existing public sector salary tables, an issue present in a number of European countries with a similar oversight configuration. Nevertheless, despite mentioned difficulties, the AOC initially appears to have been able to hire inspection staff that would have the necessary skills and experience, including former KKN inspectors and staff with auditing experience from international network audit firms. If over time the AOC proves unable to retain qualified inspectors under the current funding mechanism and with available salary structure, the structure, placement and funding of the AOC should be reconsidered. The trend in international good practice has been to embed the audit oversight function into an independent financial sector regulator or to create a dedicated independent body wholly devoted to audit oversight, assuring operational autonomy and adequate salaries to retain qualified staff.
49. Since the project was designed prior to the latest EU audit policy framework amendments, it initially set ambitious plans and objectives, and it was assumed that a functional arrangement could be established based on cooperation between the KNA and the KIBR. As this configuration turned out to be obsolete during the later stages of the project, the objectives had to be adapted. While the project was very successful in the delivery of products to raise awareness, create legal instruments and explain the required institutional capacity, there simply was not enough time or capacity to actually create a fully functional audit oversight system capable of a thorough, expert review of PIE auditors at least once every three years,

as required by the *acquis*. Nonetheless, the systems of public oversight and quality assurance have been established in Poland and operate at full available capacity. There is a need to understand that some update to reflect all of the recent changes in the EU legislation is required. In addition, a substantial amount of training and development work is needed to achieve the objectives of, and full compliance with, the requirements the Audit Directive and Regulation.

50. An online public register of auditors now exists in Poland. It is not, however, part of a comprehensive information technology system that also supports quality assurance, oversight and other related regulatory functions, as envisaged in the specifications developed with KIBR and KNA staff. As a result, an update of the system should be considered over time.
51. The Community of Practice (CoP), a modern concept of social learning, provided a cost-effective way of bringing together representatives from a number of countries at a similar stage in developing POS/QAS to share knowledge and access broader European experiences. It would be very helpful for the future development of an effective and efficient system of audit oversight in Poland and other countries if the CoP format were maintained. While this exercise would require additional funding, which may be difficult to obtain, the potential benefits justify the effort.
52. The project was involved in the adoption of International Standards on Auditing (ISA) in Poland. This effort represents perhaps the most significant contribution by Switzerland and the CFRR to Poland in relation to financial reporting. ISA were implemented in Poland during the FRTAP's lifespan and the project was instrumental in this. The project provided both introductory and advanced trainings on the subject to many hundreds of auditors and the training included also the application of audit software.
53. The use of audit software offers, particularly to SMPs, an efficient, ISA- compliant methodology which ensures that sufficient appropriate audit evidence is obtained, the required procedures performed, important assessments made, and the work performed is supported by relevant and appropriate documentation. The initial notion that one audit software solution would be appropriate for all training participants was not realistic. However, training in the application of audit software was well-received and resulted in a significant increase in capacity among practitioners to apply audit software.
54. An important lesson from this component is that the legislative clarity and commitment of institutions is critical. At the project planning stage, the responsibility for QAS rested with the KIBR and the project was constructed on the premise that QAS institutional capacity would be built in the KIBR. While the project was being delivered, the EU and, subsequently, the Polish legislation changed in that the profession's role in QAS was limited to the non-PIE sector. Even though the KNA, established as a result of the legislative change, was fully committed and worked hard to build its capacity, it was not possible to accomplish all initial objectives in relation to oversight function and capacity. While the project designers could



not predict the profound changes that would take place during the project, the lesson to be learned here is that only when all issues in relation to legislation, authority and responsibility have been clarified, can a similar project achieve full success. In this context, it should be noted that the KNA actively worked toward capacity growth, for example by making good use of the comparative research on oversight arrangements in other European countries in developing its mandate.

55. Overall, funds were effectively spent on POS and QAS activities, and there was relatively little underspend. There was scope for additional activities which could not be delivered earlier, partially because of the absorptive capacity of the institutions, but also because the project was not extended for a second time so the funds remained unused. The scope of additional activities proposed by the CFRR and supported by beneficiaries included: support to policy discussions and decisions related to the amended EU audit legislation; support to the KNA for tools and methodologies related to quality assurance inspections of PIE audits and auditors; and continuation of the regional CoP activities and IFIAR membership. These should be considered for future implementation.

## **Component III. Enhancing the relationship between financial and tax accounting**

### **Objectives**

56. This component focused on assisting policymakers in reviewing and optimizing the tax accounting system in place, and in particular, the degree of interdependence between financial and tax accounting. The objectives were to enhance the capacity of tax authorities in implementing the reforms resulting from policy choices, i.e., the objectives of tax regulations and the increasing applicability of IFRS.

### **Results**

57. This component contributed to a better understanding between the tax authorities and those responsible for accounting standard-setting regarding how to better align their respective requirements and enhance the capacity of tax inspectors in financial reporting. The aim of this activity was to assist policymakers in reviewing and optimizing the tax accounting and reporting systems in place, and more specifically, the degree of interdependence between financial and tax accounting, as well as to assess the impact of the rapidly changing financial accounting system (e.g. the influence of IFRS) on the tax accounting and reporting system. This would help policymakers to determine which changes may be warranted for the tax accounting and reporting system.



## Outputs

58. The CFRR organized a set of training activities for Polish tax inspectors. The main purpose of this training was to broaden the knowledge of tax inspectors working on tax administration and tax control in Poland in fields such as financial analysis, accounting and tax related topics. Participants were selected from those employed in tax administration, tax control, tax offices and tax “police”, who are expected to use the newly acquired knowledge in performing their day to day responsibilities. The courses aimed at contributing to: (i) increasing the effectiveness of the tax accounting system; (ii) helping the tax authorities deal with the tax consequences of changes in financial reporting standards (including the statutory adoption of IFRS as financial reporting standards for legal-entity accounts); and (iii) alleviate the regulatory burden on Polish corporate taxpayers, especially SMEs. The pilot course ran from April to June 2014. The first batch of regular courses, which took place between April until June 2015, comprised 63 groups with 2,165 participants in total. The course included the following modules:
1. Module 1 (Analysis of financial statements)
  2. Module 2 (IFRS – selected topics)
  3. Module 3 (Tax versus accounting regulations)
  4. Module 4 (Risks in an audit of financial statements)
  5. Module 5 (Fraud in financial statements)
  6. Module 6 (IT in an audit of financial statements and/or inspection of accounting books)
59. The first round of training activities concluded with feedback which resulted in abandoning some of the less popular modules. The following courses included the modules deemed most useful, i.e., Modules 1 and 3. An additional round of training started in March 2016 and ran until the end of December 2016. During this period, 3,100 tax inspectors were organized into 84 groups.
60. To ensure sustainability of the courses for tax inspectors, a Tax Academy was organized. It consisted of a group of active tax inspectors who were selected to teach their colleagues in formal training courses organized by the tax inspectors’ offices. These Tax Academy tutors were trained by the Bank’s consultants (all initial Modules, i.e. 1 to 5). They also received training materials in electronic form. In total, two groups of trainers were organized comprising about 50 trainers in total. The project also included a one-day meeting of specific training to update participants on the identification of tax and accounting risks in financial statements analysis.
61. The CFRR, in cooperation with Smart Education, provided electronic input into e-learning software used by the tax administration. Materials in electronic form covered Modules 1 (Analysis of financial statements) and 3 (Tax versus accounting regulations) and included an

additional multiple choice test comprising 90 questions. These courses are currently used by the tax administration and are also available on the MoF education electronic platform.

62. “Differences between accounting and tax provisions” by PricewaterhouseCoopers Sp. z o.o. This report discusses differences between Polish accounting and tax treatments of business transactions and economic phenomena, as well as the administrative burden of those differences on Polish enterprises. Polish legislation, as well as other binding provisions and guidance on accounting and tax treatments in over 10 specific areas, are compared in terms of general concepts, binding principles, detailed definitions, terminology, and the recognition and measurement of transactions and balances. The report also includes a survey of the views of managers, tax officials, accountants, auditors and tax advisors on the key areas of differences between accounting and tax treatments. The report concludes with some suggestions for potential harmonization of accounting and tax legislation, provisions and other guidance based on the analysis of differences and survey findings. It identifies the following major differences between Polish accounting and tax treatments: (i) property, plant and equipment, where numerous differences were identified regarding applicable definitions and terms, and valuation on recognition; (ii) depreciation and impairment of assets, (iii) lease contracts or perpetual usufruct of land. Other notable areas of differences between Polish accounting and tax treatments are intangible assets, financial assets and financial liabilities. The report refers to property, plant and equipment as the source of significant administrative burden for Polish enterprises due to differing tax and accounting treatments. In this context, other significant areas of administrative burden include provisions and foreign exchange gains and losses.
63. “Tax reporting rules – in the Netherlands, the United Kingdom, Germany and France” by Mazars Paardekooper Hoffman N.V. This report provides an overview of tax accounting rules in these four countries and analyzes the relationship of tax and accounting rules in these countries. The report asserts that one of the main objectives of the tax authorities is to reduce the administrative burden for SMEs. The report explains that this is achieved primarily through the development of electronic compliance processes, simplified tax rules, permitting small companies to prepare financial statements according to tax accounting rules, and fostering an attitude of cooperation among the tax authorities’ personnel, who are willing to provide SMEs with upfront and informal advice.

## **Expenditure**

64. Project expenditure on public register related activities are summarized in the table below.

**Table 5: Expenditure for enhancing the relationship between financial and tax accounting component (in CHF)**

Budget in Amended Project Extension <sup>11</sup>	Cumulative expenditure to December 31, 2016	Unused funds
862,818	860,850	1,968

65. Detailed information on project expenditures against the budget is included in the Annex 1.

## Conclusions and lessons learned

66. The relationship of financial and tax accounting has often been contentious given the different objectives of the two systems. While financial accounting strives to provide a true and fair view of a company's affairs as of a specific date and period, the objective of tax accounting is to calculate an appropriate tax base/taxable income for this period. In addition, since PIEs are required to prepare their financial statements in accordance with IFRS, it can be argued that financial reporting standards that are drafted abroad do not take into consideration national specifics and must therefore be addressed by tax accounting. Further, tax policy may reflect government objectives and this, in turn, has an impact on tax accounting.
67. Therefore, it is extremely important that tax officials, both those with the standard-setting responsibility and those with tax computation responsibility, understand the principles behind IFRS. As described in the Outputs Section, the Project organized multiple events to train tax officials in IFRS and to demonstrate how this issue is addressed in other countries. In the absence of a final examination, it is difficult to measure the progress with accuracy. However, given the feedback from participants, it is very likely that the project addressed the issue at an appropriate level of difficulty, thus maximizing the impact.
68. However, there is still a need for more education in this respect. It cannot be assumed that the participants are now IFRS experts. A more advanced knowledge is needed to be able to determine the impact of future changes in IFRS on the calculation of the profit before tax and what the response should be made on the part of tax accounting *vis-à-vis* such changes. This also must be considered in the other direction, i.e. if the tax policy changes, which elements of IFRS must be considered for the policy change to achieve its objective.
69. Therefore, the training program prepared under the project should not only be regularly updated and adjusted as necessary. An education program should also be mandatory for all

---

<sup>11</sup> Based on the letter with proposed final allocation, dated August 30, 2016

tax officials whose work is somehow affected by the differences between IFRS-based, or local accounting regulations-based financial reporting and tax legislation.

## **Component IV. Institutional capacity building regarding financial reporting**

### **Objectives**

70. IFRS, as adopted by the EU, are required for the consolidated financial statements of all European companies whose debt or equity securities trade in a regulated market in Poland. This component aimed to build capacity among accountants, auditors, preparers of financial statements, university lecturers and other stakeholders who are relevant for IFRS implementation. This component also helped to develop regulators' and supervisors' understanding of the interactions between accounting and prudential frameworks and reinforce their ability to enforce IFRS. It sought to assess training needs and deliver appropriate training in the use of IFRS, and to review the procedure for local translation of IFRS. In November 2014, the component was expanded so that it also incorporated public sector financial reporting objectives, primarily International Public Sector Accounting Standards (IPSAS), which share fundamental concepts with IFRS. The main objective was to increase competencies of Polish stakeholders, and raise awareness among the government stakeholders and leaders of the accountancy profession in Poland about key priorities for public sector accounting, which in turn should support improved governance and transparency of public finance.

### **Results**

71. IFRS are principles-based standards and therefore their introduction into an environment which previously applied rules-based standards, such as Poland, is always going to be a challenge. While only scant research has been conducted on the topic, it is believed that the switch from rules to principles may be too much of a challenge for individuals who spent many years relying on the rulebook. The results of the IFRS training should be considered in this context, and therefore the fact that most, but not all, trainees are now actually able to apply IFRS at a reasonable level must be considered as the best possible result.
72. An immediate outcome of the public sector accounting sub-component is increased knowledge of IPSAS and good international practice in public sector accounting among participants, primarily MOF staff. The training, IPSAS gap analysis, and workshops helped raise awareness of the scope of the financial reporting in public sector and engagement in the policy dialog on ongoing EU public sector accounting and budgeting harmonization reform. The sovereign debt crisis has underlined the need for more rigorous, transparent and

comparable reporting of fiscal data. IPSAS represent an undisputable reference for the potential development of EPSAS, based on a strong governance system. Development and introduction of EPSAS is considered by EUROSTAT as a necessary tool for further fiscal and budgetary integration in the EU.

## Outputs

73. Between April 2011 and April 2015, the CFRR commissioned a set of IFRS training courses for accountants and auditors in Poland. The training was provided in partnership with an external training provider BPP and covered two streams: IFRS advanced and IFRS comprehensive. The training program introduced IFRS to accountants and preparers of financial statements at a level that was sufficient for their future work with the standards. IFRS advanced training was organized in eight cities: Warsaw, Kraków, Poznań, Wrocław, Łódź, Rzeszów, Lublin and Toruń. In total, 84 training days were provided to 664 participants. IFRS comprehensive training was organized in nine cities: Warsaw, Kraków, Poznań, Wrocław, Łódź, Rzeszów, Gdańsk, Lublin and Toruń. In total, 252 training days were provided to 1,159 participants.
74. Between January and April 2015, the CFRR commissioned a set of IFRS update training activities for participants who had previously attended advanced and comprehensive training activities. The training was also delivered in partnership with BPP. The idea behind this effort was to allow participants who had attended previous training courses to refresh their knowledge and inform them about recent changes in the standards. IFRS update training was organized in 11 cities: Warsaw, Kraków, Poznań, Wrocław, Łódź, Rzeszów, Gdańsk, Katowice, Lublin, Szczecin and Toruń. In total, 20 training days were provided to 995 participants.
75. Between January 2015 and December 2016, the CFRR commissioned a set of IFRS training activities for candidates to the profession of auditor in Poland. Again, the training was organized in partnership with an external training provider, BPP, and by consultants hired by the CFRR. This exercise allowed participants—students who are already close to becoming certified auditors at the KIBR—to increase their familiarity with international standards and prepare them for the KIBR examination. This training was organized in 10 cities: Warsaw, Kraków, Poznań, Wrocław, Łódź, Gdańsk, Katowice, Kielce, Bydgoszcz, and Zielona Góra. In total 51 training days was provided to 1,372 participants.
76. The project also facilitated the creation of the Community of Practice comprising the preparers of financial statements, local and European regulators and standard setters, and financial auditors. In total, 18 meetings of this CoP were organized over the course of FRTAP. Each meeting hosted 20-30 participants, who shared their experiences and opinions regarding selected issues arising from IFRS application. Opinions shared during these meetings had an impact on the final shape of accounting and auditing legislation in Poland and contributed to professional discussion at the European level.

