69365

REPORT ON THE OBSERVANCE OF STANDARDS AND CODES (ROSC)

ACCOUNTING AND AUDITING

» REPUBLIC OF TAJIKISTAN

2009

THE WORLD BANK
CENTRE FOR
FINANCIAL REPORTING REFORM

Praterstrasse 31
1020 Vienna · Austria
T: +43 (0)1 2170-700
F: +43 (0)1 2170-701
cfrr@worldbank.org
www.worldbank.org/cfrr

REPORT ON THE OBSERVANCE OF STANDARDS AND CODES (ROSC)

REPUBLIC OF TAJIKISTAN

ACCOUNTING AND AUDITING

December, 2009

Table of Contents

Executive Summary

This report describes the results of a ROSC assessment of the accounting, financial reporting and auditing requirements and practices of the Republic of Tajikistan's enterprise and financial sectors. The report uses International Financial Reporting Standards and International Standards on Auditing as benchmarks, and draws on international experience and good practices in the field of accounting and audit regulation, to assess the quality of the Tajik financial reporting framework and make policy recommendations for improvement. [1]

The Republic of Tajikistan is governed by a President and two legislative assemblies: a Council of Representatives (lower house) and a National Council (upper house). With a gross national income per capita of US$430, Tajikistan remains the poorest country in the former Soviet Union.

Despite various reforms over the past several years, the business climate still lags behind other transition countries. Compared to other economies in the region, Tajikistan continues to rank low on most of the "Doing Business" indicators.[2] Tajikistan ranked number 159 globally in the ease of doing business, according to the *Doing Business 2009* report. Many of the country's problems stem from the 1992-1997 civil war, which so damaged the country's economic infrastructure that it precipitated a sharp decline in industrial and agricultural production. Although there has been moderate domestic growth since 1997, real output is currently just over 50% of the 1989 level.

The Republic of Tajikistan's small financial system is dominated by a few banks. The level of financial activity is among the lowest in the world, with Tajik lending amounting to merely 7.1% of GDP in 2007. Surveys suggest that more than 80% of the country's small to medium-sized enterprises do not use the banking sector for either deposits or financing.

The Republic of Tajikistan needs to improve and strengthen its corporate financial reporting system to ensure that public interest entities, such as banks and state-owned entities, become more accountable and transparent. The rest of the private sector too needs to improve its financial reporting. To achieve both objectives, the country needs enhanced accounting, disclosure and auditing regulations, more power for regulators and professional bodies to enforce accounting and auditing regulations and more extensive, practical and continuing professional education. All of this should be done without adding excessive regulatory burdens on medium-sized, small and micro entities.

The Republic of Tajikistan should consider rethinking its stated objective of having all of its businesses move to International Financial Reporting Standards by 2010. International Financial Reporting Standards were designed for sophisticated, publicly accountable enterprises. Small and medium-sized enterprises, on the other hand, need simpler accounting regulations and standards, such as the national Tajik accounting standards now in place. Those regulations will, however, need further development and enhancement.

It is also clear that regulators need to more actively enforce accounting and disclosure standards for general purpose financial statements for all entities. To achieve this objective, it is essential that regulators receive special training that teaches them how to conduct progressive and balanced enforcement. Financial information for companies, public or private, is seldom publicly available. When it is, the information generally includes only a

[1] This report was prepared based on the findings of a diagnostic review carried out in the Republic of Tajikistan by a team from the World Bank in November 2008. The team was led by Pascal Frèrejacque (ECCAT) and included Andrei Busuioc (ECCAT). The review involved the participation of various stakeholders of corporate financial reporting in the country.

[2] The World Bank *Doing Business* project provides objective measures of business regulations and their enforcement across 181 economies.

balance sheet and a profit and loss statement. Neither companies nor regulators make full financial statements, including notes, available to the public. Disclosure requirements are confusing at best, and should not only be clarified but also enforced.

Although the Ministry of Finance supervises and enforces licensing requirements for auditors, it does not review the quality of their work. Therefore, even though the country's Audit Law prescribes a quality assurance system, none is in place. Moreover, the audit profession is not governed by a professional body of its own. The country's largest professional body is the Public Institute of Professional Accountants and Auditors of the Republic of Tajikistan, which was created as a training organization for the CAP-CIPA program under a USAID project.[3] Only 20 institute members are auditors, while there are approximately 200 licensed auditors in the Republic of Tajikistan.

Professional education and training for both accountants and auditors has been somewhat successful but needs further support. The fact that 290 Certified Accountant Practitioners and 10 Certified International Professional Accountants trained by the Public Institute of Professional Accountants and Auditors of the Republic of Tajikistan have graduated demonstrates the initial success of the CAP-CIPA initiative. But the government, professional training organizations and universities need to work together to follow up on this initiative and provide the means to educate more accountants and retrain existing professionals to take on the challenges of the current economic environment. The Ministry of Finance, in particular, should encourage auditors to acquire international accounting qualifications and, over the longer term, raise professional education requirements for auditors. More generally, the Ministry of Finance may want to promote the CAP-CIPA initiative as one of the key factors of success for developing a critical mass of accountants with a good command of modern accounting.

Core Recommendations of This Report

This report makes ten detailed recommendations aimed at strengthening the financial reporting framework of the Republic of Tajikistan.

A typical reform path would start with modifying the legal framework as recommended below. This would be followed by fully implementing existing laws, such as the Audit Law, which contains provisions that have not yet been implemented. Next, the legal framework needs to be strengthened and the institutions required by the various laws must be established. The capacity of existing institutions for fulfilling their mandates also needs to be assessed and, if found lacking, that capacity needs to be enhanced. This could be accomplished by providing the required human and financial resources identified in the institutional assessments, and by developing suitable training in cooperation with similar but more advanced institutions. Another priority is to enhance the country's accounting education and training. Finally, it is important to monitor and evaluate the success of implementing the different reform components. To achieve this type of reform, the Tajik authorities will need to find technical and financial resources for implementing the following recommendations; the World Bank would be happy to assist in this process.

This report recommends the following steps:

In the short term (one to two years):

- The Republic of Tajikistan should redesign its accounting framework for three types of entities: (i) public interest entities applying International Financial Reporting

[3] A project sponsored by the United States Agency for International Development (USAID) to help students attain the Certified Accounting Practitioner (CAP) or Certified International Professional Accountant (CIPA) designation.

Standards, (ii) small and medium-sized enterprises applying national accounting standards and regulations and (iii) micro entities having to meet only simplified tax and statistics requirements. This will require developing specific definitions for the meaning of "public interest," small and medium-sized enterprises, and micro entities.

- The Ministry of Finance should consider creating an Audit Oversight System for overseeing the external audit function in the country.
- The Ministry of Finance should consider creating a Chamber of Auditors with mandatory membership for all auditors. The Chamber could play a certain regulatory role and its creation will help to unite the audit profession, which is important for effectively using the scarce resources available for building up the profession. Twinning the chamber with an IFAC member institution that could help build the appropriate infrastructure would also help development efforts.
- The Ministry of Finance should, step by step, implement the quality assurance system prescribed by the Audit Law to monitor the quality of audits and enforce existing audit requirements.
- Professional training bodies and universities should work together to improve the accounting and education system, leading to a professional qualification system. In particular the universities' syllabi should be improved and standardized. It might be a good idea to choose a Tajik university to pilot the implementation of the accounting education reform. This effort, too, could benefit from twinning arrangements with universities that have already successfully made the transition from the former Soviet system to more modern accounting education programs.