77. The CFRR in partnership with the International Accounting Standards Board (IASB) organized the first five-day Executive IFRS Seminar for financial supervisors in Vienna in June 2013. The seminar looked at the assumptions and judgments made in putting together financial statements to help financial regulators make sound judgments in their regulatory work. The workshop focused on: (i) raising awareness of the level of judgment needed when applying IFRS in general; (ii) enhancing understanding of the IFRSs most relevant to financial and prudential supervision, namely: the standards on financial instruments (IAS 39 and its proposed replacement, IFRS 9; IAS 32 and IFRS 7 on disclosures) and the standard on insurance contracts (IFRS 4, which the IASB is planning to replace with a new standard); and (iii) draw on the experience of regulators and former regulators with IFRS enforcement. Technical sessions were led by three IASB members and a number of the IASB's technical staff, including the Director of its Education Initiative. There were a number of very useful discussions of more general issues moderated by CFRR staff, such as the differences in perspectives between prudential regulators and other users of IFRS-based financial statements. Four participants from the Polish Financial Supervision Authority (KNF) joined 56 colleagues from regulatory agencies responsible for supervising banks, insurance companies and securities exchanges. In addition to Poland, 18 countries were represented including from EU member states in Central and Eastern Europe, EU candidate and potential candidate countries in South-Eastern Europe, and the countries of the EU's Eastern partnership. Workshop presentations were recorded and synchronized with the slides, and are available on the CFRR website as an additional resource for supervisors.
78. The Second Executive IFRS Workshop for financial regulators was delivered in June 2014 in Vienna. Five participants from Poland attended the event, all of them KNF staff. Designed to help supervisors engage confidently with IFRS-based financial information and understand its role in monitoring and supervision, this three-day workshop brought together 70 senior staff from regulatory agencies responsible for supervising banks, insurance companies and listed companies, and those in charge of drafting accounting and prudential regulations. Representing over 20 countries, participants engaged in detailed discussions with a range of experts from the IASB, the IFRS education initiative, the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority Attention (EIOPA) as well as other leading banking experts and regulators. The objective of this workshop was to update participants on the latest changes to IFRS, provide information on ongoing IASB projects, deepen understanding of differences between financial reporting and prudential regulation, and engage participants with the issues, judgments and estimates involved in applying IFRS. The workshop focus was very much on standards and regulations applicable to financial instruments, IFRS 9 and IAS 39 and Capital Requirements Directive (CRD IV), and on the insurance contract project IFRS 4 and Solvency II, with both areas sparking much discussion. More detailed information and workshop materials are available on the CFRR website.<sup>12</sup>

---

<sup>12</sup> <http://go.worldbank.org/HDE4RC0CLO>

79. The CFRR organized a one-day workshop in Vienna on May 29, 2015 for European supervisors to discuss the findings of a survey on the relationship between financial supervisors and auditors. One participant from the KNF in Poland attended the event. During the workshop, participants examined the benefits of improved cooperation between supervisors and external auditors, and institutions in charge of the supervision of the audit function. They reviewed and discussed the findings of the survey “Financial Supervisors and External Auditors: Building a Constructive Relationship”. The survey was designed in 2014 after the publication of a paper by the Basel Committee on Banking Supervision (BCBS) issued on external audits of banks. This paper directly links an enhanced relationship between external auditors and supervisors with better audit quality of banks’ financial reporting. In the same year, the EU adopted a Regulation and a Directive which improved the quality of statutory audits of PIEs, including banks. The survey findings, reflecting the views of over 80 percent of European supervisors, suggest that cooperation between auditors and supervisors is an important factor in improving external audits and enhance supervision mechanisms, thereby contributing to financial stability. Ensuring effective communication between supervisors, audit committees and audit oversight bodies also makes a valuable contribution to achieving high quality audits. Sessions looked at the responsibilities and practices of key banking industry stakeholders: preparers, banks, representatives of the Audit Oversight Commission, and audit committee members discussed the importance of ensuring constructive interaction and building relationships among audit committee members, auditors and regulators. Participants considered how they could complement their supervisory assessments through the review and analysis of audited financial statements, and reviewing the checks and balances around financial reporting and the auditing processes.
80. The CFRR and the IFRS Foundation organized a two-day workshop in Vienna on “Executive IFRS Workshop for Regulators” in Vienna from September 29–30, 2015. The focus was on the use of IFRS by financial regulators. Four senior specialists from Poland attended the event, all of them KNF staff. The workshop took place at the Ministry of Finance and included briefings on existing and forthcoming IFRS requirements and discussions. Interactive case studies and quiz sessions enhanced participants’ understanding of the judgments made when applying those requirements. A panel discussion explored the likely impact of the new revenue (IFRS 15) and financial instruments (IFRS 9) standards on the financial industry as well as the preparation needed for their successful implementation. Participants were: (i) updated on the changes to IFRS and other projects discussed by the IASB, including IFRSs 9, 13 and 15 and the project to replace IFRS 4 with a comprehensive standard for accounting and reporting insurance contracts; (ii) exposed to a range of cross-cutting issues, judgments and estimates in applying IFRS with a particular focus on measurement and the root causes of some financial reporting anomalies; (iii) updated on the differences between financial reporting and prudential regulation. This workshop was designed for senior staff and leadership of regulatory agencies responsible for supervising banks and insurance companies and those in charge of drafting accounting and prudential regulations. Speakers and panelists included



IASB members and senior staff; World Bank senior staff; and leading banking and insurance experts and regulators.

81. The CFRR organized the Supervisors Exchange Forum on “Leveraging Accounting and Auditing for Enhanced Supervision: An Update” in Vienna from September 7–9, 2016. One participant from KNF in Poland attended the event, which aimed at providing senior staff of regulatory agencies with tools and skills to discharge their supervisory duties over banks and insurance undertakings more effectively. In particular, participants explored how better cooperation between supervisors and external auditors can improve their supervisory work. The CFRR team presented a guide on the relationship between supervisors and auditors that illustrates best practices. Experts from the EBA and EIOPA discussed their newly issued policy guidelines for the supervisor-auditor relationship. An IAASB board member reviewed recent work aimed at enhancing the contribution of auditors to banks’ supervision through better audit and communication practices. Participants also examined how supervisors can engage more confidently with IFRS-based financial information when reviewing prudential returns? IASB members, senior IFRS experts, and leading industry practitioners briefed participants on existing and upcoming IFRS requirements on the following: financial instruments (IAS 32, IFRS 7 and IFRS 9), operating segments (IFRS 8), and the likely impact of the implementation of IFRS 9 on the banking industry. They also provided an update on the IASB’s new Leases Standard (IFRS 16), recent developments of the IASB’s Insurance Project (IFRS 4), and discussed linkages between IFRS and prudential standards. A panel discussion focused on the implementation of IFRS and provided insights into preparations for the successful implementation of new IFRS. Participants discussed case studies that enhanced their understanding of the judgments made when accounting for financial instruments and insurance contracts.
82. The World Bank and the IFRS Foundation organized four one-day workshops between 2014 – 2015, delivering world class education on applying global financial reporting standards within Poland’s universities and educational institutions of the SKwP. The workshops were organized in Warsaw (3 events) and in Wrocław (one event) for 240 IFRS trainers and university lecturers from all of Poland. The workshops aimed to share the experience of the IFRS Foundation in the development of Framework-based Teaching, and through presentations of its features, benefits and the educational resources created to support this new approach. The workshops were highly interactive, with short presentations, case studies, group work and a demonstration of tools to assess the impact and likely effectiveness of Framework-based Teaching in Poland. Since 2010 the IFRS Foundation’s Education Initiative has implemented a new student-centered approach to delivering effective teaching to university students, trainee accountants of educational institutions and practicing accountants on how to effectively apply IFRS. The Framework-based Teaching of IFRS has been pioneered by the IFRS Foundation and delivered in partnership with leading global academics. These workshops offered to Polish accounting academics and SKwP educational institutions to



participate in the project, and, possibly, to become the first country in the world to fully implement this approach.

83. The CFRR organized a one-day conference for 200 participants from the business community, “How to benefit from the incoming legislation on non-financial reporting,” in Warsaw on September 19, 2016 at The Warsaw Stock Exchange. Investors and other stakeholders now pay more attention to non-financial data in order to get a complete picture of a company and understand its approach to value creation, its business model, the long term strategy and the risk management plan. Seventy-five percent of senior executives in global investment firms take company’s sustainability performance into account when making investment decisions. However, many companies still either do not disclose their non-financial data, or their disclosures are incomplete. Seventy-eight percent of investors find non-financial data disclosures inadequate, and ninety-three percent claim that the data disclosed by companies is immaterial and irrelevant. The conference aimed to familiarize the companies with the new reporting requirements set forth in the Directive 2014/95/EU and in the draft amendment to the Polish Accounting Act. Another objective was to demonstrate to the participants that non-financial reporting is not just a burden imposed on companies, but that it offers a number of benefits, including a more robust internal system of strategic management in the organization, improved market position, enhanced reputation and more effective relationship building with local communities, and increased transparency. Practices in the areas of sustainability, responsible business and quality reporting can also boost employee motivation and dedication, and they help create the desirable corporate culture. Last but not least, they meet the expectations of investors, clients, local and central authorities, and government agencies.
84. In the period from March to June 2016, the CFRR organized a training program, “IFRS Basics for the auditor profession candidates,” for those students who passed basic and intermediate exam streams at the KIBR. In total, there were 15 training groups and 480 candidates trained in Kraków, Warszawa, Wrocław, Katowice, Łódź, Kielce, Bydgoszcz, Gdańsk, Poznań and Zielona Góra.
85. In the period from January to December 2016, the CFRR organized a set of four workshops on IFRS for management and controllers of the KNF as follows: (i) introduction to, and update of, IFRS; (ii) specialized training, (iii) training on the application of a monitoring tool to review information included in the financial statements prepared in accordance with IFRS, (iv) workshop for the senior executives of KNF to summarize the key IFRSs covered during the previous workshops and present the guides to review IFRS financial statements prepared by the World Bank and presented to the participants during the workshop earlier in 2016. In total, 258 people participated in the training: 80 people attended trainings (i) to (iii) and 18 people attended training (iv). The objective of the IFRS training series was to equip supervisory staff of KNF with the knowledge and skills to be able to use financial statements prepared in accordance with IFRS for their own supervisory needs. The responsibilities of

supervisors of banks in the enforcement of IFRS require that they are able to deal with the complexities of relevant standards and to keep abreast with new developments to review and analyze the relevant entities' financial statements. Indeed, IASB, the BCBS, and the International Association of Insurance Supervisors (IAIS) have highlighted on many occasions the importance of good and robust financial reporting; financial statements need to describe clearly and explicitly the details of the banks' financial position and performance. Financial reporting information presented in the notes to financial statements is often not clear enough; an absence of logic and clarity in the presentation of the information results in less useful and practical information for the users of financial statements.

86. The project established a tradition of annual IFRS conferences in partnership with the SKwP. Details of each conference is described below:

- In December 2016 - the sixth annual conference in Poland: "IFRS: Practical challenges – current status and next steps" for 200 participants. The discussion follow-up on some issues discussed during IFRS conferences in the past: IFRS 9 Financial Instruments – implementation of new standard, IFRS 15 – Revenue from customers – the update regarding the recent issues with implementation, selected practical problems with IFRS application in 2014-2016 in leading mining company listed on Warsaw Stock Exchange; issues of proper disclosures in IFRS financial reporting - in the context usefulness, relevance and materiality. The conference was a practical platform to disseminate knowledge about the recent developments in international standards and to respond to the needs of regional and local regulators in relation to emerging issues in financial reporting.
- In December 2015 - the fifth annual conference in Poland: "IFRS: Improving transparency of financial reporting" for preparers of financial statements, university teachers, users of financial statements, students, auditors, etc. Presenters included representative from the IASB, European Financial Reporting Advisory Group (EFRAG), European Securities and Markets Authority (ESMA), Polish Accounting Standards Committee (KSR), Polish Financial Supervision Authority (KNF), university teachers. The team delivered a conference on IFRS reporting and enforcement issues in cooperation with the SKwP to approximately 170 participants; the conference addressed how IFRS can contribute to improved transparency of financial reporting, better quality of accounting and disclosure, and greater value-relevance of reporting, the conference updated preparers and investors with current issues and developments of the standards, the audience included business leaders - directors, board members and financial controllers of Public Interest Entities, representatives of the accounting and audit professions, and others with an interest in financial reporting; the conference helped to update participants on key IFRS and financial reporting framework developments and clarify their impact on preparers of financial statements, businesses and investors.
- In December 2014 - the fourth annual conference in Poland: "IFRS: Framing the Future" for 150 participants. The speakers at the conference included representatives from the

following: the IASB, European Financial Reporting Advisory Group (EFRAG), European Securities and Markets Authority (ESMA), Polish Accounting Standards Committee (KSR), Polish Financial Supervision Authority (KNF), university teachers, preparers of financial statements. During the conference, the presentation related to practical application of IFRS Financial Instruments and an update about expected changes in the standards in coming years, including a separate session on application of new standard IFRS 15 Revenue from Contracts with Customers.

- In December 2013 - the third annual conference in Poland: "IFRS: Changes and challenges, which preparers of financial statements in European Union are facing – sharing practical experiences". The conference was attended by 130 participants. In the European Union the consolidated financial statements of listed EU companies have been prepared in accordance with IFRS since 2005 to improve the efficient functioning of the EU capital markets and the internal market. Member States may extend the application of IFRS to individual annual financial statements and to non-listed companies. All issuers (including non-EU ones) whose securities are listed on a regulated market located or operating in the EU must use IFRS. IFRS financial reporting has increased the transparency of financial statements through improved accounting quality and disclosure and greater value-relevance of reporting, leading to more accurate market expectations including business forecasts. It has also improved comparability between financial statements within and across industries and countries. During the conference, the presentation related to practical application of IFRS 10, 11, 12 and expected changes in IFRS 17 and 18.
- In December 2012, - the second annual conference in Poland: "Changing landscape, practical solutions". The conference was attended by 120 people. The agenda of the conference included the outline of the recent changes to IFRS made by the IASB and its plans for new and revised standards in the next few years; an interactive session in which Michael Wells from the IFRS Foundation used a fictitious case study of a company organizing safari tours to illustrate how the principles-based approach that underlies IFRS can be applied to practical issues of valuing company assets; technical issues of "fair value" – as set out in the IASB's new IFRS 13, which has an effective date of January 2013 and of the treatment of impairment. Presenter outlined the main principles of valuation, emphasizing the key role played by the "recoverable amount" in valuing an asset. In turn the recoverable amount could be measured using either "fair value" (when an asset's benefits can be recovered by selling it) or by "value in use" (when an asset's benefits can be recovered by using the asset); official stock-market regulators described their approach to the enforcement of IFRS.
- In June 2011 - the first conference: "IFRS: Recent Changes, Sustained Benefits", The conference provided a European perspective on how businesses and investors can shape the financial reporting of the future to provide high-quality financial information that meets the needs of investors and improves the ability of businesses to raise capital. Participants heard distinguished speakers from Poland, including Undersecretary of State

in the Ministry of Finance, as well as international IFRS experts, Chair of the IFRS Advisory Council, Member of the IASB. The invited audience of 100 participants included financial executives, financial analysts, investors, audit practitioners, standards-setters and regulators from Poland and other Central European countries.

87. The CFRR managed the purchase of translation software – TRADOS for the SKwP and the KIBR. This software is being used by professional accounting and auditing associations in the process of translating international standards (IFRS and ISA) into Polish.
88. Two joint outreach events were held by the EFRAG and the Polish Accounting Standards Committee (KSR) in cooperation with the IASB and the CFRR on November 19, 2013 and on September 30, 2015. The joint outreach events were a series of events organized across Europe following the publication of the IASB Discussion Paper, “A Review of the Conceptual Framework for Financial Reporting.” The purpose of the outreach event was to: (i) stimulate the debate on the Conceptual Framework in Europe; (ii) obtain input from constituents, in particular from those that may not intend to submit a comment letter to the KSR, EFRAG or the IASB, and to understand their main concerns and wishes; (iii) receive input for the KSR comment letter to EFRAG and the IASB; and (iv) to learn whether the preliminary comments as set out in EFRAG’s draft comment letter were shared by European constituents. Approximately 150 participants of both events included members of Polish National Accounting Standards Committee, representatives of the SKwP Ministry of Finance, university teachers and preparers of financial statements.
89. At the end of 2014, at the request of the MoF and in line with the amended project legal agreement, the CFRR commenced public sector accounting activities in the context of the Eurostat initiative. The activities promoted the harmonization of public sector accounting across the EU, which includes the introduction and adoption of EPSAS, to be substantially based on IPSAS. This initiative aims at improving data quality for reports produced by EU member states in accordance with the European System of National and Regional Accounts (ESA), which is the EU reporting framework for a systematic and detailed description of an economy.
90. The main deliverable under the public sector accounting sub-component was the preparation of an IPSAS gap analysis report which compared Polish PS GAAP with IPSAS. It also provided main policy options for the further development of government accounting and financial reporting in Poland. Apart from the IPSAS gap analysis, other activities included the following: (i) IPSAS training for senior public sector accountants and officials; (ii) preparation of IPSAS training in e-learning mode; (iii) knowledge exchange events on the implementation of public sector accounting standards in selected countries; (iv) support with preparation of a questionnaire for a survey of IT systems used for budget reporting and accounting across the public sector; and, (v) ad hoc expert advice on developing a unified chart of accounts, budget classification for the public sector, as well as a public financial management IT infrastructure in conjunction with the Government’s plan for reform of the budget system, announced in

July 2016. Advice was also provided on preparing a paper discussing options for IPSAS adoption in Poland.

91. The IPSAS gap analysis report, dated May 2015, included a comparison of the Polish Public Sector Generally Acceptable Accounting Principles (PS GAAP) with IPSAS. As agreed with the MoF, the scope of the report mainly included a comparison of the central budget level accounting regulations. It did not include the practical application, nor other aspects such as staffing, qualification, training, IT environment etc. The report's main observation was that Poland does not currently prepare or present consolidated whole-of-government or general government level accruals-based financial statements (thus full information on all assets, and especially tangible fixed assets, and liabilities is missing). Possible directions include:
- As a mid to long term plan of action, align public sector accounting with internationally recognized standards to increase financial accountability and improved management of public resources and fiscal risks;
  - Simplification and standardization of public sector accounting regulations, which are currently complex and non-standard across public sector entities;
  - Improvements in the availability of aggregated accruals-based information would allow the Government to get a better understanding of its overall financial position and fiscal risks.

At the request of the MoF, the report was not published.

92. In May and June 2016, the CFRR organized four knowledge exchange events on the implementation of public sector accounting standards. The events involved study trips to Switzerland, Austria, France and Portugal for employees of the MoF and the Supreme Audit Institution (SAI) to learn about practical implementation of IPSAS in the host countries, also in the context of a broader budgetary reform. In total, 12 people from the MoF and SAI participated in the four knowledge exchange visits. The workshop for 40 participants summarizing the visits was organized in June 2016.
93. The CFRR developed and delivered training on IPSAS and its setting process to the regulators and other stakeholders to enhance practical knowledge and understanding of those standards. The 10-day comprehensive IPSAS training for three groups of 90 employees of the MoF and the SAI was organized in late 2015 and 2016. The training materials were subsequently converted, with the assistance of Smart Education, into interactive electronic version to be used in the future as e-learning modules by the MoF and public administration, thus making the component's achievements sustainable and available to a larger number of public sector staff.
94. The CFRR co-organized two workshops and technical discussions on modern budget classification and chart of accounts, including appropriate IT solutions, in the context of the

planned budget system reform. The workshop and technical discussion took place in November and December 2016 and were attended by approximately 60 MoF employees.

95. A workshop on “Transition to a modern budget classification and public accounting system as part of a comprehensive budget reform in Poland” was convened in Warsaw from November 8–9, 2016. It enabled knowledge sharing and also resulted in the delivery of an expert analytical note, “Poland: Selected Budget Reform Issues” which has addressed a number of the design and implementation issues. These include: (i) updating the budget classification (used for budget allocation and controlling) which should include a proper relationship between administrative structures and programs; (ii) development of a top-down budgeting system which places annual budgeting firmly in the medium-term perspective; (iii) restructuring of the budget preparation process to take into account baseline and new spending, strictly limited to available fiscal space; (iv) a budget calendar to ensure that the baseline expenditure and available fiscal space are defined in advance; and, (v) strengthening the spending review process, and transforming it into a mechanism for identifying savings options which can increase available fiscal space for new spending priorities.
96. The December 2016 mission, workshop and follow up discussion paper on “Integration of the Charts of Accounts and Budget Classification” identified the following key shortcomings in the existing classification systems: (i) development of the budget classification (for budgetary reporting predominantly on cash basis) and a separate chart of accounts for accounting purpose have resulted in a separation of budgetary and financial reporting requirements with the latter not actually used for decision making or performance evaluation; (ii) inconsistency of data recorded across multiple classifications, charts of accounts and IT systems; (iii) absence of key classifications to enable the consolidation of data and reporting across public sector entities, (iv) accounting policies and the classification of transactions not being executed and codified consistently across various government and public sector entities; (v) reporting entities currently not producing a cash flow statement, which is a significant omission even under cash based accounting convention; and, (vi) fragmentation of IT systems, which is an issue, but need not to be viewed as an impediment to further reforms. The key elements of improving the current system of budget classification and chart of accounts are: (i) development of a robust chart of accounts integrating adequate level of details based on current practice and monitoring requirements; (ii) application of a unified accounting policy to facilitate consolidated financial reporting; and (iii) the MoF should have the legal authority to issue clear policies, instructions and guidelines in this respect. Recommendations on modification of the budgetary classification and chart of accounts for public sector entities is the basis of the reform currently developed by the MoF (as of June 2017).

## **Expenditure**

97. Project expenditure for IFRS component activities are summarized below.

**Table 6: Expenditures of the IFRS component (in CHF)**

Budget in Amended Project Extension <sup>13</sup>	Cumulative expenditure to December 31, 2016	Unused funds
2,541,620	2,539,138	2,482

98. Detailed information on project expenditures against the budget is included in Annex 1.

### Conclusions and lesson learned

99. This component, due to its comprehensiveness, was perhaps the most difficult and important component of the project, and its results indicate that it was successful. Its objective was to address the educational needs of all of those who deal, whether in a regulatory or professional role, with IFRS. Once again, it is important to state that the Polish accounting standards, historically, were rules-based; therefore, the migration to IFRS must have been difficult for many participants. Nonetheless, due to the project's design and availability of discussion, comparison and analysis, the results of this component should be considered as a major success in the given context. Hundreds of professionals and officials were introduced to IFRS and for most of them, the project made it possible to obtain knowledge well beyond the introductory level IFRS expertise.
100. The key lesson from this component is that the comprehensive approach, correctly adopted by the project, is needed if the IFRS adoption process is to succeed. This approach was possible in Poland due to the project's budget arrangements. It was not possible in other FRTAP countries mostly due to budgetary restrictions and the results were different from those accomplished in Poland. In other words, any country that decides to migrate to IFRS needs to take a comprehensive approach to the migration, and involve all stakeholders in the process, i.e., practitioners, regulators, standard-setters, etc.
101. In December 2015 the World Bank prepared the "Public Sector Accounting and Financial Reporting Policy Note". This policy note recommended potential areas for concentrated reform efforts in relation to the budgetary system and public sector accounting in Poland in the foreseeable future. In July 2016, the Council of Ministers of the Government of Poland approved assumptions of the budgetary system reform covering most significant areas of public financial management, including budgetary accounting, public sector accounting and financial reporting. The assumptions included strategic directions and conceptual framework of the reform which will be followed with more detailed reform plans and actions to be defined by the Ministry of Finance. While It is evident that tailor-made technical assistance was demand driven and provided valuable contribution into the reform framework, it might

---

<sup>13</sup> Based on the letter with proposed final allocation, dated August 30, 2016



take more time for the government to actually formulate and commit to concrete reform plans and implementation, which will likely happen in the future.

102. Lessons learned include the fact that apart from focusing on high quality technical deliverables and inputs, the CFRR and the World Bank should also win high level political support and raise adequate awareness amongst decision makers in order to actually initiate the reforms. This can be coordinated with other World Bank instruments. After the project's closure the Bank will continue policy dialogue in order to mobilize the Government regarding the actual designing and implementation of the public sector accounting reform. This should be integrated with a broader "package" of public financial management measures, e.g. budgetary system and procedures, budgetary and statistical reporting (links with ESA 2010), reorganizational changes related to expenditures management, accountability framework, fiscal information reliability and transparency, internal control procedures, stock take of budgetary entities, work flow, bookkeeping processes (e-invoicing in public administration), and an IT strategy for budgetary and financial reporting.

103. Some other general project comments include recommendations:

- to promote the project independently from participating institutions which might not always have the time and interest to broaden the audience for project trainings and workshops;
- to enhance communication between the CFRR and various stakeholders, also including other line ministries to promote broader project objectives, to reach consensus and buy-in not only from the MoF;
- to prepare and maintain a procurement plan and to monitor the project expenditures, commitments and planned expenditure using effective project tools in order to use available funds (also resulting from foreign exchange differences and savings) for the most needed activities;
- to conduct a more robust assessment and analysis of the accounting and auditing environment or the main institutions at the beginning of the project, which would help to define the most urgent and systematic issues and needs, together with actions which could be supported by the project. Without such a diagnostic, some of the project's activities were delivered under changes in approaches and expectations of beneficiary institutions, resulting sometimes in a selective approach and reduced scope; and,
- to raise systematic issues identified during the project to the political level, while also using the World Bank Country Management Unit and Country Office. Often the accounting and auditing agenda profile needs to be raised amongst politicians and the Government which could potentially better hinder introduction and implementation of the proposed and required reforms. It is therefore recommended to reach out to decision makers at the higher level through a proper communication strategy. A higher level



steering committee for project implementation may be instrumental for raising the profile of transparency and accountability agenda in corporate and public sectors.

## **Component V. Regulatory Framework**

### **Objectives**

104. This activity aimed at supporting policymaking in the area of accounting and auditing. It involved: (i) researching financial reporting issues to feed into policymaking activities with a view to identifying areas where better regulation and/or enforcement would contribute to a better business environment; and (ii) providing hands-on technical assistance to assist in the development of enhanced capacity to carry out regulatory activities.

### **Results**

105. There have been several analytical reports prepared under this component addressing expected policy change and updating national standards of reporting. The reports affected policy formulation of the National Accounting Committee, their pronouncements and standards. They also helped in shaping the final version of the new accounting legislation.

### **Outputs**

106. A number of analytical reports and studies were produced, and outreach events were organized in the area of accounting and financial reporting, as described below.
107. “Accounting Vouchers and Principles of Bookkeeping - Expectations in 21st Century”. This study is available in English and Polish. It assesses the current regulations and practices on accounting vouchers and bookkeeping in Poland, including cross-cutting tax regulations, and compares them with selected EU countries (France, Germany and UK). The study was undertaken at the request of the Polish Ministry of Finance. The purpose of the study was threefold: (i) to promote harmonization with other relevant regulations; (ii) to reduce unnecessary requirements and red tape for certain entities (especially SMEs and micro entities); and, (iii) to reflect current and potential future technology changes whilst retaining control over diligence and quality of bookkeeping.<sup>14</sup>
108. “Review of Polish and International Accounting Standards in Scope of Financial Instruments”. This report is available in both English and Polish and contains an analysis of domestic and international accounting standards applicable to financial instruments. It also features a

---

<sup>14</sup> English version: [http://siteresources.worldbank.org/EXTCENFINREPREF/Resources/Bookkeeping\\_en.pdf](http://siteresources.worldbank.org/EXTCENFINREPREF/Resources/Bookkeeping_en.pdf)  
Polish version: [http://siteresources.worldbank.org/EXTCENFINREPREF/Resources/Bookkeeping\\_pl.pdf](http://siteresources.worldbank.org/EXTCENFINREPREF/Resources/Bookkeeping_pl.pdf)

review of literature available on the subject as well as practical information and case studies. In conclusion, the report proposes enhancements to existing legislation to ensure compliance with EU laws and regulations, in particular with Directive 2013/34/EU of the European Parliament and of the Council of June 26, 2013 on the annual financial statements.<sup>15</sup> According to the current feedback from MoF, the conclusions from this report will be considered as part of next major change of the Accounting Act (planned by 2019).