Over the medium and long term (three to seven years):

- National accounting standards and regulations for small and medium enterprises require further enhancement. This could be achieved by looking at the International Financial Reporting Standards that the International Accounting Standards Board has developed for this sector, or similar standards developed by other countries.
- The financial statement formats currently prescribed should be adapted to allow for the inclusion of notes to provide further explanations and details on the financial position and operations of reporting entities, both for financial statements prepared under International Financial Reporting Standards and financial statements prepared under national accounting standards.
- Tajik authorities should develop a mechanism for implementing International Financial Reporting Standards and International Standards on Auditing as domestic accounting, reporting and auditing standards, whereby the international standards would be translated into the official Tajik language and adopted as part of the Tajik legal financial reporting framework.
- Once the audit profession has been strengthened and improved, all public interest entities should be subject to an annual audit; thresholds should be defined for other entities, including small and medium-sized enterprises, to prescribe which ones would also be subject to audit.
- Regulators, the National Bank of Tajikistan, the Ministry of Finance, and its regulating agencies should enforce accounting, disclosure and auditing regulations, including the publication of financial statements.

ACCOUNTING AND AUDITING POLICY RECOMMENDATIONS

	Statutory	Accounting	Auditing	Monitoring and Enforcement	Institutional Capacity Building	Education
SHORT TERM	• Define a three-tier accounting system where PIEs apply IFRS, SMEs apply NAS and micro entities only have to meet tax reporting requirements. • Create the Chamber of Auditors.			• Implement progressively the Quality Assurance System. • MoF to oversee the external audit function.		• Improve and standardize universities' accounting syllabi to include modern accounting concepts, including underlying IFRS principles, and teach IFRS at graduate levels. • Support CAP-CIPA program.
MEDIUM TERM	• Create a Public Oversight System for auditors. • Require mandatory annual audits for all PIEs.	• Expand financial reporting formats to include notes. • Develop NAS for SMEs. • Maintain translations of IFRS on a continually updated basis.	• Converge to or adopt ISA. • Maintain translations of ISA on a continually updated basis.	• Enforce ISA and a code of ethics through a quality assurance system. • Regulators should monitor and enforce reporting requirements, including publication of financial statements.	• Enhance regulators' capacity to monitor and enforce corporate financial reporting requirements, by assessing their institutional capacity, developing a medium to long-term action plan and budget, including a HR strategy, and then implementing the plan.	• Raise professional education requirements for auditors to internationally recognized qualification levels.
LONG TERM						• Create an integrated education system leading to a professional qualification.

MAIN ABBREVIATIONS AND ACRONYMS

ACCA	Association of Chartered Certified Accountants
ADSM	Agency for the Development of the Securities Market
CAP	Certified Accounting Practitioner
CIPA	Certified International Professional Accountant
CPD	Continuing Professional Development
EBRD	European Bank for Reconstruction and Development
GDI	Gross Domestic Income
IAASB	International Auditing and Assurance Standards Board
IAESB	International Accounting Education Standards Board
IAPS	International Auditing Practice Statement
IAS	International Accounting Standards (included in IFRS)
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
IES	International Education Standard
IESBA	International Ethics Standards Board for Accountants
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards (including IAS)
IMF	International Monetary Fund
ISA	International Standards on Auditing
ISQC	International Standards on Quality Control
JSC	Joint Stock Company
LLC	Limited Liability Company
MoF	Ministry of Finance
NAS	National Accounting Standards
NBT	National Bank of Tajikistan
NBFI	Non-Banking Financial Institutions
NSA	National Standards on Auditing
PIE	Public Interest Entities
PIPAART	Public Institute of Professional Accountants and Auditors of Republic of Tajikistan
ROSC	Reports on the Observance of Standards and Codes
SME	Small and Medium-Sized Enterprises
SMO	Statement of Membership Obligations of IFAC
SOE	State Owned Enterprises
SSIS	State Supervisory Agency for the Insurance Sector
USAID	United States Agency for International Development

I. INTRODUCTION

1. This assessment of accounting and auditing practices in the Republic of Tajikistan is part of a joint initiative of the World Bank and the International Monetary Fund (IMF) to prepare Reports on the Observance of Standards and Codes (ROSC).[4] The assessment focuses on the strengths and weaknesses of the accounting and auditing environment that influence the quality of corporate financial reporting and includes a review of both mandatory requirements and actual practice. The report bases its assessment on benchmarks such as International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA), and draws on international experience and good practice in the field of accounting and auditing regulation.[5] [6]

2. The Republic of Tajikistan is governed by a President and two legislative assemblies: a Council of Representatives (lower house) and a National Council (upper house). With a gross national income per capita of US$430, Tajikistan is the poorest country of the former Soviet Union.[7] The country has an overall population of 7 million, with an estimated 600,000 inhabitants living in Dushanbe, Tajikistan's capital city, and an estimated 1 million emigrants working in Russia.

3. The 1992-1997 civil war did a great deal of damage to the country's economic infrastructure, precipitating a sharp decline in industrial and agricultural production. The end of the war saw moderate growth returning as traditional industries, such as the aluminum sector, began to increase output and the service sector broadened its offerings. Growth averaged more than 9% annually between 2000-2005, aided by greater political stability and a substantial rise in government transfers and remittances – representing about 40% of gross domestic product (GDP) – which stimulated a recovery in domestic demand. In addition to traditional industries, notably aluminum and cotton, new sectors, such as construction and light industry, began to report strong output growth. Nevertheless, today, real output is currently just over 50% of the country's 1989 level.

4. Despite a variety of reforms over the past several years, the business climate still lags behind other transition countries. Compared to other economies in the region, the Republic of Tajikistan continues to rank low on most of the "Doing Business" indicators. According to the *Doing Business 2009* report, it ranked number 159 globally in ease of doing business. The private sector is dominated by agriculture and agribusiness, although the remittance-financed construction business is growing. A few mobile telephone companies have also set up business. Nevertheless, the private sector contributes barely 50% of GDP, and foreign direct investment is low.

5. The small Tajik financial system is dominated by a few banks, which hold more than 80% of the country's total financial system assets. Three banks hold roughly 75% of all deposits and 70% of non-government loans. Microfinance organizations account for 3% of the total financial assets, and the share of other non-bank financial institutions is negligible. There is no active securities market.

6. The banks' level of financial activity is among the lowest in the world, with lending amounting to just 7.1% of GDP in 2007. Surveys suggest that more than 80% of small and medium-sized enterprises (SMEs) do not use the banking sector for either deposits or financing. In a recent EBRD-World Bank Business Environment and Enterprise Performance Survey (BEEPS),

---

[4] For more information, please see www.worldbank.org/ifa/rosc_aa.html.

[5] International Standards on Auditing are the standards issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

[6] International Financial Reporting Standards are issued by the International Accounting Standards Board (IASB), an independent accounting standard setter based in London, United Kingdom. In April 2001, the IASB announced that it would adopt all of the International Accounting Standards issued by the International Accounting Standards Committee. For simplicity's sake, the term IFRS will mean both IFRS and IAS in this report.

[7] Per the Atlas Method as of 2007.

Tajik businesses noted that access to, and cost of, financing were the top constraints on corporate investment in the country. This survey's results also showed that close to 30% of Tajik respondents did not apply for bank loans because of high interest rates and excessive collateral requirements. It is entirely possible that more informative and reliable financial statements could stimulate lending and reduce the cost of credit.

7. Recently, a combination of regulatory reform and better National Bank of Tajikistan (NBT) enforcement of prudential requirements, which included raising the minimum capital requirement for banks to US$5 million, did succeed in strengthening the Tajik banking sector. As a result, that sector underwent a significant consolidation: 12 banks closed between 1997 and late 2004, leaving nine banks in operation today. Only one of those banks is state-owned.

8. The Tajik insurance sector is small, writing only $19 million in premiums in 2008, all non-life insurance policies. Several factors cause low insurance penetration, including poverty and income distribution, absence of diversity in insurance products, and a overall lack of confidence in the sector. The sector is supervised by the State Insurance Security Supervisor (SISS), which is a department of the Ministry of Finance (MoF). Capital requirements for insurance companies were set under Resolution 261 of the Government of the Republic of Tajikistan in 1997, are raised regularly and were set at TJS175,000 in 2009 (equivalent to USD40 thousand), which is a relatively low figure; SSIS monitors minimal capital requirements. As a result, despite the small size of the market, there are now 17 insurance companies in operation, including one foreign-owned and two state-owned companies. The two-state owned companies have a monopoly on compulsory insurance, such as automotive third-party liability insurance, which represents 30% of all of the country's insurance premiums. And, overall, two insurance companies, one state-owned and one privately owned, have captured 85% of the market.