109. "Study on Accounting Regulation for Business Combinations". This study is available in both English and Polish and includes an analysis of domestic and international accounting standards applicable to business combinations. It also features a review of literature available on the subject as well as practical information and case studies. In conclusion, the report proposes enhancements to existing legislation to ensure compliance with EU laws and regulations, in particular with Directive 2013/34/EU of the European Parliament and of the Council of June 26, 2013 on the annual financial statements.<sup>16</sup> According to the current feedback from MoF, the conclusions from this report will be considered as part of next major change of the Accounting Act (planned by 2019),.
110. "The study on accountancy market and professions in Poland" - this accounting market study was designed to provide relevant information for multiple uses, including the gathering of statistics for IFAC. It also offers quantitative information and feedback on aspects of the functioning of the accounting market to enable better understanding of the market for regulatory purposes. The data can be used to assist with policy formulation and decision-making related to the regulation of financial reporting (both domestically and as part of Poland's participation in the EU and international regulatory processes) and to the functioning of the market for accounting services.<sup>17</sup>
111. Training on legislative procedures was organized in May 2010. The objective of the workshop was to enhance the capacity of the participants to draw up and amend financial legislation and regulations. The CFRR provided 16 hours of training on the foundations of writing and reviewing legislation for 64 participants drawn from a range of public and private institutions, including the ministry of finance, the Financial Supervision Authority (KNF), the National Chamber of Statutory Auditors (KIBR) and the SKwP. The training was delivered by Mr. Jakub Zabielski, a professional legislator, and covered all the main stages involved in drawing up by financial legislation, including: (i) The background to legislation and the creation of law; (ii)

---

<sup>15</sup> English version: [http://siteresources.worldbank.org/EXTCENFINREPREF/Resources/4152117-1275645279412/Financial\\_Instruments\\_EN.pdf](http://siteresources.worldbank.org/EXTCENFINREPREF/Resources/4152117-1275645279412/Financial_Instruments_EN.pdf)  
Polish version: [http://siteresources.worldbank.org/EXTCENFINREPREF/Resources/4152117-1275645279412/Financial\\_Instruments\\_PL.pdf](http://siteresources.worldbank.org/EXTCENFINREPREF/Resources/4152117-1275645279412/Financial_Instruments_PL.pdf)

<sup>16</sup> English version: [http://siteresources.worldbank.org/EXTCENFINREPREF/Resources/4152117-1275645279412/Business\\_Combination\\_EN.pdf](http://siteresources.worldbank.org/EXTCENFINREPREF/Resources/4152117-1275645279412/Business_Combination_EN.pdf)  
Polish version: [http://siteresources.worldbank.org/EXTCENFINREPREF/Resources/4152117-1275645279412/Business\\_Combination\\_PL.pdf](http://siteresources.worldbank.org/EXTCENFINREPREF/Resources/4152117-1275645279412/Business_Combination_PL.pdf)

<sup>17</sup> [http://siteresources.worldbank.org/EXTCENFINREPREF/Resources/4152117-1275645279412/Accounting\\_Market\\_Study.pdf](http://siteresources.worldbank.org/EXTCENFINREPREF/Resources/4152117-1275645279412/Accounting_Market_Study.pdf)

The interpretation of laws and regulations; (iii) Techniques used in preparing draft laws and regulations; (iv) The drafting of legal acts and internal regulations; (v) The modification of legislation to take account of comments and objections, and the preparation of adjustments and revisions to existing legal acts and related internal regulations. The participants were able to improve their theoretical and practical knowledge in drafting, reviewing, and correcting legal acts and other executive regulations. The training focused on case studies and practical aspects of the legislative process and involved the active participation of those attending. The knowledge gained will be directly applied in improving the legislative process in the areas of accounting and auditing.

112. Delivery of five studies to support KSR National Accounting Committee in preparation of new accounting standards and interpretations which should provide assistance to accounting staff, auditors, entity management and users of financial statements in interpretation and application of provision of the Act on Accounting. Each study included the description of existing regulation and practice together with the proposal of changes of accounting standards or position taking into account international experience and IFRS relating to selected accounting areas:

- Stocktaking of materials, goods and products,
- Fixed Assets;
- Recognition, valuation and presentation of perpetual usufruct of land;
- Agriculture activities; and,
- Public-Private Partnership contracts (recognition, measurement and presentation of assets and liabilities).

113. In 2016 KSR issued an interpretation on stocktaking of materials, goods and products and a standard Nr. 10 on PPP contracts.

## Expenditure

114. Project expenditure for IFRS component activities are summarized below.

**Table 7: Expenditures of the regulatory framework component (in CHF)**

Budget in Amended Project Extension <sup>18</sup>	Cumulative expenditure to December 31, 2016	Unused funds
776,998	688,112	88,886

<sup>18</sup> Based on the letter with proposed final allocation, dated August 30, 2016

115. Detailed information on project expenditures against the budget is included in the Annex 1.

## **Conclusions and lesson learned**

116. The lower utilization of funds than planned was a result of overlap of themes for some activities which have been finally classified to other components. In particular, some of the training, conferences and workshops were focused around financial reporting, auditing and regulatory framework but the costs have been charged to other project components. In addition, the selection of activities was consulted with the main counterparts including Ministry of Finance based on the demand driven approach. Some activities were also delivered at the lower cost thanks to involvement of counterparts including KSR and the Ministry of Finance staff which were involved in preparation, reviewing of the TOR, draft reports.

## **Component VI. Monitoring and evaluation – ROSC on Accounting and Auditing**

### **Objectives**

117. The first World Bank report on the observance of standards and codes in accounting and auditing (ROSC A&A) in Poland was published in 2002 and updated in 2005. Both made a range of recommendations for improving the Polish framework for accounting and auditing and its practical application. The objective of this component was to monitor progress in implementing these recommendations through undertaking a thorough review through an update of the ROSC A&A.

### **Results**

118. The ROSC A&A was finalized and the report was delivered to the relevant Polish authorities. In addition to the standard approach, the report looked at specific areas relevant to the country context, as well as areas relevant in the context of FRTAP activities. The updated ROSC A&A dated December 2013 was published and concluded that significant reforms had been introduced; Poland met most of its EU membership obligations related to financial reporting and auditing but the implementation of corporate financial reporting framework and its institutions requires further strengthening.
119. The ROSC A&A findings noted that: (i) since the 2002 report many reforms were introduced and the legislation was updated to incorporate the requirements of the EU *acquis communautaire*; (ii) reforms included the establishment of audit oversight and quality assurance, adoption of IFRS for consolidated financial statements of listed companies and banks

in Poland and option to apply IFRS for subsidiaries in their legal entity financial statements; (iii) progress was achieved in the quality of financial reporting, but access to audited financial statements is difficult; (iv) audit oversight system needs further institutional building in light of 2014 EU audit reform that has to be implemented by member states from 2016; (v) monitoring and enforcement activities are improving, especially those performed by the KNF.

### **Box 3: Accounting and auditing profession in Poland**

**There are two accounting professional bodies in Poland: the Association of Accountants (SKwP) and the National Chamber of Statutory Auditors (KIBR), both of which are members of the International Federation of Accountants (IFAC).** The KIBR is also a member of the European Federation of Accountants. The Association of Accountants was founded in 1907 and has approximately 25,000 members. The Chamber of Auditors was founded more recently (in 1992), has 7,086 members (as of end 2015), and is regarded as a self-governing body for the profession in public trust in the context of the Constitution. The size of the accounting profession has been contracting steadily in Poland. In 2002, membership stood at over 30,000 at SKwP and 7,547 at the KIBR, which represents a decline of 17 and 5 percent respectively. This downward trend is a positive one, as the profession places greater emphasis on quality assurance, and its numbers trends represent gradual adjustment towards an equilibrium that balances supply and demand for accounting and audit services.

**Statutory auditors of the National Chamber of Statutory Auditors (KIBR).** As at December 31, 2015 the register of statutory auditors comprised 7,086 statutory auditors (including 4,569 women and 2,517 men), which is a decline by 17 statutory auditors compared with the end of 2014. In total, 3,151 individuals among the statutory auditors included in the register of statutory auditors declared themselves to be professionally active. Compared to the end of 2014, that number dropped by 68 auditors. The average age of a statutory auditor as at December 31, 2015 was 56, which was similar to the previous year.

120. The ROSC A&A policy recommendations focus on a simplification agenda, as well as on compliance issues. The following are recommendations of high priority: (i) transposing in full the new requirements of the new EU accounting directive, including simplification of financial reporting for smaller entities, amended Statutory Audit Directive and a new regulation on audits of PIEs. In addition, the AOC should develop a formal strategy to help raise public awareness of the role and function of the committee; (ii) improving the professional examination process, which is perceived as not transparent; (iii) improving methodologies and capacity in the area of quality assurance and audit oversight; (iv) full adoption of ISA; and (v) improving public access to financial statements.

## Outputs

121. The Report on the Observance of Standards and Codes on Accounting and Auditing (ROSC A&A ROSC)<sup>19</sup>. This third ROSC A&A for Poland provides an updated assessment of the financial reporting requirements and practices in the country's enterprise and financial sectors from the 2002 and 2005 ROSC A&A. The Polish Government is aware that high-quality accounting, auditing and corporate governance, aligned with the requirements of the European Union, contributes to enhanced international trade and investment. Based on the Government's past performance following the 2005 ROSC A&A, we are confident that it will address issues identified by this update. In order to provide scope for the Government to develop its own solutions, this report therefore refrains from making explicit recommendations, but outlines areas for considerations by policymakers.

## Expenditure

122. Project expenditure for project monitoring and evaluation (updated ROSC A&A) is summarized below.

**Table 8: Expenditure under monitoring and evaluation component (in CHF)**

Budget in Amended Project Extension <sup>20</sup>	Cumulative expenditure to December 31, 2016	Unused funds
192,313	165,888	26,425

123. Detailed information on project expenditure against the budget is included in Annex 1.

## Conclusions and lesson learned

124. The ROSC A&A was a suitable tool to review the entire spectrum of financial reporting infrastructure in Poland. The specifics of the country were taken into account, as well as particularities and issues that became evident during the post 2008-2009 economic crisis.
125. Real and sustainable progress in reforms was found. The report also highlights some areas that will require further efforts by the Polish Government, including: (i) transposing in full the new requirements of the new EU accounting directive; (ii) improving the professional examination process; (iii) improving methodologies and capacity in the area of quality assurance and audit oversight; (iv) full adoption of ISA; (v) enhancing public access to financial statements.

---

<sup>19</sup> [http://siteresources.worldbank.org/EXTCENFINREPREF/Resources/4152117-1232359743213/ROSC\\_Poland\\_2013.pdf](http://siteresources.worldbank.org/EXTCENFINREPREF/Resources/4152117-1232359743213/ROSC_Poland_2013.pdf)

<sup>20</sup> Based on the letter with proposed final allocation, dated August 30, 2016

## **Component VII. Specialized English Language and Communications Training for Financial Reporting Experts**

### **Objectives**

126. This activity was specifically designed to increase the capacity of Polish policymakers to participate effectively in European and international policymaking arenas, including being able to make their case persuasively, and to increase the sustainability of the project's achievements.

### **Results**

127. The component supported learning and knowledge sharing activities which contributed to the increased capacity of the Polish policymakers, regulators and staff from the Ministry of Finance in effective communication in international fora through the following project tasks:
- Language training in English and German provided to over 35 MoF staff between October 2010 and December 2016 through open and closed groups, as well as individual classes with a general, business and financial focus;
  - Publishing on the MoF website of an electronic version of "Compendiums of Accounting, Finance and Banking" terms in Polish and English which is available to the general public on a free license basis.

### **Outputs**

128. The English language training referred to above was provided on a semester basis including progress evaluation and adjusting the needs of the participants for the subsequent period. The training included on average 40-60 hour lessons per semester.
129. The language training courses addressed the need for the effective reading, comprehension and communication of general, business and financial reporting terminology in the English language as most of the accounting and auditing literature is available in English. In addition, during the last stage of the project the component also included German classes for selected officials. Participants included senior officials and professional staff from the MoF. The specialized English-language training was provided to participants requiring such training due to the nature of their employment, including representing Poland during official visits abroad, participating in working groups and international conferences, and communicating with international partners and institutions related to financial reporting and auditing. The general English training was provided to MoF staff who required such training before advancing to a specialized English course. Based on the qualification test results upon entry, participants were assigned to appropriate proficiency levels (basic, intermediate, advanced, general business/finance or conversation courses). The training included flexible modes of delivery

such as creating specific closed groups at the offices of the MoF, joining open groups as offered by the language school, e-learning, and individual classes for senior officials. The training provided support to MoF staff to make them conversant and more confident with general, business and financial reporting related terminology. The training also helped them understand concepts and financial terms and to use these concepts effectively in communication. All participants achieved an improvement of at least one level.

130. Free license electronic publication of the three-part “Compendiums of Accounting, Finance and Banking” terms in Polish and English by Robert Patterson was made accessible. The publication available on the MoF website offers three volumes that were previously published in print form: Compendiums of Accounting, Finance and Banking by Robert Patterson, which contain over 3,000 commonly used business terms in Polish and English. In a succinct yet informative way, each entry encapsulates the meaning of the words most commonly used in the everyday language of the business world in accounting, finance and banking. The Compendiums strive to ensure comprehensive coverage of the topic by including formal words, vernacular and even slang. They are designed to be a reference source for students, business practitioners and translators. The Compendiums’ contents are available to the public for free use on a non-commercial basis under the creative commons license and may be reproduced but not for used for profit.
131. The Compendium of Accounting Terms in Polish & English<sup>21</sup> is about the language of accountancy that is used in annual reports, financial and management accounting, the financial press and everyday communication amongst accountants.
132. The Compendium of Finance Terms in Polish & English<sup>22</sup> is about the language of finance used in financial management, financial statement analysis, investors and issuers in the capital markets, the financial press and the everyday communication amongst finance professionals.
133. The Compendium of Banking Terms in Polish & English<sup>23</sup> is about the language of banking used in financial institutions, between borrowers and lenders, banking regulators, the business press and the everyday communication amongst bankers.
134. Compendium was also published on other websites<sup>24</sup>.

## **Expenditure**

135. Project expenditure for Specialized English Language and Communications Training for Financial Reporting Experts component activities is summarized below.