9. In 1992, the government ratified a law permitting the establishment of a stock exchange and, two years later, eight Tajik banks got together to found the Tajikistan Stock Exchange (TSE). The main purpose of the TSE was to handle the trading, clearing and settlement of securities issued by private sector entities, and more than 800 companies now have their shares listed in the TSE. To date, however, there have been no transactions in the secondary market.

10. This report sets out policy recommendations to enhance the quality of corporate financial reporting in the Republic of Tajikistan, encourage the development of a financial reporting platform conducive to transparency, and lay the foundations for better financial reporting in the private sector, but without adding an excessive burden on smaller enterprises.

II. THE INSTITUTIONAL FRAMEWORK FOR ACCOUNTING AND AUDITING[8]

A. The Statutory Framework for Financial Reporting, Accounting and Auditing

11. **Traditionally, the legislation of the Republic of Tajikistan has been influenced by Islamic and civil laws, as well as the former Soviet legal system.** The highest law is the Constitution of the Republic of Tajikistan, which was adopted on November 6, 1994. Laws are organized into codes such as, for example, the Civil Code. Some of the current institutions and laws are remnants of the former socialist institutional and legal framework, particularly in the areas of state property and land ownership.

12. **Several laws regulate business activities, either by type of legal entity or by type of economic activity.** The following laws describe legal procedures for incorporation, management structure, reorganization, transformation and liquidation: Law 237–2007 on joint-stock companies (the JSC Law); Law 53–2007 on limited liability companies (the LLC Law); Law 10–2004 on state-owned enterprises (the SOE Law); Law 648–1998 on banks and banking activity (the Banking Law); Law 38–2004 on microfinance organizations (the Microfinance Law); Law 981–2004 on insurance (the Insurance Law); and Law 552–1992 on securities and the stock exchange (the Stock Exchange and Securities Law). The 2003 law on state registration of legal entities (the Registration Law) defines how businesses should be registered in the Republic of Tajikistan. The Civil Code (1999) prescribes the basic obligations of legal entities.

13. **The private sector includes both limited liability companies (LLC) and joint-stock companies (JSC), but key industries are still under the control of state-owned enterprises.** The private sector includes approximately seven thousand SMEs and is dominated by individual entrepreneurs and farmers. The table below indicates the evolution, over a six-year period, of the private sector share in GDP and a census of the country's SMEs.

Table 1: Private Sector Share in the GDP*

Indicators	Unit	2002	2003	2004	2005	2006	2007
GDP	USD Million	1,217	1,555	2,076	2,310	2,811	3,712
Private sector share in GDP	%	35%	38%	39%	41%	42%	43%
SMEs, number of entities		92964	113298	130456	122086	139265	155291
*- small enterprises ** *		*6050*	*5236*	*6056*	*7375*	*7631*	*7374*
*- medium enterprises ****		*142*	*196*	*213*	*275*	*297*	*610*
- individual entrepreneurs		*71309*	*88301*	*100865*	*88559*	*102131*	*114676*
- farms	.	*15463*	*19565*	*23322*	*25877*	*29206*	*32631*

* Per data from the State Committee for Statistics of the Republic of Tajikistan.
** Until 2006, companies qualified as small enterprises when they employed fewer than 50 persons and, since 2007, when they employed fewer than 30 persons for all sectors but agriculture (for which the previous criteria still apply).
***Until 2006, companies were considered to be medium-sized enterprises when they employed between 51 and 200 persons and, since 2007, between 31 and 200 persons for all sectors but agriculture (for which the previous criteria still apply).

8 This report outlines the legal principles applicable to accounting, auditing and financial reporting and does not attempt to give anything more than an introduction to the issues. This report is not meant to be an exhaustive rendition of the law, nor does it constitute legal advice to those reading it.

14. **Law 212–2006 on accounting (the Accounting Law) and Law 170–2006 (the Audit Law) establish most of the accounting and auditing requirements for the corporate sector.** When specifying accounting and auditing requirements, the laws regulating business activities, including the LLC Law and the JSC Law, refer to the Accounting Law and the Audit Law. Specific requirements are set by regulators. For example, the NBT sets the accounting regulations for banks and microfinance institutions. Tax rules govern micro entities, which are subject to simplified tax reporting requirements only.

15. **According to the Accounting Law and other laws regulating business activities, the primary responsibility for the preparation of financial statements lies with company management, the chief executive officer and, in the case of JSCs, the board of executive directors.** Managers and boards of directors do, however, expect the individuals or firms providing accounting services to maintain accurate accounting records. Company management is responsible for all business transactions, including the corporate accounting function, which can be carried out by dedicated in-house staff, outsourced or be done by the managers themselves. While Tajik legislation no longer requires financial statements to be signed by chief accountants, both managers and chief accountants still do sign them, as required by former Soviet accounting laws.[9]

16. **To date, companies have had to publish only a balance sheet and a profit and loss statement; full sets of financial statements are not publicly available or even required.** The Accounting Law requires open JSCs (open JSCs shares are transferable to non-shareholders), banks, other credit institutions, investment funds and other privately owned funds to publish their annual financial statements no later than June 1. The JSC Law requires open JSCs to publish annual reports, again including a balance sheet and a profit and loss statement. It further indicates that publication requirements should be prescribed by secondary legislation.

17. **The MoF regulates accounting and auditing for all economic sectors except the financial sector, which is regulated by the NBT.** More specifically, the NBT regulates the banking sector, including non-banking financial institutions. The MoF regulates the enterprise sector, the insurance sector, JSCs and listed companies under separate agencies, among them the Agency for the Development of the Securities Market (ADSM), which regulates the stock exchange, and the State Supervisor for the Insurance Sector (SSIS).

A.1 The Statutory Framework for Accounting

18. **The Accounting Law establishes the main accounting principles for corporate sector entities that are not regulated by the NBT.** The law mandates the preparation of annual financial statements in accordance with accounting standards issued by the Ministry of Finance in consultation with the State Committee for Statistics. The Banking Law obligates the NBT to oversee the preparation of bank financial statements. The NBT is responsible for setting accounting and reporting requirements for banks and other credit institutions, including a chart of accounts and financial reporting formats compliant with IFRS.

19. **The MoF is responsible for developing secondary legislation on accounting, including accounting standards.** The MoF Department for Accounting and Auditing Methodology develops methodological guidelines and prepares secondary legislation on accounting and auditing. The MoF does not, however, have the legal mandate to enforce this accounting legislation, and there is no organization responsible for the collection and dissemination of financial statements. The State Committee for Statistics is responsible for collecting statistical reports, which include information based on financial statements and other accounting data. Statistics authorities perform on-site inspections to enforce statistical reporting requirements.

[9] The chief accountant is the head of the accounting department.

20. **The MoF issues regulations and guidelines on financial reporting and a chart of accounts as national accounting standards (NAS).** Accounting regulation 124–2001 and Guideline 104–2001 prescribe financial statement formats and provide detailed instructions on their preparation, including the content of each balance sheet item. Financial statements include a balance sheet, a profit and loss statement, a statement of changes in equity, a cash-flow statement, as well as explanatory notes. Additional statements are prescribed for sectoral reporting purposes (industry, construction, etc.), theft reporting (a remnant of the Soviet era) and, in the case of audited financial statements, include an audit report. NAS issued by the MoF also include accounting requirements for asset and revenue recognition, expenditures, investments, post balance-sheet date events and recording of fixed assets. NAS do not, however, cover all areas of accounting (see Appendix 1).

21. **The Accounting Law specifies that all accounting entries should be documented by individual transaction confirmations.** While this type of documentation is appropriate for cash accounting and, to a certain extent, for the determination of taxable income, it does not recognize that modern accounting also requires accountants to make other entries, including some for measurement purposes, that are not based on actual transactions. For example, impairment of accounts receivable is generally not supported by external documents. In practice, accountants often do not make accounting entries required under either NAS or IFRS because they are not recognized for tax purposes. In general, current enterprise accounting laws and regulations contain many elements of the former Soviet accounting system (such as prescribed source documents), and basic concepts now need to be revised to be consistent with international practice and terminology.

22. **There are no statutory requirements for monitoring financial reporting compliance with the accounting legislation.** The MoF is only responsible for issuing methodological guidelines and secondary accounting legislation, and has some authority over the audit function, but has no authority to enforce compliance with reporting and disclosure requirements.

23. **The Accounting Law requires financial statements to be approved by shareholders and published by June 1 of each year.** The reporting period is aligned with the calendar year, starting on January 1 and ending on December 31. The law requires audited financial statements to be published together with the audit report no later than June 1 of the following year. The JSC Law requires a review committee or an individual reviewer, appointed by the shareholders, to report on the accuracy of financial statements data and the activity of the entity, no later than 30 days before the annual meeting of shareholders approving the financial statements. The working practices of such reviewers are not known.

24. **Accounting records are confidential.** Accounting books and records, internal accounting reports, and related documentation are confidential. Generally, only shareholders or management can grant access to an entity's accounting documents. State authorities, including tax authorities, however, can request access to accounting books and records.

25. **The ADSM regulates the securities market and is the repository of JSC financial statements.** It regulates the TSE and listed companies, although no secondary transactions for TSE-listed companies have yet taken place. In effect, because no securities are traded, the stock exchange is inactive. The ADSM collects financial statements and information related to securities issued by JSCs. It has no mandate and lacks the human resources to enforce the collection or publication of financial statements. The Securities Law does not impose any additional financial reporting obligations on JSCs besides the obligations listed in the Accounting Law and the JSC Law.

26. **The Banking Law, the Microfinance Law and the NBT Law regulate the banking and credit sector.** According to the Banking Law and the Microfinance Law, banks and microfinance institutions must prepare their financial statements in accordance with NBT regulations. Those regulations now require IFRS compliance.

27. **In accordance with NBT regulations, banks are required to prepare and submit prudential reports using required formats; the NBT does not issue comprehensive accounting standards.** The formats for these reports initially established in 1999, together with a chart of accounts, were modified in October 2004 to provide better guidance on IAS and IFRS compliance. Since 2004, the guidelines have been updated only rarely and then only to reflect tax or prudential requirements. The basic guidance documents have never been updated to take into account the detailed requirements that IAS and IFRS have introduced into bank accounting, including the requirements set out in IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*. In short, there is no comprehensive accounting framework for banks and financial institutions. Prudential reports, including a balance sheet and a profit and loss statement, are prepared and submitted to the NBT every 10 days as well as on a monthly basis. In addition to these statements, financial institutions need to submit a cash-flow statement and a statement of changes in equity quarterly. A new chart of accounts and bookkeeping regulations are currently being developed. This chart of accounts needs to satisfy the objective of preparing general purpose IFRS-based financial statements. The application of prudential filters to these general purpose financial statements, including prudential loan loss provisioning and other provision, will make them suitable for prudential supervision purposes.

28. **Non-Banking Financial Institutions (NBFIs), except insurance companies, are required to comply with NBT regulations; insurance companies comply with SSIS regulations.** NBFIs include six credit institutions, one non-banking financial institution and 114 microfinance organizations. Microfinance organizations, which are licensed and regulated by the NBT, must publish audited annual financial statements consisting of a balance sheet and a profit and loss statement, together with an audit report, no later than June 1 of the year following the reporting year. Monthly and quarterly prudential (regulatory) reports are also prepared in compliance with the reporting regulations and instructions. Insurance companies have to comply with the Accounting Law and additional SSIS regulations. Insurance companies must follow publication requirements similar to those for banks, i.e., balance sheet and profit and loss statement after being audited.

29. **The Banking Law requires banks and other credit institutions to publish, after shareholder approval, their annual report, including audited financial statements, that is a balance sheet and a profit and loss statement and the audit report, but it does not specify the basis on which general financial statements should be prepared.** In practice, however, banks prepare their annual audited financial statements in accordance with IFRS with help from their auditors despite the fact that the NBT has not issued any specific requirements that general purpose bank financial statements should comply with IFRS. The NBT collects IFRS-based financial statements in addition to the required regulatory reports. There are no specific deadlines for the release of the financial statements, nor is the publication of full sets of financial statements required. In practice, full sets of financial statements are available only on request, and access is limited to shareholders or bank clients. None of the banks published full sets of financial statements on their websites, although a few did post a balance sheet and a profit and loss statement together with an audit report. The publication of an audit report, together with abridged financial information, can be misleading given that the audit report refers to the full set of financial statements. This practice gives the impression that the report relates only to the balance sheet and profit and loss statement, and that these statements alone can convey a true and fair view of a bank's operations and financial position.

30. **There are no specific financial reporting requirements for state-owned enterprises (SOEs) and the just established MoF SOE unit monitoring financial information of these enterprises is not yet up and running.** SOEs conducting regular business activities are required to follow corporate sector financial reporting requirements and the government needs to monitor their potential fiscal impact. One of the objectives of the new SOE monitoring unit will be to identify the impact of SOE activities on the national budget. To carry out such an assessment,

however, requires reliable financial information prepared in accordance with sound financial reporting standards such as IFRS, which should then be audited using ISAs.

31. **SMEs follow national accounting requirements applicable to all companies.** Many SMEs find compliance with financial reporting requirements to be a significant challenge. Few SMEs are incorporated as JSCs, and external demand for their financial information is often limited to tax reporting. Moreover, with concentrated ownership and limited access to external financing, the requirement to produce comprehensive financial information is often perceived as unnecessarily burdensome**.**

32. **Simplified requirements do, however, apply to micro entities, registered individuals and sole traders.** They only need to maintain records for fixed assets, revenues and expenditures for tax purposes. The 2002 law on state protection of entrepreneurship defines small businesses as those with fewer than 30 employees and those that have limited revenues according to the VAT thresholds set out in Article 202 of the Tax Code. Small businesses do not have any obligation to prepare general purpose financial statements.

33. **A 2006 government decree requires all business entities to use IFRS by 2010, with the use of IFRS to be phased in for specific types of enterprises.** The decree provides the following phases: 2006-2008 for JSCs having publicly issued shares of more than 0.6 million Somoni,[10] 2006-2009 for smaller JSCs, and 2006-2010 for all other entities. The MoF developed thirty-six methodological guidelines for IFRS implementation. The mandatory implementation of methodological guidelines raises concerns as local interpretations of IFRS are not encouraged by the International Accounting Standards Board. [11]

34. **Seventy-nine companies using the 2004 chart of accounts prescribed by the MoF claim that their financial statements comply with IFRS, even though they have little or no IFRS expertise**. The MoF issued a chart of accounts, and instructions on how to use its codification, in 2004 to give companies a tool to help them comply with IFRS. The MoF guidelines deal mostly with accounting entries, translating former accounting requirements into a new chart of accounts but without any additional disclosure requirements. It appears that preparers and users believe that information prepared in accordance with this chart of accounts complies with IFRS even though that is rarely the case.

35. **While the existing guidelines, and those that are currently under development, may be useful at the initial stages of IFRS implementation, they give rise to several concerns:**

- The Ministry of Finance has adopted the Russian translation of IFRS as of end-2008, However,, there is a risk that preparers and users of financial statements will confuse existing guidelines, charts of accounts and methodology published bv the Ministry of Finance with IFRS. Compliance with IFRS can be asserted only on the basis of applying the full and current standards. It may be useful to clarify, however, that, if there are any contradictions between national regulations and IFRS, IFRS would have to apply.
- Existing regulations have prescribed certain formats for financial statements that are perceived to be mandatory. Although "suggested" formats may be useful in assisting companies in reporting financial information, enterprises should have the flexibility to include all the information necessary to fully comply with IFRS.

[10] Equivalent to approximately US $200,000.
[11] On December 31, 2008, the MoF published 36 IFRSs in Russian and methodological guidelines for their implementation.