---

<sup>21</sup> <http://www.mf.gov.pl/documents/764034/1399171/Glosariusz+SPPW+-Rachunkowosc.pdf>

<sup>22</sup> <http://www.mf.gov.pl/documents/764034/1399171/Glosariusz+SPPW+-Finanse.pdf>

<sup>23</sup> <http://www.mf.gov.pl/documents/764034/1399171/Glosariusz+SPPW+-Bankowosc.pdf>

<sup>24</sup> <http://www.umcs.pl/pl/informacje-ogolne,8354.htm>



**Table 9: Expenditure under component: specialized English language and communications training for financial reporting experts (in CHF)**

Budget in Amended Project Extension <sup>25</sup>	Cumulative expenditure to December 31, 2016	Unused funds
217,288	194,625	22,663

136. Detailed information on project expenditures against the budget is included in Annex 1.

## Conclusions and lesson learned

137. Overall, funds were effectively spent on English language learning for MoF staff. Planned activities were delivered and the skills of staff improved, enabling them to communicate effectively with international counterparts. In addition, various events delivered under other components of the project have provided further opportunities to MoF staff to practice their language skills. The upgrading of business English amongst officials, particularly their knowledge of financial reporting and auditing terminology, will assist relevant Polish institutions in playing an active role in various international and European activities and fora.

## Component VIII. Adoption and implementation of International Standards on Auditing (ISA)

### Objectives

138. This component aimed to build capacity primarily among SMPs and sole practitioner auditors and other stakeholders relevant for ISA implementation. This component also aimed to develop and/or enhance the understanding of modern audit complexities among regulators and supervisors. In addition, this component sought to assess training needs and deliver appropriate training on the application of ISA, and to review the procedure for local translation of ISA. Finally, this component was used to train auditors in related non-audit disciplines to expand the scope of auditors' services.

### Results

139. Knowledge and skills necessary to complete an audit in accordance with ISA, both of auditors and regulators, were enhanced. While it is acknowledged that the transition to ISA is a multi-year project requiring continued support, activities under this component have played a key

---

<sup>25</sup> Based on the letter with proposed final allocation, dated August 30, 2016

role in providing the foundation for the process in that they have contributed to a better understanding of the principles guiding the modern, risk-based audit. At the same time, the training programs clearly identified and demonstrated the need for continuous development and skills upgrade in this respect. The MoF, KIBR and KNA need to acknowledge that the transition process has only started and actively search for additional training resources to ensure that the overall auditor capacity increases steadily, resulting in a higher quality ISA audit. The same applies to non-audit services training. In some cases, this project provided participants with a basic understanding of the topics addressed. If, however, the participants wish to expand the scope of their practices, a significant further study is required. The significance of the project in increasing the capacity of Polish auditors cannot be overestimated. As a result of the project, the capacity of many hundreds of SMPs (approximately 1650 non-Big Four auditors – individual auditors and small audit firms) was increased, enabling them to perform non-complex ISA audits, an achievement which was hardly imaginable without this project.

## Outputs

140. The project's strategic approach consisted primarily of three output streams: (i) introductory, four-module ISA training; (ii) intermediate ISA training focusing on practice issues; and (iii) seven additional non-ISA services training. These primary streams were supplemented by ancillary deliverables, including translation of the relevant IFAC literature and two conferences.
141. The introductory four-module, five-day training was delivered from April 2011 to April 2015. Content of the training was derived from materials used for professional accounting education and was adapted to fit the requirements and expectations of the beneficiaries and regulators. The adaptation process took into consideration the fact that the national auditing standards applicable at the time bore only a scant resemblance to ISA, thus necessitating significant attention to basic principles underlying an ISA audit. At the time of delivery, KIBR membership stood at approximately 7,000 statutory auditors, whereof about 50 percent were active members, i.e. those providing audit services. Data collected during the training delivery demonstrated the significance of the project for the process of transition from national to international auditing standards. Participation in individual modules of the training ranged from 3,035 to 3,482 auditors, i.e. a vast majority of active auditors participated in all training modules. The importance of this effort cannot be overstated as it was the first-ever ISA training delivered on such a scale in Poland. ISA training was organized in 18 cities: Warsaw, Kraków, Poznań, Wrocław, Łódź, Rzeszów, Gdańsk, Białystok, Katowice, Kielce, Lublin, Szczecin, Bydgoszcz, Olsztyn, Koszalin, Bielsko-Biała, Zakopane and Zielona Góra. In total 770 training days was provided for 13,205 participants.
142. The ISA in Practice three-day training included: (i) consideration of the requirements of ISQC 1 with the focus on small practices and sole practitioners; (ii) the risk-based approach

application; (iii) the importance of proper evidence gathering and documentation of the work performed; and, (iv) reporting issues. The training also included work with the pre-selected ISA-compliant audit software. The training was delivered in Warszawa, Gdańsk, Kraków, Poznań, and Wrocław to approximately 520 participants in groups of about 20 trainees. The content and focus of the training were selected to respond to audit oversight findings from other EU member states, i.e. difficulties in compliance with ISQC 1 requirements, application and documentation of risk assessment procedures and the level of documentation supporting the auditor's conclusion that sufficient appropriate evidence has been collected. This training program thus built on the foundation laid by the first ISA training program.

143. This training program also included a significant auditing software application. Use of auditing software had been identified as one issue for SMPs and sole practitioners, where project assistance would be greatly appreciated. While some difficulties were encountered occasionally, usually resulting from two trainees having to share one computer, the evaluation sheets overall showed that this feature of the training was received as positively as other content.
144. The non-audit services training program was designed on the basis of extensive communication with the KIBR and the MoF and consisted of 25 events with 30 participants each, of which 11 events took place in Warsaw, 4 in Cracow, 4 in Gdansk, 3 in Poznan, and 3 in Wroclaw. The training covered 7 modules: (i) assurance (attestation) on CSR reports – corporate social responsibility; (ii) valuation services (e.g. intangibles such as: goodwill, trademarks, logotypes, know-how, etc. or equity instruments, especially non-listed); (iii) assurance services other than financial statement audit or review and other services—ISAE 3000, agreed upon procedures, etc.;(iv) ISAE 3400 and ISAE 3402 assurance reports; (v) audit of plan for legal change of entity and sole trading into legal person and the other way round; (vi) audit of EU grant projects and other financed by the public grants (e.g. PFRON) - Audit Objectives; and (vii) review of the financial statement as per ISRE 2400 International Standard on Review Engagements.
145. Non-audit service training content was designed using innovative and differentiated approach. Items (iii) to (vii) listed in the previous paragraph, correspond more to audit-related services, while those of (i) and (ii) require non-audit related technical skills. Therefore, the trainings (iii) to (vii) were more technically intensive and provided auditors with the capacity to perform relevant engagements, while those of (i) and (ii) provided only an introduction into the topic. For example, auditors wishing to get involved in assurance of corporate social responsibility (CSR) reports and or valuation services will need significant additional education, particularly on the advanced technical issues involved; these topics can be too complex for SMP auditors and sole practitioners, given the diversity of issues and related knowledge required.

146. Training of trainers in ISA was carried out in June and November 2016. Two groups of approximately 30 people each discussed solutions of practical real life case study examples which were prepared based on materials for quality audit procedures for SMPs used by ICAS.
147. This component also included two conferences and translation of IFAC manuals for SMPs and sole practitioners (“Guide to Review Engagements” and “Guide to Compilation Engagements”).

## Expenditure

148. Project expenditure for ISA component activities are summarized below.

**Table 10: Expenditure for the ISA component (in CHF)**

Budget in Amended Project Extension <sup>26</sup>	Cumulative expenditure to December 31, 2016	Unused funds
1,959,566	1,840,714	118,852

149. Detailed information on project expenditures against the budget is included in the Annex 1.

## Conclusions and lesson learned

150. Poland decided to implement ISA in the Act on Statutory Auditors in 2009. The AOC adopted ISA as the national standards effective for the audits of public interest entities from December 31, 2016 and for audits of non-PIEs from December 31, 2017. Since the previously applied national auditing standards were not comparable to ISA in either depth or complexity, migration to ISA represented a major and difficult undertaking. This component significantly contributed to the transition of Polish auditors from national auditing standards to ISA. Given the involvement of experts with rich experience in ISA education and the expertise of the local education provider, this massive scale project was a resounding success and this was reflected in comments received from both the profession and the MoF. Evaluation questionnaires demonstrated that the vast majority of trainees found the training useful for their practices.
151. The key lesson learned from this component is confirmation that the transition from national to international auditing standards requires sustained effort over a number of years and that some auditors may find the change too difficult. Additional specific attention will be needed in the areas addressed by the second training program, i.e. ISQC 1, risk assessment and documentation, as well as reporting and circumstances where a standard audit report is not supported by audit evidence obtained. This effort should be supported by all stakeholders, i.e. the MoF, audit oversight function and professional association. The stakeholders need to

<sup>26</sup> Based on the letter with proposed final allocation, dated August 30, 2016

understand the complexity of the transition and that they need to cooperate and coordinate their actions to succeed. Without a coordinated approach it is likely that the profession will evolve into a multi-tier body, where the big firms with their education programs will train competent professionals while the smaller firms and sole practitioners will show varying levels of ISA expertise, a result which has been documented in many ROSC A&A reports issued by the World Bank.

## **Component IX. Continuing Education for Accounting Professionals**

### **Objectives**

152. The objective of the Continuing Professional Education (CPE) for accounting professionals' component was to assist Poland in strengthening the continuing professional education system for professional accountants and auditors. CPE is described as the process through which accountants and auditors maintain their competencies throughout their careers. This enables them to respond to developments in global, European and national updates in professional and technical standards, developments in practice, and changes in the regulatory and ethical requirements. In addition, CPE equips professionals with the requisite tools to respond to the needs of the Polish economy by supporting the financial management, accounting and audit requirements of public and private sector organizations. Mandatory CPE for statutory auditors is included in the Statutory Audit Directive. To a large extent, this is based on the requirement for mandatory CPE for professional accountants prescribed in the International Education Standards (IESs), which are included in IFAC membership obligations. Both the SKWP and the KIBR are full members of IFAC.

### **Results**

153. As mentioned in other sections of this report, migration to both IFRS and ISA is a medium-term process. This project was successful in designing and delivering the initial phase of the process. However, to ensure the full implementation of both IFRS and ISA, there is a need for additional education beyond the scope of the project. Nonetheless, the project was seen as instrumental in helping to devise a structure that will ensure the continuation of the migration process.

### **Outputs**

154. A study visit was organized by the CFRR to Ireland in June, 2012. Attended by representatives from the MoF (2 people), the KIBR (2 people) and the SKWP (2 people), the group visited CPA Ireland where presentations were given by the CEO and the Head of Professional Education on the nature, implementation, delivery and future plans for the development of CPE for

statutory auditors and accountants by CPA Ireland. The delegation also visited company Intuition, a global provider of e-learning platforms and e-learning solutions. The CEO and E-Learning Development specialist gave presentations/demonstrations on the e-learning development cycle, as well as research on response, cost/benefits and product utilization. The delegation also visited the Irish Accounting and Audit Supervisory Authority (public oversight authority for the statutory audit and accounting profession) and heard presentations from the Director of Audit Oversight on the relevant experience of Ireland in implementation of the Statutory Audit Directive. The focus was on monitoring and supervising the work of professional bodies in professional education (including CPE). The visit enhanced the willingness for further development of qualitative IPD and CPD in the area of financial reporting and auditing in Poland.

155. The “Professional Education for Professional Accountants and Auditors” activity addressed the dual needs of the KIBR and the Examination Commission (ExC) by developing resources to help them improve professional education for professional accountants and auditors, as well as providing an approach to enhancing professional access. There were three main groups of resource deliverables: (i) drafting the KIBR *Framework of Learning Outcomes* to assist with IES compliance; (ii) restructuring the Diploma Exam (DE) to comprise longer, more integrated and more in-depth, competency-based business cases to evaluate the learning outcomes in the *Framework*; and, (iii) introducing a two-step process for accrediting universities and granting exemptions from the KIBR Pre-requisite Exams, using a model that reflects a strong and mutually beneficial partnership between the profession and the universities. The activity was delivered in partnership with the Canadian professional organization (CPA Canada) between February and October 2016, during which time numerous meetings were held with the KIBR, MoF, ExC, SKwP and eight universities representing six cities around the country. Final deliverables reflected the input and feedback received from all stakeholders. All required deliverables have been provided to stakeholders in English and Polish, consisting of over 360 pages of documents and more than 325 training slides.
156. A manual of CPD training offerings for Polish statutory auditors was developed: the CPD Manual for the KIBR. This manual: (i) provides practical suggestions of process for KIBR members needs assessments for CPD (consultation-based, seeking for updates on key regulations, application of international best practices); (ii) identifies knowledge sources such as the existing reports (KNF, KNA, KKN, etc.) and other sources of input for wider choice of CPD topics; (iii) suggests specific topics for the next one–two years of CPD offerings and (iv) evaluates adequacy of CPD monitoring and recognition process (including compliance with IES 7 and IES 8, proper recording of members’ annual returns, recognition of different forms of professional development, accreditation of employers, etc.). The project included identification of proposed CPD topics for 2018. Currently (June 2017) CPD offerings in KIBR are already modified in line with the suggestions listed in the report

157. Following the CFRR's visit to Agder University, Kristiansand, the World Bank in Warsaw hosted a dissemination of the Agder case study via video conference link with Norway over three days. The Warsaw audience included representatives from the KIBR (1 person), University of Gdansk (1 person), Norwegian Institute of Public Accountants (1 person), the CFRR/FRTAP team (4 people), and Geir Haaland, author of the case study and a lecturer at Agder University. This is one of only three universities in Norway that teach Descartes and the only university in the world that has a case study linked to the software which it uses in group teaching sessions. Dr Haaland demonstrated the software for the team using the case study (in English).
158. A CFRR conference in Łódź in December 2014, organized in partnership with KIBR, addressed SMPs was attended by 150 people. SMPs in Poland are currently facing many challenges related to the legislation framework, demands by the general public for better quality of services, clients' expectation regarding low prices, competitors, and the impact of new technologies on accounting, financial reporting and auditing. Polish SMPs are still in the process of preparing for the ISA requirements, which are much more rigorous than the previously applicable Polish standards in many areas. The use of Computer Assisted Audit Tools or Generalized Audit Tools seems to be a crucial subject on which audit practices in Poland should concentrate in the coming years. SMPs benefitted from the conference on how to use these modern tools in order to increase efficiency.
159. A second conference supporting SMPs was organized in Łódź in September 2016. 100 participants—mostly practicing auditors, both individuals and from SMPs—and civil servants, discussed the advantages and the role of ISA-based financial audit in the context of public administration and the development of non-audit service offerings.
160. The CFRR supported the activities of the KIBR helpline and, under the project, financed the cost of a consultant working as the members' methodology and knowledge support. The project ran continuously between December 2014 and December 2016. During this period, 244 statutory auditors benefitted from consultations (via emails and telephone). Apart from statutory auditors, consultation users included: audit firms, clients of statutory auditors (including accountants) and candidates for the statutory auditor license. Support to statutory auditors included 441 answers via email and telephone ((284 written consultations, 137 telephone consultations, 18 internal consultations (mainly for the Legal Department of the KIBR) and 2 direct consultations (personal visits of statutory auditors)). Evidence from survey data shows that 91 percent of respondents rated the responses from the consultations as either helpful or very helpful.
161. The CFRR commissioned the training for CPD trainers of the KIBR on "How to teach" between September and December 2016. Two groups of 30 trainers learned how to disseminate knowledge effectively to practicing auditors.



162. The FRTAP project assisted in developing a promotional strategy and materials dedicated to candidates from the auditing profession and promoting the statutory auditor profession.
163. The CFRR organized an auditing course based on the audit software (Descartes) at the University of Łódź for a group of 21 students and 50 university lecturers. The course showcased the modern way of performing financial audits and promoted the usage of professional auditing software among auditing lecturers in universities.

## Expenditure

164. Project expenditure for ISA component activities is summarized below.

**Table 11: Expenditure for the ISA component (in CHF)**

Budget in Amended Project Extension <sup>27</sup>	Cumulative expenditure to December 31, 2016	Unused funds
987,054	895,749	91,305

165. Detailed information on project expenditures against the budget is included in Annex 1.

## Conclusions and lesson learned

166. The key lesson learned from this component is that the project deliverables should be designed such that they will serve as a source of CPE for the foreseeable future. For example, as a result of the “Professional Education for Professional Accountants and Auditors” activity, the KIBR has begun taking ownership of these deliverables and allocating resources to their implementation, most notably by hiring a full-time professional staff member for its Education Centre. The KIBR has recognized the relevance of the *KIBR Framework of Learning Outcomes* across both initial professional development (IPD) and CPE. It has also expressed interest in performing a full Practice Analysis to ensure that the competencies required of candidates reflect the current needs of the profession, regulators, clients, employers, and the public. The ExC has committed to increasing transparency and re-distributing resources to better serve candidates and the profession, by providing some sample exam questions and solutions from the prerequisite exams. Consideration is also being given to publishing an examiner’s report for each Diploma Exam session to advise candidates on general areas of strength and weaknesses in their exam papers. Further, the KIBR has also been identifying the most effective and efficient number of exam sittings that should be held each year to best balance demand and supply, given resource constraints.

<sup>27</sup> Based on the letter with proposed final allocation, dated August 30, 2016



167. These indications of change are encouraging, but perhaps the greatest project success is the new spirit of cooperation among stakeholders. The KIBR and the ExC are now having regular joint meetings to work together and further their collective goals. The KIBR has also scheduled meetings to discuss regulatory concerns with the MoF, and has committed to increasing its efforts to communicate more effectively with universities, the ExC, and the MoF to both provide and seek input on initiatives that are being undertaken. During the final discussions, all parties were united in their goal to move forward in unison and to cooperate on advancing the profession and the university programs in parallel through innovative solutions.
168. In the future, projects of this nature should ensure that: (i) early in the project, all stakeholders have bought into the project's Terms of Reference (and that any major differences of opinion between stakeholders have been documented and discussed); (ii) "difficult" discussions are made as soon as possible to determine what stakeholders really want, what their underlying goals and agendas are, and what they really think of the other stakeholders and their motivations; (iii) all relevant stakeholders are convened in one room as early as possible to witness first-hand the dynamics and to begin breaking down whatever barriers exist; and (iv) ways are found to connect with members of stakeholder groups other than those put forward as the "spokespersons"; appointed project liaisons may not be as prominent in the organizations and may be hesitant to speak up without sufficient effort being made to engage and motivate them. Similarly, the individuals put forward as official representatives of the stakeholder groups may not be those best able to adapt to change.
169. While the project managed to accomplish these tasks by the end of its lifespan, the process would definitely have been smoother if the CFRR had been able to focus more on these items earlier in the project timeline.
170. Some other general comments related to the activity of professional education include the following:
- Translations and interpretations need to be fully incorporated in the project design in terms of time, budgets and quality reviews. Some activities produced significant materials in local and English languages and on several occasions, translations were challenging in terms of ensuring good quality and timely delivery. It is recommended to maintain the same translators and interpreters throughout the project for consistency;
  - Ensuring clarification, in writing, of any potential scope changes and accountability for specific logistical items—whether discussed and agreed verbally or not;
  - It can be difficult to find the appropriate local consultants prior to the commencement of a project. It is important to be aware that "renowned" individuals may sometimes have an alternative agenda and may not be acceptable to all stakeholders. It is therefore important to consider vetting potential names in advance, where possible;
  - All project team members must have sufficient schedule flexibility to adapt quickly to changing project timelines and priorities;

- Using Skype or other communication means on a regular basis helps mitigate potential misunderstandings. However, there is still no substitute for face-to-face meetings, particularly at the beginning of the activity;
- Applying an interactive approach to developing deliverables helps reduce significant review queries from stakeholders, especially for longer documents (recognize, however, the direct impact on increased translation requirements);
- Trying to meet with all stakeholders that the team deems relevant to the project, and not only those identified in the Terms of Reference; and
- Attempting to interpret foreign language statutes is exceedingly difficult, even with good translations available.

## ANNEX 1. CUMULATIVE PROJECT EXPENDITURE BY COMPONENTS FOR THE PERIOD 11TH DECEMBER 2009 - DECEMBER 31, 2016, CHF

	Project Component									Management costs	TOTAL
	1	2	3	4	5	6	7	8	9		
Budget in Amended Project Extension <sup>28</sup>	880690	581653	862818	2541620	776998	192313	217288	1959566	987054	1000000	<b>10000000</b>
Payment claim 1, 11 December 2009 - 31 March 2010	45533	22645	0	23968	5610	0	0	50135	0		<b>147891</b>
Payment claim 2, 1 April - 30 June 2010	11998	947	5078	12115	6384	0	1112	21663	0		<b>59297</b>
Payment claim 3, 1 July - 30 September 2010	25318	4567	0	51288	0	0	828	35959	0		<b>117960</b>
Payment claim 4, 1 October - 31 December 2010	32869	22852	2767	27637	1733	0	6039	29647	0		<b>123544</b>
Payment claim 5, 1 January - 31 March 2011	9478	6058	12407	34387	25585	0	9649	58091	0		<b>155655</b>
Payment claim 6, 1 April 2011 - 30 June 2011	9944	1558	10459	82607	7142	0	7687	103459	0		<b>222856</b>
Payment claim 7, 1 July - 30 September 2011	22260	5832	8996	43491	359	0	4864	17337	4022		<b>107161</b>
Payment claim 8, 1 October - 31 December 2011	20585	1769	7070	105933	2466	342	10680	180380	2637		<b>331862</b>
Payment claim 9, January - 31 March 2012	39997	7258	15916	50139	7079	35624	5389	150987	13814		<b>326203</b>
Payment claim 10, 1 April - 30 June 2012	14767	3820	68670	151003	13844	5080	10739	129015	32053		<b>428991</b>
Payment claim 11, 1 July - 30 September 2012	14787	8795	16489	28676	11414	38159	1362	11630	455		<b>131767</b>
Payment claim 12, 1 October - 31 December 2012	45721	10727	20283	97133	38249	21973	4080	255924	5707		<b>499797</b>
Payment claim 13, 1 January - 31 March 2013	31386	8718	14436	73770	34765	10782	7332	29575	14295		<b>225059</b>

<sup>28</sup> Based on the letter with proposed final allocation, dated August 30, 2016

	Project Component									Management costs	TOTAL
	1	2	3	4	5	6	7	8	9		
Payment claim 14, 1 April - 30-06-2013	56263	33245	43067	177355	41573	18594	7164	217744	7595		<b>602600</b>
Payment claim 15, 1 July - 30 September 2013	42971	1972	9794	36355	29105	6461	6893	41891	36050		<b>211492</b>
Payment claim 16, October - 31 December 2013	19404	9928	11553	105926	71473	13298	588	16920	38341		<b>287431</b>
Payment claim 17, 1 January - 31 March 2014	42772	6704	10140	43560	44394	13245	4637	137151	10462		<b>313067</b>
Payment claim 18, 1 April -30-06-2014	40912	26155	47031	79453	171430	1740	5637	76525	72399		<b>521284</b>
Overheads reallocation CHF for periods 1-18	-65039	-21618	-30907	-136216	-49877	-19088	-12066	-173841	-24325	532977	<b>0</b>
Payment claim 19, July - 31 December 2014	81751	65774	12652	114376	21607	12699	15989	36602	85671	49680	<b>496800</b>
Payment claim 20, 1 January - 30 June 2015	109682	85960	238401	391474	33474	3332	67696	43310	59662	114777	<b>1147766</b>
Payment claim 21, 1 July - 31 December 2015	56361	118183	32311	156168	45297	3105	7781	33341	65967	44939	<b>563455</b>
Payment claim 22, 1 January - 30 June 2016	35375	54747	131559	434935	73844	560	14741	99695	159979	100134	<b>1105568</b>
Payment claim 23, 1 July - 31 December 2016	109075	74755	173435	362914	53099	0	5818	239062	314645	97324	<b>1430127</b>
<b>Total spent</b>	<b>853460</b>	<b>559922</b>	<b>860850</b>	<b>2539138</b>	<b>688112</b>	<b>165888</b>	<b>194625</b>	<b>1840714</b>	<b>895749</b>	<b>937954</b>	<b>9536412</b>
<b>Underspent (-)/Overspent (+)</b>	<b>27230</b>	<b>21731</b>	<b>1968</b>	<b>2482</b>	<b>88886</b>	<b>26425</b>	<b>22663</b>	<b>118852</b>	<b>91305</b>	<b>62046</b>	<b>463588</b>

## ANNEX 2. PROJECT OBJECTIVES, ACTIVITIES, RESULTS AND FUNDS

COMPONENTS 1 and 2: Implementing a public oversight and quality assurance systems for statutory auditors <sup>29</sup>	
<b>Objectives</b>	Foster consensus among stakeholders and support implementation of i) a public oversight system (POS) for auditors; and ii) an external quality assurance system (QAS) for auditors
<b>Activities delivered</b>	<ul style="list-style-type: none"> <li>• Regional activities on Public Oversight Systems, to support efficient implementation of the revised EU legislation in the area of statutory audit and public oversight (covering: workshops, conferences, reports, CoP, study visits).</li> <li>• Review of the oversight system's methodology and work program.</li> <li>• Support provided to the Audit Oversight Commission (AOC) in the fields of: (i) technology; (ii) professional subscriptions; (iii) establishment of the register of third country auditors; and (iv) enhancement of the register of Polish auditors including relevant access rights for the AOC, as well as other activities aimed at raising awareness about AOC activities.</li> <li>• Training and development of tools for members and staff of the AOC based on the earlier needs assessment, and support for the national roll-out of common approaches discussed in the Regional CoP, including knowledge exchange visits and expertise offered to develop tools and methodologies.</li> <li>• Organization of international conferences or workshops on lessons learned from the development of public oversight systems.</li> </ul>
<b>Results</b>	<ul style="list-style-type: none"> <li>• Strengthened capacity of the AOC.</li> <li>• Consensus built in favor of, and support for, POS/QAS implementation.</li> <li>• Roles and responsibilities of relevant institutions clarified.</li> </ul>

<sup>29</sup> While the implementation of a public oversight system and a quality assurance system are each identified as separate project components, they are discussed together for purposes of this report since there is a significant overlap and synergy between the two and individual activities undertaken clearly relate to both components.

	<ul style="list-style-type: none"> <li>Enhanced capacity of POS/QAS staff.</li> <li>International Standards on Auditing and other relevant standards for auditors translated and available to local auditors.</li> <li>AOC became a member of the International Forum of Independent Audit Regulators (IFIAR) and has developed productive relationships with peer institutions in the EU and globally.</li> </ul>			
<b>Summary of quantitative information regarding the output</b>	<ul style="list-style-type: none"> <li>Bank's policy advice on new audit and accounting legislations in Poland</li> <li>4 knowledge exchange visits on audit oversight and QA for FRTAP countries to Switzerland, Norway, Netherlands, France</li> <li>2 knowledge exchange visits for KKN: ICAS and ICAEW, 2013</li> <li>Three conferences on Audit Committees: 450 participants (cumulatively).</li> <li>3 regional workshops for FRTAP countries (PL, SLO, LV, CZ): 28 participants from the KNA, MoF and KKN in Poland</li> <li>1 workshop on legal matters of enforcement - 15 members and staff of KNA</li> <li>Creation of an audit register software and training for KNA secretariat and MoF staff</li> <li>Support for KNA regarding IFIAR membership</li> <li>Report on the QA inspection methodology overview</li> <li>Audit Market Study</li> <li>KIBR Institutional Assessment Study</li> <li>KNA supported in research on implementation of software supporting inspection (Pentana)</li> <li>PR strategy for KNA</li> <li>ICAS audit methodology for SMP: to support ISA implementation by SMPs</li> <li>1 knowledge exchange visit to Institute of Chartered Accountants of Scotland (ICAS): 5 staff from KIBR and KKN (2014)</li> <li>Improving QA system of KKN, based on CAIM and training for 18 staff</li> <li>Program for promotion of statutory audit profession &amp; KIBR communication</li> <li>Translation of IFAC publication "A Framework for Audit Quality" into Polish</li> </ul>			
<b>Funds (CHF)</b>	<b>Allocated</b>	880,690 (C1) 581,653 (C2)	<b>Used</b>	853,460 (C1) 559,922 (C2)

<b>COMPONENT 3:</b> <b>Enhancing the relationship between tax and financial accounting</b>				
<b>Objectives</b>	<ul style="list-style-type: none"> <li>Assist policymakers in reviewing and optimizing the tax accounting system in place—specifically, the degree of interdependence between tax and financial accounting.</li> <li>Enhance the capacity of tax authorities in implementing the reforms resulting from policy choices.</li> </ul>			
<b>Activities delivered</b>	<ul style="list-style-type: none"> <li>Analytical report completed by the World Bank, with the assistance of international and local experts, prepared on a participatory basis involving all stakeholders. The results have stimulated informed responses on the part of those concerned, and facilitated public debate as an input to policy actions. The objective of the report was to assess advantages and disadvantages of the current relationship (or lack thereof) between financial and tax accounting in Poland and to make recommendations to enhance the effectiveness and efficiency of the tax accounting system.</li> <li>Classroom training (including case studies) in relation to training of tax inspectors.</li> </ul>			
<b>Results</b>	<ul style="list-style-type: none"> <li>Recommendation of updates of law in the area of financial reporting, auditing, accounting standards, etc.</li> <li>Improved use of financial information by tax authorities as a result of set of trainings – strengthening capacity of more than 3 thousand of tax inspectors.</li> <li>Training of trainers: building sustainability of the project in tax administration; a group of tax administration trainers was trained to disseminate the knowledge further.</li> </ul>			
<b>Summary of quantitative information regarding the output</b>	<ul style="list-style-type: none"> <li>Tax and Accounting Study: Enhancing the relationship between tax and financial reporting in Poland (in partnership with PwC and Mazars)</li> <li>Pilot training of Tax Inspectors, April - June 2014, 6 modules, 50 participants</li> <li>Training of Tax Inspectors, April - June 2015, 5 modules, 2165 participants</li> <li>The training of Tax Inspectors, April - December 2016, 2 modules, 3030 participants</li> <li>Two groups of trainers among tax inspection staff, for 50 future trainers</li> </ul>			
<b>Funds (CHF)</b>	<b>Allocated</b>	862,818	<b>Used</b>	1,968