36. **The Tajik government may wish to reconsider its decision to have all of the country's businesses implement IFRS by 2010 in light of the cost and difficulties associated with achieving this goal.** In fact, to date, public interest entities' (PIE) financial statements do not fully comply with IFRS. The government should focus instead, on having only PIEs implement IFRS and develop enhanced NAS for SMEs as simpler accounting standards would better suit the Tajik business environment. Finally, the authorities should keep simplified tax reporting rules for micro-companies. The MoF recognizes that IFRS should not be extended to all companies and intends to revise the IFRS implementation schedule, with a view to requiring IFRS for a limited number of companies of public interest only**.**[12]

37. **The following table summarizes the requirements applicable to different types of business entities.**

Table 2: Corporate Financial Reporting Requirements

Entities	Individual and Consolidated Financial Statements	Audit	Public Disclosure
Public Open Joint Stock Companies (with shares issued for more than 0.6 million Somoni)	NAS and IAS/IFRS starting from 2008. [13]	Required	Balance sheet and profit and loss statement in newspapers.
Other open JSCs	NAS and IAS/IFRS starting from 2009.	Required	Balance sheet and profit and loss statement in newspapers.
Closed JSCs (having shares issued to a restricted group only)	NAS and IAS/IFRS starting from 2009.	Not required	None
Large LLCs	NAS and IAS/IFRS starting from 2010.	Not required	None
Small and Medium LLCs	NAS and IAS/IFRS starting from 2010.	Not required	None
Unincorporated Businesses	Simplified accounting and reporting requirements (revenues, expenditures and fixed assets records for taxation). The MoF also plans to issue draft guidelines for accounting by these entities.	Not required	None
Insurance Companies	NAS and IAS/IFRS starting from 2008.	Required	Balance sheet and profit and loss statement in newspapers.
Banks	NBT regulations.	Required	Balance sheet and profit and loss statement in newspapers.
NBFIs licensed by the NBT	NBT regulations.	Required	Balance sheet and profit and loss statement in newspapers.
SOEs	No specific accounting requirements; general rules for the enterprise sector are applicable.	Required	None

[13] In the Republic of Tajikstan, reporting in accordance with IFRS often means reporting in accordance with a chart of accounts and NAS, as IFRS have not been officially adopted and published.

A.2 The Statutory Framework for Auditing

38. **The Audit Law regulates the audit function in Tajikistan**.[14] This law defines audit activities and determines *inter alia* (i) what activities licensed auditors can perform; (ii) what entities are subject to annual audits; (iii) auditors' independence requirements; (iv) auditors' liability insurance requirements; (iv) the existence and responsibilities of a state agency regulating audit activities (currently the MoF); (v) licensing and certification procedures; (vi) quality assurance procedures; (vii) disciplinary procedures; and (viii) the right for auditors to establish professional associations. The 2006 Audit Law replaced the former Audit Law implemented in May 1998.

39. **In the absence of secondary legislation, the definition of audit activities requires procedures that may be limited to a simple review of financial statements and bookkeeping arrangements.** The Audit Law provides the following definition of audit activities: "Audit activities or audit... aim at independent reviews of bookkeeping and financial statements of individual entrepreneurs and legal entities…. enabling the auditor to express an opinion about the veracity and degree of accuracy of data included in financial statements, which allows the user to draw correct conclusion about economic performance, financial and property status of auditees." Because of the lack of further official guidance on audit procedures, the Audit Law appears to allow a simple review of financial statements to be described as an audit. A few auditing standards were developed in 2001 and 2002 and the MoF issued them as National Standards on Auditing (NSA), but they were never approved by the government as required by Article 12 of the Audit Law.

40. **The Audit Law determines which activities licensed auditors may perform.** After defining what an audit is, the Audit Law describes a range of accounting and advisory activities that auditors may perform, including organization of bookkeeping and preparation of financial statements, tax consulting, IT consulting, development and analysis of investment projects and related business plans and training. Both individual auditors and audit firms are prohibited from conducting any business other than auditing, accounting and advisory activities.

41. **PIEs operating as JSCs must have their annual financial statements audited.** The Audit Law does not refer directly to PIEs but requires the financial statements of banks, non-banking financial organizations, insurance companies, open JSCs, public funds, natural monopolies, commodity and stock exchanges and state unitary enterprises (a type of public sector corporation) to be audited. The JSC Law requires the financial statements of all JSCs (open and closed) to be audited annually. In addition, the JSC Law requires, in Article 45, statutory auditor appointments and audit fees to be approved at a shareholders' general meeting. The legal framework contains no specific provision for appointing an auditor to audit SOE financial statements; in practice, SOE management would appoint the auditor. According to the Audit Law, budget-financed institutions are not to be reviewed by auditors, restricting statutory audits to the corporate sector.

42. **The Audit Law prescribes independence rules for auditors.** Statutory audits cannot be conducted by auditors or audit firms whose managers would also be: (i) founders, managers, or accountants of the audited entity or of a related entity (subsidiary, branch, representation office), or any person bearing responsibility for the preparation of financial statements; (ii) family relatives of individuals mentioned under (i); and (iii) have provided, in the three years immediately preceding the audit, accounting services consisting of bookkeeping or preparation of financial statements to any of the above-mentioned persons or entities. While the International Federation of Accountants (IFAC) recommends the use of the threats and safeguards approach, which allows each professional to decide what safeguards are needed to respond to any independence threats, a rule-based approach seems appropriate in the context of the Tajik auditing profession. It should be

[14] The Law of the Republic of Tajikistan "On Audit Activity" was approved by Parliament on February 15, 2006 and endorsed by the President of Republic of Tajikistan on March 3, 2006.

noted, however, that setting independence requirements for auditors based on rules do not necessarily conflict with the threat and safeguards approach of the IFAC Code of Ethics, which is principles based, and auditors and auditees should consider the two approaches to be complementary.

43. **The Government decree 172 of April 3, 2007 approving the regulation for licensing certain types of activities appoints the MoF to regulate audit activities.** The MoF is in charge of developing auditing standards and regulations, monitoring auditor compliance with auditing standards, supervising auditor compliance with licensing requirements, and maintaining a state registry of certified and licensed auditors.

44. **An auditor needs to be both certified and licensed by the MoF to conduct audit activities**. Certificates, which confirm competency to practice, are issued only to individuals, while licenses, which permit someone to practice, can be issued to both individuals and audit firms. Law 172–2007 sets out which activities are licensed (the Law on Licensing). To get a license to practice auditing, which is valid for five years, the Law on Licensing requires auditors to submit several administrative documents (i.e., state and tax registrations), a minimum of five years of professional experience in the field of auditing, accounting or related activities for those with a university degree (10 years for those having only secondary specialized education), and an audit certificate issued by the MoF. Audit firms are required to provide data on the qualifications of their employees, including proof that more than 70% were certified by the MoF. Because it prevents foreign audit firms from entering the domestic audit market, the Audit Law may restrain the development of the Tajik profession. In light of the introduction of audit requirements for JSCs, the government may wish to consider whether the development of the Tajik audit profession would benefit from allowing easier access by foreign audit firms that would bring significant expertise and experience to such audits. The banking sector prefers to use member firms of international audit networks for their audits. This usually means bringing foreign audit teams to the Republic of Tajikistan to perform those audits. One international accounting network has recently established an office in Dushanbe to respond to the demand for banks' audits and comply with legal requirements.

45. **The certification process is handled by the MoF in the form of an annual exam both for already licensed auditors and for those seeking a license for the first time**. Auditors have to attend initial and continuing professional development (CPD) sessions and pass certain certification examinations every year. The Public Institute of Professional Accountants and Auditors of Republic of Tajikistan (PIPAART), a professional association specializing in accounting and auditing training and qualification programs, offers 80 hours of such training for each member. Those having a CAP (Certified Accounting Practitioner) or a CIPA (Certified International Public Accountant) designation will find their training requirements reduced by 20 and 40 hours respectively. The Ministry of Education issued a five-year license to PIPAART (from 2006 to 2011) for organizing training activities and providing consulting services in the field of accounting, tax reporting IFRS, financial management, and auditing. PIPAART organizes training for auditors under this license and a contract with the MoF.