**COMPONENT 4:****Institutional capacity building regarding financial reporting and raising awareness of International Public Sector Accounting Standards (IPSAS)**

<b>Objectives</b>	Capacity building for IFRS implementation.
<b>Activities delivered</b>	<ul style="list-style-type: none"><li>• Development and delivery of training programs tailored to needs of the respective stakeholder groups, i.e.:</li><li>• A foundation IFRS course covering the conceptual framework and the standards followed by regular updates (delivered in Polish language in Warsaw and other cities).</li><li>• An advanced IFRS course followed by regular updates covering topical issues based on practical examples, and issues that may be of interest in the context of the modernization of Polish accounting standards.</li><li>• Training on specific sector accounting requirements (e.g., banks, co-operatives, insurance, etc.) based on national accounting standards and drawing on international accounting developments to address the specific needs of civil servants, financial sector regulators, auditors and companies.</li><li>• 6 annual IFRS conferences for all national stakeholders and support for their meaningful involvement in, and pro-active approach to, the IFRS setting process.</li><li>• A regional training and knowledge-sharing program (Community of Practice) to address sector-specific needs, including those of the Financial Supervision Authority.</li><li>• Advanced IFRS updates for financial regulators (existing and new standards and interpretations, monitoring and enforcement techniques, relationship with prudential reporting, work of the CESR, CEBS, and CEIOPS).</li><li>• Support to institutionalized IFRS enforcement mechanisms through enhancement of existing methodology and tools.</li><li>• Support in providing high quality Polish versions of international standards in the area of financial reporting and auditing.</li><li>• The deliverables under public sector accounting sub-component which commenced in late 2014 included: (i) an IPSAS gap analysis report which compared the Polish public sector accounting regulations with IPSAS and provided main policy options for the further development of government accounting and financial reporting in Poland; (ii) comprehensive IPSAS training for 3 groups of 90 senior public sector accountants and officials; (iii) preparation of IPSAS training in e-learning mode; (iv) four knowledge exchange events on the implementation of public sector accounting standards in</li></ul>



	<p>selected countries; (v) support in preparing a questionnaire for a survey of IT systems used for budget reporting and accounting across the public sector; (v) ad hoc expert advice (followed by two analytical notes), workshops on developing a unified chart of accounts, budget classification for the public sector as well as the public financial management IT infrastructure in conjunction with the government plan for the budget system reform announced in July 2016; and, (vi) preparation of a paper including options for IPSAS adoption in Poland.</p>
<b>Results</b>	<ul style="list-style-type: none"> <li>• Knowledge and skills to monitor and enforce the application of IFRS among financial sector regulators staff enhanced.</li> <li>• The implemented activities contributed to improving a sustainable monitoring process of the regulated entities' financial reporting by the Polish financial regulators.</li> <li>• Increased capacity of preparers of financial statements developed through the series of IFRS training activities and annual conferences.</li> <li>• Greater awareness of IFRS standard setting process (through EFRAG meetings) and increased impact of Polish stakeholders in this process.</li> <li>• Training of trainers: building project sustainability for IFRS reporting; a group of trainers and university teachers were trained to disseminate the knowledge further</li> <li>• The activities also contributed to increased knowledge of IPSAS and the best international practice in the implementation of public sector accounting reforms among participants, mainly MoF staff. The training, IPSAS gap analysis, workshops, and analytical notes helped raise awareness about the scope of financial reporting in the public sector and the importance of engagement in policy dialog in the ongoing agenda on EPSAS development.</li> </ul>
<b>Summary of quantitative information regarding the output</b>	<ul style="list-style-type: none"> <li>• IFRS and IPSAS trainings, workshops, courses: 4,960 people including accountants, auditors, university teachers, civil servants, regulators and students</li> <li>• Update of the IPSAS training materials with adaptation to e-learning modules</li> <li>• Six editions of the annual IFRS conference between 2011 and 2016 for 880 participants</li> <li>• Two EFRAG outreach event, 18 IFRS community of practice:1300 participants</li> <li>• IPSAS Gap Analysis Report</li> </ul>

	<ul style="list-style-type: none"> <li>• Translation software – TRADOS</li> <li>• A comparison of the Polish Public Sector Generally Acceptable Accounting Principles (GAAP) with IPSAS, May 2015, and additionally <i>lex specialis</i></li> <li>• Public Sector Accounting &amp; Fin. Reporting Policy Note – December 2015</li> <li>• Four knowledge exchange visits to Switzerland, Austria, France, Portugal covering accounting and budgetary aspects of public sector reform: May-June 2016, 28 MoF staff</li> <li>• Input into public sector accounting reform action plan: to be prepared by MOF</li> <li>• Comprehensive IPSAS training to 3 groups in 2015 and 2016 for 90 participants</li> <li>• IPSAS e-learning for further dissemination by the MoF December 2016</li> <li>• Workshops and technical discussions on modern budget classification and chart of accounts, IT solutions, in the context of the budget system reform: November- December 2016 for 60 people</li> </ul>			
<b>Funds (CHF)</b>	<b>Allocated</b>	2,541,620	<b>Used</b>	2,539,138
<b>COMPONENT 5:</b> <b>Regulatory Framework</b>				
<b>Objectives</b>	This activity aimed at supporting policymaking in the area of accounting and auditing. It involved (i) research of financial reporting issues to feed into policymaking activities (ii) providing hands-on technical assistance to assist in the development of enhanced capacity to carry out certain regulatory activities.			
<b>Activities delivered</b>	<p>Analytical reports prepared by the World Bank, with the assistance of international and local experts, on a participatory basis involving all stakeholders. The results have supported responses on the part of those concerned, and facilitated public debate as input to policy actions. The final reports are also published on the World Bank website.</p> <p>Background training was also conducted in the form of workshops on the functioning of capital markets in Poland, and the implications on the accounting and auditing market, for staff responsible for relevant law drafting and AOC staff (EFRAG outreach events).</p>			

<b>Results</b>	Increased capacity of account regulators in Poland through development of analytical reports, through training and knowledge exchange visits. As a result, these deliverables and knowledge are being used as a basis in the process of drafting the newest legislation regarding financial reporting, accounting and auditing and are used in the MoF's strategy.			
<b>Summary of quantitative information regarding the output</b>	<ul style="list-style-type: none"> <li>• Delivery of five studies to support the KSR National Accounting Committee: <ol style="list-style-type: none"> <li>1. Stocktaking of materials, goods and products</li> <li>2. Fixed Assets</li> <li>3. Recognition, valuation and presentation of perpetual usufruct of land</li> <li>4. Agriculture activities</li> <li>5. Public-Private Partnership contracts (recognition, measurement and presentation of assets and liabilities)</li> </ol> </li> <li>• Accounting Market Study Report</li> <li>• Review of Polish and International Accounting Standards in Scope of Financial Instruments</li> <li>• Study on Accounting Regulation for Business Combinations</li> <li>• Accounting Vouchers and Principles of Bookkeeping: Expectations in 21st Century</li> </ul>			
<b>Funds (CHF)</b>	<b>Allocated</b>	776,998	<b>Used</b>	688,112
<b>COMPONENT 6</b> <b>Monitoring and evaluation</b>				
<b>Objectives</b>	Updating the Accounting and Auditing Report on the Observance of Standards and Codes (ROSC A&A)			
<b>Activities delivered</b>	The Polish FRTAP was developed on the basis of recommendations of the 2002 and 2005 ROSC A&A assessments. An updated assessment was undertaken near the end of the project, resulting in an updated report which is publicly available on the WB ROSC A&A website <sup>30</sup> or the CFRR website <sup>31</sup> .			

<sup>30</sup> [http://www.worldbank.org/ifa/rosc\\_aa.html](http://www.worldbank.org/ifa/rosc_aa.html)

<sup>31</sup> <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/EXTCENFINREPREF/0,,contentMDK:21569478~menuPK:7356128~pagePK:64168445~piPK:64168309~theSitePK:4152118,00.html>

<b>Results</b>	<p>Stakeholders benefit from objective monitoring and evaluation of the reform process, and the status of financial reporting in Poland, through regular project progress reports and ROSC A&amp;A.</p> <p>The updated ROSC was published, confirming Poland's significant progress, and setting out further policy recommendations to enhance the implementation of the EU <i>acquis communautaire</i> in corporate financial reporting in Poland, thereby helping the country to develop sustainable solutions.</p>			
<b>Funds (CHF)</b>	<b>Allocated</b>	192,313	<b>Used</b>	165,888
<p style="text-align: center;"><b>COMPONENT 7:</b></p> <p style="text-align: center;"><b>Specialized English Language and Communications Training for Financial Reporting Experts</b></p>				
<b>Objectives</b>	<p>This activity was specifically designed to increase the capacity of Polish policymakers to participate effectively in European and international policymaking arenas, including being able to make their case persuasively, and to increase the sustainability of the project's achievements.</p>			
<b>Activities delivered</b>	<ul style="list-style-type: none"> <li>• Completion and dissemination of a glossary of financial reporting terms in Polish, taking into account existing materials (including those prepared in the course of translating IFRS and ISA).</li> <li>• Delivery of general English training for those participants who require special assistance before advancing to the specialized course, over the project's lifespan.</li> <li>• Delivery of specialized training in financial reporting English and provision of training in other European languages. The purpose was to strengthen the communication capacities of staff that participates in various events or activities of international cooperation on accounting and auditing issues; this helped enhance cooperation with other countries or international organizations in the accounting standard-setting process.</li> </ul>			
<b>Results</b>	<p>The component supported learning and knowledge sharing activities which contributed to increased capacity of Polish policymakers, regulators and staff from the MoF to communicate effectively in international fora. Participants acquired or increased their accountancy-related linguistic capacity.</p>			

<b>Summary of quantitative information regarding the output</b>	<ul style="list-style-type: none"> <li>• Duration of training workshop: 13 semester courses from October 2010 to December 2016;</li> <li>• Number of participants benefitted: 35.</li> </ul>			
<b>Funds (CHF)</b>	<b>Allocated</b>	217,288	<b>Used</b>	194,625
<b>COMPONENT 8:</b> <b>Adoption and Implementation of International Standards on Auditing (ISA)</b>				
<b>Objectives</b>	<p>The purpose of this activity was to achieve among statutory auditors and audit firms, those responsible for conducting external quality assurance inspections, members of the AOC and relevant staff at the Ministry of Finance in Poland, a broadly based and in-depth understanding of ISA and their application in practice with the objective of supporting high quality implementation of the “clarified” ISA.</p>			
<b>Activities delivered</b>	<ul style="list-style-type: none"> <li>• Providing specific ISA training for AOC and KIBR inspectors at the international level, including workshops organized in collaboration with the IFIAR.</li> <li>• Forming the Regional Community of Practice to exist through the project’s lifespan, and possibly beyond its duration, assuming another source of funding is secured, to keep the training materials continuously updated in light of EU and international developments, and to learn lessons from the roll-out of both ISA and the training program at the national level.</li> <li>• Delivering general ISA training at the national level to all practicing statutory auditors and other stakeholders. The training was delivered in Polish, in several key cities across Poland over the Project implementation period.</li> <li>• Delivering the issue-specific ISA training (including use of the auditing software) at the national level. Training was delivered in Polish in several key cities across Poland over three years</li> </ul>			

	<ul style="list-style-type: none"> <li>• National training courses were, and should be, updated on a periodic basis to take account of the developments at the regional level, and also to take account of the lessons learned during the initial application of ISA in practice, including feedback from individual auditors and audit firms, the Chamber of Auditors, and the Audit Oversight Commission.</li> <li>• The curriculum, training materials, and other resources developed during the course of the project were packaged in a way which permits their transfer to a local institution for ongoing maintenance and training delivery once project funding is no longer available.</li> <li>• Developing and delivering training on non-audit activities (financial business advisory services) for small and medium sized audit practices.</li> </ul>
<b>Results</b>	<ul style="list-style-type: none"> <li>• The project played a key role in the ISA migration process in Poland, dissemination knowledge about ISA, and promoting good quality audits based on ISA among auditors, resulting in improved quality of audits in general.</li> <li>• Practitioners, regulators, MoF and other relevant staff received comprehensive training and were exposed to the international audit practice and regulatory scene.</li> <li>• The project made it possible for a large number of practitioners to apply ISA in their work.</li> <li>• Further, the project provided the knowledge and means to regulators and standard setters to comply with the <i>acquis</i>.</li> <li>• ISA training for KIBR QA inspectors.</li> </ul>
<b>Summary of quantitative information regarding the output</b>	<ul style="list-style-type: none"> <li>• <b>ISA Comprehensive training</b> for practicing auditors (including apprentices), civil servants, regulators, April 2011- April 2015: <b>4</b> modules over <b>6</b> days, <b>129</b> groups (of approximately <b>30</b> participants each), <b>17</b> cities: total of <b>10845</b> attendees in all modules; approximately <b>3750</b> auditors trained</li> <li>• <b>ISA in practice training</b> for practicing auditors, civil servants, regulators, June 2016 – December 2016: <b>3</b> days, <b>31</b> groups (of <b>20</b> participants each), <b>10</b> cities: approximately <b>630</b> auditors trained</li> <li>• <b>Non-audit services training</b> covered the following 7 modules: <ul style="list-style-type: none"> <li>- Assurance (attestation) on CSR reports</li> <li>- Valuation services</li> <li>- Assurance services other than fin. statement audit or review and other services</li> <li>- ISAE 3400 and ISAE 3402 assurance reports</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>- Audit of plan for legal change of entity and sole trading into legal person and the other way round</li> <li>- Audit of EU grant projects and other financed by the public grants (e.g. PFRON)</li> <li>- Review of the financial statement as per ISRE 2400</li> <li>- <b>2</b> days each, <b>25</b> groups (of <b>30</b> participants each), <b>5</b> cities: approximately <b>750</b> people trained: auditors, civil servants, regulators</li> <li>• Translation of IFAC publications “<i>Guide to Review Engagements</i>” and “<i>Guide to Compilation Engagements</i>”</li> <li>• Train the trainer for ISA trainers: Practical case based on ICAS materials for quality audit procedures for SMP: <ul style="list-style-type: none"> <li>- <b>2</b> groups (approximately <b>30</b> people each), 1 and 2 days training: June, November 2016</li> </ul> </li> <li>• Conference supporting Small-and Medium-Sized Audit Practices (SMP) –ISA audit in the context of public administration, Łódź, September 2016: 100 participants including auditors, civil servants</li> </ul>			
<b>Funds (CHF)</b>	<b>Allocated</b>	1,959,566	<b>Used</b>	1,840,714
<b>COMPONENT 9:</b> <b>Continuing Education for Accounting Professionals</b>				
<b>Objectives</b>	The component was designed to facilitate the delivery of high-quality continuing education to members of the National Chamber of Statutory Auditors and of the Association of Accountants in Poland, to monitor members’ compliance with their initial and continuing education requirements, and to encourage the mutual recognition of continuing education courses provided by both bodies (so as to reduce disproportionate burdens on individuals who are members of both bodies).			
<b>Activities delivered</b>	<ul style="list-style-type: none"> <li>• Process started to develop an e-learning platform, including consultations with stakeholders to identify technical needs, facilitation of discussions (including drawing on experience in other countries) to reach agreement on technical specifications, guidance and assistance with the procurement of the IT system specified, and support for the roll-out process.</li> <li>• A review of the curriculum and quality assurance/authorization procedures for the continuing education programs of the Chamber and the Association was completed, consultations with stakeholders to agree on the details of the review were held.</li> </ul>			