46. **Recent changes in the examination procedures have drastically decreased the pass rate from nearly 100% to around 50%.** As a result of the stricter examination process implemented by the MoF, changing the final exam from an open to a closed book exam, the number of licensed auditors has dropped from 270 to around 200 in the past two years. In addition, the examination commission receives the examination questions only one hour before the examinations start to make sure that questions are not divulged to any candidate.

47. **While the Audit Law prescribes a quality assurance system, the MoF has no arrangements in place to monitor the quality of audit activities.** The law prescribes that the MoF, being the authorized agency, should conduct quality reviews of auditors or delegate such reviews to professional associations. But the MoF has no mechanism in place to conduct such

reviews, nor are there any professional bodies who can take on that responsibility. Nevertheless, the government has mandated a quality assurance system to make sure that auditors perform their audits adhering to the ethical requirements and auditing standards in force in the Republic of Tajikistan.

48. **The Audit Law requires auditors to carry professional liability insurance covering their audit activities.** Again, the MoF neither monitors nor enforces this requirement. In addition, the law does not determine what the minimum insured amount should be, nor does it limit the liability of auditors.

49. **The Audit Law provides for the revocation of an auditor's certificate**. An auditor's certificate may be revoked if, during the course of an audit, the auditor fails to comply with confidentiality or independence requirements, or violates any pertinent regulations or standards. The certificate may also be revoked if an auditor has not carried out any audit activities for two years. The law requires that the MoF explain revocation decisions and gives auditors the right to appeal any such decision. An appeal does not, however, suspend the revocation decision during the appeal process. In any case, the absence of any quality control prevents the enforcement of audit requirements.

50. **The Audit Law contains no provisions for the termination of auditors' appointments ; it merely spells out disciplinary procedures for auditor breaches of rules or regulations, rotation policies, and the need for transparency reports.** While, there are no actual requirements for audit firms to prepare transparency reports, the MoF receives regular reports from auditors on their audit activities, and those reports could be made public. At the moment, this is not done.

51. **The NBT sets out the specific requirements for conducting audits in the banking sector**. Banks can be audited only by audit firms that undergo a specific certification process. It begins with the NBT's License and Reorganization Department performing a desk review of certain documentation provided by the audit firms. Once that review is completed, audit firm staff is invited to take an exam conducted by a commission including the NBT's governor and various department heads. This commission votes on whether or not the firm's staff has passed the exam; a majority vote ensures success and results in qualifying the staff to audit entities regulated by the NBT. Audit firms should have at least three qualified/certified auditors to perform audits of NBT-regulated entities. The NBT performs the certification process every other year. Audit firms are licensed for a five-year period.

52. **The NBT's Monitoring Department does not have any specific procedure dealing with (i) audit firm quality assurance, (ii) rotation policies for auditors or audit firms, and (iii) policies for the termination of an auditor's appointment.** The Monitoring Department has said that there had never been any abusive dismissals of auditors in the past, and audit contracts were renewed on an annual basis. The NBT recently approved corporate governance principles that recommend the establishment of audit committees that would be responsible for selecting bank auditors and monitoring follow-up activities on audit results.[15] This recommendation has not been widely implemented; too often, accounting or internal audit departments are still responsible for statutory auditor appointments.

[15] Principles of corporate governance for commercial banks and other finance-credit institutions licensed by the National Bank of Tajikistan, Decree of Board of the NBT No. 69 (February 25, 2006).

B. The Accounting and Auditing Profession

53. **The accounting profession is not organized.** There is no registration process for professional accountants who only prepare financial statements, and their services are not regulated. Only 300 accountants are members of PIPAART, the body providing professional education and training. The vast majority of accountants working on financial statement preparation are not registered with or trained by any professional accounting body, although they may have a university degree. Universities trained thousands of accountants under the old Soviet accounting system, based on rules and a chart of accounts used mainly for tax, statistics and central planning purposes.

54. **The audit profession is in its infancy.** The MoF has licensed 200 auditors and several audit firms, but only one member of an international audit network operates in the country. The firm recently opened an office in Dushanbe. There are few domestic firms, most of them auditing projects at the request of creditors or investors and performing other agreed-upon activities. Recently, SOEs tendered their audits for the first time and some domestic firms were awarded the audit contracts. The tender procedures used at the time are unclear. Auditors are generally appointed for a one-year period, which is renewable. In the absence of any quality assurance arrangement or review, it is difficult to assess the work quality of the few audit firms in the Republic of Tajikistan.

55. **The absence of any enforcement mechanism has not allowed the profession to develop.** While the JSC Law requires financial statements to be audited, the ADSM acknowledges that up to 30% of JSC financial statements are sent to the JSC financial statements registry without audit reports. While reviewing some financial statements at the JSC registry, the ROSC team was not given any related audit reports. Audit firms confirm that not all JSCs respect the annual audit requirements. Further, when annual audits do take place, the absence of a quality assurance mechanism means that it is not clear that audit work is performed effectively.

56. **The legal framework is silent on standards to be used for conducting audits in the Republic of Tajikistan.** While the MoF has published six auditing standards, these standards do not cover all key aspects of an audit and have not been adopted by the government as required by the Audit Law. Creditors, investors and other international third parties require audits to be conducted using ISA.

57. **Although several professional associations have been created, they do not conduct all of the activities that professional accounting bodies which are IFAC members usually perform**. The biggest professional association, PIPAART, essentially only provides training for accountants and auditors. It also is not representative of the audit profession as it has only 20 auditor members of the total of about 200 auditors licensed by the MoF. New professional bodies are emerging, led by Tajik audit firms, in an attempt to structure the profession. Given the size of the profession, and its lack of financial and professional resources, the emergence of multiple professional bodies is more damaging than helpful. The government should think about establishing one strong professional body that could, in the future, take on certain regulatory functions.

58. **The banking sector prefers to use member firms of international audit networks for their audits.** If a Tajik bank wants to set up accounts denominated in a foreign currency, it needs to set up an account with a correspondent bank in a foreign country using that currency. Those banks want to see financial statements audited by foreign audit firms before agreeing to serve as correspondents. This usually means bringing foreign audit teams to the Republic of Tajikistan to perform those audits.

C. Professional Education and Training

59. **Most accountants were trained at collegiums and universities under the former Soviet accounting curricula.**[16] Only one CPA operates in the country, and there are no auditors certified by the Association of Chartered Certified Accountants (ACCA), a qualification widely found across Eastern Europe. There are also very few ACCA students. Too often, accountants who prepare financial statements have received little or no training in modern, internationally recognized accounting techniques. As a result, while Tajikistan has adopted a few NASs based on former international accounting standards, and has attempted to extend the use of IFRS, many preparers struggle to understand and implement these requirements. Bookkeeping and financial reporting are often conducted according to old Soviet regulations and tax rules. IFRS, which require significant judgment in their application and require estimates to be made, are very different from the standards followed under the previous, strictly regulated rule-based environment. The capacity of financial statement preparers, and the quality of financial reporting, depends on improving the ability of Tajik accountants to understand and apply the principles set by NAS and IFRS.[17]

60. **PIPAART was created as part of a USAID regional initiative to train and certify bookkeepers and accountants respectively as Certified Accounting Practitioners (CAP) and Certified International Professional Accountants (CIPA).** Since its inception in 2000, PIPAART has trained and certified 290 CAP bookkeepers and 10 CIPA accountants. During 2001-2006, about 4,000 persons attended PIPAART training sessions. Educating bookkeepers and accountants who work in the majority of Tajik companies is essential to improving the practical application of NAS, IFRS and principles-based accounting. While newly qualified accountants may have a greater level of understanding of modern accounting concepts than current accounting practitioners, established accountants should be also given an opportunity to improve their theoretical and practical skills.

61. **The Ministry of Education and universities are revising the current accounting and auditing curricula to introduce IFRS.** This reform began in mid 2008 and requires modernizing the education program for accounting and auditing including the syllabi for 15 universities. To achieve these objectives, universities are willing to build on training materials available in other countries, including training materials for CAP and CIPA. The new syllabi are scheduled to be in place for the 2011-2012 academic year. Introducing the new education program requires close coordination with the implementation of IFRS and NAS, and will require extensive technical assistance. While accounting has always been part of university curricula, it was based on old Soviet accounting rules and concepts that do not mesh with modern accounting principles.

62. **Professional education and training in accounting and auditing is needed by all participants in the corporate financial reporting process in the Republic of Tajikistan.** Different levels and types of competence are required by different participants. For example, preparers of financial statements need a good working knowledge of the standards used to prepare accounts. These standards currently constitute NAS for the vast majority of entities and IFRS for banks, insurance companies and a few SOEs. Bookkeepers need to know only the basics of the accounting system they use. Auditors need a higher level of knowledge, comprising auditing standards and techniques in addition to accounting standards. Regulators need specific knowledge of the law and regulations relating to financial reporting in their field. Taxation officials need to know both the taxation regulations and the interaction between the taxation regulations and accounting principles used to prepare financial statements.

[16] Collegiums are technical schools that provide two-year technical program education after secondary education.

[17] It should be noted that, in general, the situation is somewhat better in the financial sector compared to other parts of the economy.

63. **Participants in the financial reporting process need to be encouraged to gain the education and training they need to meet the demands of their roles.** This recommendation applies to financial statement preparers in all sizes of entity, regulators, auditors and even taxation officers. In almost all cases, they need to update their skills to a basic level of modern accounting. This basic level of accounting knowledge would cover simple financial and management accounting, and relevant law, taxation and other regulations. The Republic of Tajikistan government, regulators, professional bodies and education providers should work together to decide on appropriate target educational standards and qualifications suitable for rapidly expanding the Republic of Tajikistan's accounting capacity.

D. Setting Accounting and Auditing Standards

64. **The MoF developed the NAS now in force from 1999 to 2004 but, as detailed in Appendix 1 to this document, these NAS do not cover every aspect of modern accounting.** NAS, therefore, constitute an incomplete accounting system for the enterprise sector. NAS were developed by translating only some international accounting standards available at the time into Russian, with the aim of covering basic, simple transactions. This approach was based on the belief that no complex financial transaction took place in the Republic of Tajikistan. As a result, NAS were limited to transactions with third parties and did not take into account the necessary end-of-period entries, including impairment of assets, provisions for bad debts, foreign currency revaluation and deferred taxes. Because NAS fail to address some key issues, financial statements prepared using NAS probably do not adequately reflect or disclose a number of significant transactions.

65. **No process was put in place to update NAS because the government wanted to have all businesses in the Republic of Tajikistan switch to IFRS for preparing their financial statements.** A comparison of NAS to IFRS shows that 28 of the 38 international standards in place have no equivalent in NAS.[18] Over the short term, taking into account the complexity of current Tajik corporate transactions, the country needs new NAS for cash-flow statements (IAS 7), income taxes (IAS 12), investment properties (IAS 40), agriculture (IAS 41) and insurance contracts (IFRS 4). Although NAS and other pertinent regulations are less demanding than IFRS/IAS in terms of disclosures, recognition and measurement, they may well be adequate for entities that are not publicly accountable.

66. **Banks are required to comply with NBT accounting regulations. Those regulations should, in turn, agree with IFRS. In practice, banks and non-bank financial institutions (essentially, microfinance institutions) prepare two sets of financial statements**:

- Regulatory reports are prepared according to NBT prudential regulations. The country's Banking Law requires NBT accounting regulations to comply with IFRS. The NBT issued a chart of accounts and several guidelines in 1999 and 2004 to align the banking sector's regulatory reporting with IAS (now IFRS). Not many of the guidelines have been updated since, but IFRS have changed drastically. At this time, some guidelines actually contradict IFRS. The current regulation requires that interest not be accrued further if a loan installment is past due over 60 days. There are no NBT regulations equivalent to IAS 32, 39 and IFRS 7, all dealing with financial instruments. Other examples illustrating major differences between NBT regulations and IFRS are bad debt provisioning, depreciation rules for fixed assets (fixed assets being material for Tajik banks given the small size of their balance sheets), transaction fees on foreign exchange transactions posted together with forex gains and losses in the profit and loss statement and unrealized gains on forex transactions posted directly in equity. Recent revisions of the NBT's regulations aim at a better

[18] Appendix 1 provides a summary of the main differences between IFRS/IAS and NAS.

risk management and prudent approach to loss provisioning. They are prudential rules, however, and do not always reconcile with IFRS.

- Theoretically, banks prepare their general purpose financial statements using IFRS, and those statements are subject to an external audit. But many banks simply don't have the human resources in-house to prepare those IFRS financial statements. Moreover, their accounting systems were established to meet what are now outdated regulatory requirements. In practice, therefore, auditors normally help the banks prepare their IFRS financial statements. The audited financial statements are then presented to the NBT and other third parties, such as international partners and lenders, who generally require IFRS financial statements to be audited under ISA.

E. Enforcing Accounting and Auditing Standards

67. **The Republic of Tajikistan has no effective enforcement of auditing standards.** There is no external quality control system to evaluate the performance of audit firms and individual auditors. We understand that levels of compliance with auditing standards vary widely, from a relatively high degree of compliance by some audit firms to a very low level of compliance by certain individual auditors.

68. **The Audit Law mandates that the MoF enforce auditing and ethical standards.** While the Audit Law would allow the MoF to delegate the monitoring of audits to a professional body, the only professional bodies in the country either specialize in training or are in their infancy. Further, none of the professional bodies are representative of the audit profession. Even if they were, auditors are not currently required to be members of a professional organization. In other countries, enforcement of audit and ethical standards generally takes one of two forms: either a public oversight body established by a government serves that function or self-regulatory professional organizations take on the responsibility.

69. **The Ministry of Finance should create an appropriate mechanism to enforce auditing and ethical standards.** The capacity of the audit function in the Republic of Tajikistan being limited, the Ministry of Finance would benefit from other countries' experience in developing public oversight and quality assurance systems. This mechanism would be responsible for overseeing audit quality assurance reviews, assessing the results of those reviews and considering the appropriate measures for resolving any problems uncovered. This enforcement mechanism should build on the existing quarterly and annual "reports on activity of audit firms and individual auditors" that were developed and implemented since 2007 by the MoF and approved by the State Statistical Committee to monitor the activities of audit firms and individual auditors.

70. **There are two main options for carrying out quality assurance reviews of auditors: either by a dedicated full-time inspection staff or through a system of peer review.** Peer review may be difficult in the Republic of Tajikistan given the limited capacity of the audit profession at this time. In the initial stages, the inspection regime may benefit from direct support and input from agencies from outside the country that have established experience in audit quality control. This approach would also answer concerns of the perceived independence of the regime in the early stages.

71. **Audit quality assurance reviews should have the goal of improving audit quality and raising standards.** This requires cooperation among regulatory agencies, the audit profession and other interested parties. In particular, the audit quality control regime must balance the need for specialist expertise to perform quality inspections, which favors the involvement of current audit practitioners, with the necessity to maintain independence and objectivity.

72. **There is no enforcement of accounting standards.** The MoF, the SSIS, and the ADSM do not have the capacity to enforce accounting standards. The MoF's newly established SOE monitoring unit is not yet operational. On the banking sector side the NBT focuses on regulatory reporting compliance.

III. ACCOUNTING STANDARDS AS DESIGNED AND AS PRACTICED

73. **This section analyzes significant differences between NAS and IFRS (the standards gap) and the compliance of statutory financial statements with NAS (the compliance gap) to identify any systemic non-compliance issues**. The potential adverse impact of both gaps on the reliability of NAS-compliant financial statements is also analyzed. Due to the lack of publicly available financial statements, permitting the ROSC team to examine only a few financial statements, it is very difficult to draw any conclusion from our review. The review does, however, confirm information obtained during the diagnostic review mission.