	<ul style="list-style-type: none"> <li>• A review was conducted on a participatory basis, which involved discussions and submission of a report and recommendations, and facilitated consultations with stakeholders (including drawing on experience in other countries) to agree on the steps to be taken to implement the recommendations, together with support for implementation.</li> <li>• Continuous support, enhancing discussion among stakeholders, providing consultations regarding possible development of core continuing education course offerings of interest to members of both the Chamber and the Association, consultation-based needs assessments, mobilization of the best EU and international practice, and support for implementation.</li> <li>• Development of strategy for CPD offering for KIBR.</li> <li>• Support to KIBR in designing, developing and promotion of the help-desk for auditors.</li> <li>• Support to the Chamber and the Association (and possibly universities) in developing Initial Professional Development curriculums and courses.</li> </ul>
<b>Results</b>	<ul style="list-style-type: none"> <li>• Existing CPE arrangements reviewed and specific recommendations to upgrade the system delivered to ensure compliance with relevant international requirements.</li> <li>• Process to develop e-learning platform started and brought to the roll-out phase.</li> <li>• Process seeking the unification of CPE arrangements and mutual recognition arrangements involving both professional bodies started to ensure compliance of the CPE system with the relevant international requirements.</li> </ul>
<b>Summary of quantitative information regarding the output</b>	<ul style="list-style-type: none"> <li>• Knowledge exchange visit to Ireland for 6 staff from the MoF, KIBR and SKwP on e-learning, development of IPD and CPD, supervising the work of the professional bodies: June 2012</li> <li>• Promoting of usage of audit software: working with KIBR and universities on Descartes</li> <li>• Conference supporting Small-and Medium-Sized Audit Practices (SMP), Łódź, December 2014, <b>150</b> participants (certified auditors)</li> <li>• Introduction of the help-line for KIBR members: <b>420</b> consultations between December 2014 – November 2016</li> <li>• Train the trainer for CPD trainers “How to teach”: 2 groups, <b>30</b> people trained between September – December 2016</li> </ul>



	<ul style="list-style-type: none"> <li>• Review and adjustments to existing IPD curricula for candidates to the profession (applicants for auditors), developing competency based framework</li> <li>• Auditing course based on the IT (Descartes) at the University of Łódź: <b>21</b> students and <b>50</b> university teachers</li> <li>• Technical assistance for KIBR: identifying IT educational and communication platform for relevant, future activities and member services (Electronic Communication Platform EPK)</li> <li>• Development of <b>CPD Guide for KRBR</b></li> <li>• <b>CPD topics</b> research and proposal for 2018</li> <li>• Assistance in developing <b>promotional materials</b> dedicated to the candidates to become professional auditors and promoting the statutory auditor profession</li> <li>• Development of <b>CPD QA Manual</b> - guidance for Training Commission when organizing and supervising obligatory trainings</li> </ul>			
<b>Funds (CHF)</b>	<b>Allocated</b>	987,054	<b>Used</b>	895,749

## ANNEX 3. INFORMATION ON THE PROJECT OUTPUTS AND OUTCOMES

### Detailed quantitative and qualitative description of outputs

Output	Indicator	Baseline	Target	Achieved	Achieved/ Target (%)	Analysis <sup>32</sup>
Introduction of IT tools supporting auditing and financial reporting in Poland, including: register of auditors; IT tool to improve inspection efficiency and effectiveness; IT for small and medium sized auditors to improve efficiency and effectiveness of audits; IT tool for translations; E-learning platform	Number of IT products delivered	0	5	4	80%	The project was able to deliver register of auditors, IT tool for translations (Trados), education platform of KIBR and audit market monitoring tool for KNA. Originally envisaged to acquire and adapt the audit quality assurance software Pentana, and for KIBR to deploy Descartes software for use by its auditors; both initiatives were not possible to realize during the project, however CFRR initiated ISA courses at universities to make best use of the effect achieved during the works on Descartes. Development of e-learning platform, including consultations with stakeholders to identify technical needs, facilitation of discussions (including drawing on experience in other countries) to reach agreement on technical specifications, guidance and assistance with the procurement of the IT system specified, and support for the roll-out process. Although e-learning could still be developed further, it is currently fully functional and is containing many useful features, including: the platform is available on different devices: mobile and fixed; the search engine - allowing simple, intuitive and fast access to materials available on the platform; electronic versions of documents that can be completed by the website users, which is a significant improvement of communication; individual accounts have been established for the candidates, statutory auditors and audit companies; integration with the Register system - the users logging to their individual accounts; new functionalities: e-Biblioteka [e-Library], e-Księgarnia [e-Bookshop]; new version of the administration panel that facilitates significantly the work of the KIBR employees operating the platform.

<sup>32</sup> In particular analysis of deviations from target values, incl. specifying reasons for the deviations and influence on the outcomes

Output	Indicator	Baseline	Target	Achieved	Achieved/ Target (%)	Analysis <sup>32</sup>
Review of the quality inspection methodology for KIBR quality controls and KNA inspections	Number of quality inspection methodology reviewed and updated	0	1	1	100%	The methodology was updated to the requirements of the new audit legislation and delivered to KKN (completed review of the quality assurance programs i.e. ISQC 1 and ISA). KNA will be able to use this methodology KNA's system for quality assurance review. Additionally, the "Report on current situation of public oversight and quality assurance activities". This report summarized the existing status of quality assurance methodology of entities responsible for public oversight and quality assurance activities of the audit profession in Poland.
Elaboration of the reports, which amongst others, cover the following issues: Comparative study on professional bodies functioning in other countries; Manual on QA for small practitioners; Tax and accounting report; Market study A; Market study B; Analysis for the Accounting Act; Accounting manual for micro entities; IPSAS gap analysis; Comparative study on CPD programs; Advice on establishment of IFRS input coordination; A&A ROSC report	Number of reports delivered to the MoF	0	11	22	200%	The list of reports include: accounting market study; review of inspection methodology; QA manual of ICAS, IPSAS gap analysis; report on tax and accounting; ROSC; audit market study; KIBR institutional assessment; compendiums of accounting; finance and banking; stocktaking of materials; goods and products; report on fixed assets; recognition, valuation and presentation of perpetual usufruct of land; report for planned standard for agriculture activities; Public-Private Partnership contracts (recognition, measurement and presentation of assets and liabilities); review of Polish and International Accounting Standards in Scope of Financial Instruments; study on accounting regulation for business combinations; accounting vouchers and principles of bookkeeping - expectations in 21st Century; report on professional education for professional accountants and auditors; CPD manual for KIBR; report on new chart of accounts in public sector accounting; report on budgetary classification and budgetary process, report for KKN.

Output	Indicator	Baseline	Target	Achieved	Achieved/ Target (%)	Analysis <sup>32</sup>
Organization of workshops, conferences and training including: Auditing conferences; IFRS conferences; Workshops/CoP on oversight system and quality assurance; Workshop on tax and accounting; IFRS workshops/CoP; Workshops / courses on specialized financial reporting English	Number of conferences and workshops organized	0	30	46	153%	The list includes: 6 IFRS conferences, 4 IFRS educational workshops, 18 IFRS community of practice, 2 joint EFRAG events, 3 audit committee conferences, 2 Public oversight CoP, 1 KIBR conference on scalability of ISA, 1 Corporate Social Responsibility (CSR): "Increasing value through non-financial capitals - How to benefit from the incoming legislation on non-financial reporting", 1 2-day training, which was also designed to further support adopting a new quality assurance methodology (KKN), 1 technical workshop: "Transition to a modern budget classification and public accounting system as part of a comprehensive budget reform in Poland", 1 Bank experts organized a workshop regarding state budget reform process for representatives of various departments of Ministry of Finance involved in state budgeting process, four IFRS training for the Polish Financial Supervision Authority (KNF), two workshops of Professional Education for Professional Accountants and Auditors
Training courses for auditors: ISA general course; ISA in practice course; non-audit service course	Number of training participants in ISA standards / financial business advisory (non-audit) activities	0	500 0	5813	116%	The list of trainings included: ISA general set of courses, Descartes training at university, "ISA in practice", ISA for academic teachers, two conferences supporting SMPs, Training of trainers in ISA, Non-audit services training program
Training courses for target audience covering: Financial reporting course for tax inspectors; IFRS comprehensive and advance course; IFRS update course; IFRS for applicants course; IPSAS comprehensive course; CSR training	Number of training participants in the area of IFRS and IPSAS	0	200 0	8120	406%	The list of trainings included: set of comprehensive and advanced IFRS trainings, IFRS training for tax inspectors, IFRS trainings for advanced candidates (students), a set of IFRS trainings for professional inspectors from Polish Financial Supervision Authority (KNF).

## Detailed quantitative and qualitative description of outcomes

Outcome	Indicator	Baseline	Target	Achieved	Achieved/ Target (%)	Analysis <sup>33</sup>
Increased competences of Polish auditors in terms of knowledge of regulations and the best practices on auditing.	% of practicing auditors who participate in project events	0	70%	97%	139%	The range of workshops, trainings, conferences and other activities attracted almost 100% of practicing auditors in Poland. Participants at each training and event are counted separately, so it was possible for one person to take part in multiple events and be counted several times.
Increased competences of Polish stakeholders in terms of knowledge of regulations and best practices on financial reporting.	% of change of stakeholders knowledge expressed in perception surveys	0	25%	25%	100%	The assessment of this indicator is on the basis of the feedback from stakeholders, however no formal survey was done in the end of the project.
Increased efficiency of small and medium sized audit firms (due to enhanced use of software)	% of auditors attending ISA in practice course who haven't used any audit software and who declared to move from paper documentation to audit software by recording the number of licenses issued	0	20%	69%	345%	According to KIBR, almost 70% of practicing auditors are using different audit software. Although the increase in popularity of the audit software during the lifetime of FRTAP cannot be entirely contributed to the Program, the activities of FRTAP heavily promoted usage of software. CFRR worked with the KIBR to promote the wide implementation of the Descartes Audit Software System among Polish auditors. This system, supported by the Norwegian Institute (DnR) and its technology partner Bouvet, has been used successfully in Norway for several years. FRTAP supported some initial costs related to disseminating knowledge among auditors about the system as well as presentations and study visits to Norway and to Poland to encourage wider adoption of the audit software-based methodology. DnR delivered two FRTAP supported “training of trainers” workshops. These activities included the preparation of training materials and the delivery of five days training to six trainers, who will act as local trainers to users or potential users of Descartes.

<sup>33</sup> In particular analysis of deviations from target values, incl. specifying reasons for the deviations and influence on the impact

Outcome	Indicator	Baseline	Target	Achieved	Achieved/ Target (%)	Analysis <sup>33</sup>
Increased effectiveness of quality controls run by KKN	% of quality controls and inspections carried out in accordance with the updated methodology	0	100%	0%	0%	<p>CFRR provided its technical assistance and relevant training in the process of updating the new methodology based on ISA. The timing of delivery of the methodology (2nd half of 2016) did not allow to run QA controls based on this new methodology. The following actions improving the effectiveness of quality control run by KKN have been accomplished under FRTAP: completed review of the quality assurance programs (i.e. ISQC 1 and ISA, in the 4th quarter of 2016 ) to be used in KNA's system for quality assurance review. The project involved: (i) developing a review program for assessing audit firms' quality controls together with related guidance based on Common Audit Inspection Methodology (CAIM's ISQC1); (ii) amending the guidance for specific Polish requirements; (iii) developing guidance for use by KNA reviewers, including a glossary and some explanation of the core concepts under each of the key requirements of ISQC1; and (iv) developing a review program for assessing whether audits have been conducted in accordance with the requirements of ISA together with related guidance.</p> <p>The Bank developed and delivered a training workshop to 18 KNA participants on December 6 and 7, 2016. The training workshop covered the following key areas: (i) the objective of Quality Assurance over the Statutory Auditors' work; (ii) what the risk-based approach to Quality Assurance means; (iii) assessment of Internal Quality Control at the Firm Level (Using the CAIM ISQC 1 Methodology); and (iv) assessment of individual audit engagements and compliance with ISA.</p> <p>KIBR is using the legacy of FRTAP and is continuing its work on revised QA and it is believed that this system will be fully functional and would be used in the next reporting cycle.</p>
Increased institutional capacity of regulators in the area of financial reporting and auditing	Number of report suggestions and recommendations considered for implementation	0	20	26	130%	<p>Recommendations are coming mostly from tax and accounting report and ROSC report, but also from accounting market study, audit market study and IPSAS gap analysis.</p>

Outcome	Indicator	Baseline	Target	Achieved	Achieved/ Target (%)	Analysis <sup>33</sup>
Increased knowledge on financial reporting and auditing amongst participants of conferences / workshops	% of conferences / workshops participants who report that the events are relevant and useful in their day-to-day job, as well as that their knowledge has increased by more than 25%	0	50%	76%	152%	Results based on the results of the surveys for participants of FRTAP conference, workshops and trainings.
Increased knowledge on international standards and best international practices in the area of auditing amongst training participants	% of auditors who report that training is relevant and useful in their day-to-day job, as well as that their knowledge has increased by at least 25%	0	60%	75%	125%	Results based on the results of the surveys for participants of FRTAP conference, workshops and trainings.
Increased knowledge on international standards and best international practices in the area of financial reporting amongst training participants	% of IFRS training participants who report that training is relevant and useful in their day-to-day job, as well as that their knowledge has increased by at least 25%	0	60%	80%	133%	Results based on the results of the surveys for participants of FRTAP conference, workshops and trainings.