74. **Enterprise sector financial statements fall short of compliance with NAS.** The ROSC review included seven sets of financial statements for JSCs and one set of financial statements for an SOE. They were all prepared using prescribed NAS formats for the balance sheet, profit and loss statement and the cash-flow statement. They did not, however, include any notes. As noted above, NAS require notes to be provided as an integral part of the financial statements but do not spell out any specific requirements. Incomplete financial statements do not provide enough information to analyze and understand a company's financial position and performance. They actually prevent shareholders, investors and lenders from making informed decisions.

75. **The review of IFRS-based audited financial statements of three banks did not reveal apparent material departures from the standards. It should be noted that it is very difficult to assess IFRS compliance without access to bank data.** Generally, banking activities in the Republic of Tajikistan tend to be restricted to basic retail and lending activities for which the accounting rules are relatively simple. In addition, banks are generally sole entities and do not prepare consolidated financial statements. Finally, the involvement of the auditors in drawing up financial statements improves the likelihood of an acceptable level of disclosure. As noted earlier, banking sector auditors are mainly member firms of international accounting networks from outside the Republic of Tajikistan.

76. **The significant compliance gap between standards as written and as used by the enterprise sector can be explained by the lack of accounting and auditing expertise and appropriate enforcement mechanisms in the Republic of Tajikistan.** This gap exists because of (i) a lack of modern accounting expertise among both preparers and regulators, particularly in the area of subsequent measurement and disclosures; (ii) auditors not having adequate audit education and training, resulting in poor quality audits; and (iii) no effective enforcement mechanism over the financial reporting process.

77. **In addition, both preparers of financial statements and their regulators have little understanding of the objectives of general purpose financial statements and, consequently, of the information financial statements should include.** As already mentioned, published financial statements consist of a balance sheet and a profit and loss statement; full sets of financial statements are not publicly available. Under the former Soviet regime, accounting existed to serve a centralized economy and was, therefore, mainly statistics oriented. Accounting was used to provide data, i.e., numbers to be compiled by the statistics committee at the country level for central planning purposes.

IV. AUDITING STANDARDS AS DESIGNED AND AS PRACTICED

78. **Although the MoF developed a number of NSAs, those standards were never adopted by the Tajik government as required by the Audit Law.** Six NSA standards were developed based on IFAC standards in force in 2000: *Audit Planning* (AD1/2001), NSA 52 (2001); *Documentation of an Audit* (AD2/2002), NSA 14 (2002); *Letter – Engagement of Audit Organization on Agreement for Conducting an Audit* (AD3/2002), NSA 458 (2002); *Procedure for Audit Conclusion about Financial Statement* (AD4/2002), NSA 93 (2002); *Audit Sampling* (AD5/2003), NSA 118 (2002); and *Audit Evidence* (AD6/2001), NSA 117 (2002). In addition, the government adopted a professional code of ethics for the Republic of Tajikistan's auditors, NSA 69, which is a translation of the 2000 IFAC Code of Ethics.

79. **Not only has the government of the Republic of Tajikistan not approved the NSA, the standards are out of date and fail to cover all key aspects of an audit.** There is no Tajik translation of ISA, which is essential if they are to be adopted by the Republic of Tajikistan. Moreover, it should be noted that ISA have been revised as part of the IFAC clarity project. From 2004 to 2008, IFAC redrafted ISA to simplify the standards and make them more readily understandable.

80. **Because financial statements are not publicly available, the ROSC review examined only a very few financial statements and audit reports.** Further, there were no audit reports attached to the financial statements obtained at the JSC registry. A few audit reports were reviewed during the visit to audit firms.

81. **Audit reports refer to either ISA or national standards on auditing, depending on the requirements of the client involved.** As noted above, lenders who provide financing for business entities or specific projects usually require audits. Almost always, the audit contracts involved specify the use of ISA.

V. PERCEPTIONS OF THE QUALITY OF FINANCIAL REPORTING

82. **Banks rarely rely on borrowers' financial statements for their lending decisions.** Banks believe that enterprises maintain two different sets of financial statements, one for tax purposes and another for credit applications. Further, audited financial statements are very rare, because the audit profession is both under-developed and under-controlled. Generally, before they grant a loan, banks want to see assets worth at least twice the amount of the loan pledged as collateral. They will not discount the amount of collateral required just because they are given audited financial statements. Moreover, the quality of financial reporting has no impact on interest rates. Basically, the banks use financial statements to review and confirm an applicant's business plans and for other due diligence procedures.

83. **For most businesses, financial reporting primarily satisfies state tax and statistical reporting.** Most private sector businesses are run based on cash transactions and do not rely on bank financing. SMEs manage their company based on the cash at hand and do not use their financial statements to support loan applications. Therefore, most private sector businesses view accounting requirements as being necessary only for statistical and tax reporting.

VI. POLICY RECOMMENDATIONS

84. **The main objective of this ROSC assessment is to assist the Tajik government, regulators, financial statement preparers and other stakeholders in strengthening the financial reporting framework of the country's financial and enterprise sectors.** This would support strategic objectives such as:

- Encouraging greater transparency in both state and private owned enterprises, allowing shareholders and the public at large to assess management performance and influence enterprise behavior.
- Helping ensure that financial reporting and auditing rules applicable to entities of different types and sizes are appropriate to the needs of those entities and the users of their financial statements.
- Preparing a business climate conducive to investment in the private sector. In the longer term, enhancing financial reporting would facilitate SME access to credit by encouraging a shift from collateral-based lending decisions to decisions based on financial performance.
- Aligning the normative and legal framework in the area of financial reporting, accounting and auditing with best international practices.

85. **Without attempting to provide a detailed tactical design for reform**, this report makes policy recommendations to support the implementation of accounting reform and to enhance the quality of corporate financial reporting in the Republic of Tajikistan.

86. **The recommendations of this report are interrelated and mutually supportive.** For example, good accounting standards serve no purpose if practitioners do not understand how to translate them into journal entries; a rigorous statutory and regulatory framework is unlikely to be effective if it is not enforced. Achievement of these objectives requires continuous reorganization and improvement of the Republic of Tajikistan's legal framework, institutions, accounting and auditing professions and education system. Policies should not be developed and enacted, however, without giving due regard to the ability to carry out such policies (both in terms of capacity and resources). A relatively lenient rule that is robustly and consistently enforced is preferable to a good, rigorous one that is unenforceable, as the lenient rule can be progressively made more rigorous as the circumstances allow. The policy recommendations below, while

challenging, can be carried out over the short to medium term and will help achieve the Republic of Tajikistan's long-term objectives. They fall into three key areas:

- Statutory Framework
- Institutional Capacity Building
- Professional Education and Training

87. **These recommendations require a holistic approach to implementation.** The Republic of Tajikistan has already established a Methodological Council on Accounting and Auditing (MCAA) to work on financial reporting reform. The MCAA should advise policymakers and regulators on the implementation of the recommendations. Based on the successful experience of other countries, this report recommends that the MCAA develop a Country Strategy and a detailed Country Action Plan (CAP) that clearly sets out the key actions to be taken and allocates responsibilities for implementing the necessary reforms. The CAP should include an itemized budget indicating the resources necessary for successful implementation and the government, policymakers and development partners should work together to secure those resources. To ensure that the CAP provides information on all relevant objectives, actions and required resources, as well as summary budgets and critical assumptions, its development will require the assistance of international and local consultants. A consultant funded by EBRD and DFID has already prepared a first report on the actions to be taken to enhance Tajik corporate financial reporting but this report does not deal with corporate financial reporting as a whole as it does not consider the audit function.

88. **Statutory Accounting Framework**

The accounting framework of the Republic of Tajikistan should be modified to allow for a three-tier system, whereby different accounting requirements would apply to PIEs, including SOEs of national interest, SMEs and micro-entities. In such a three-tier system, PIEs would apply full IFRS, SMEs would apply NAS (once fully developed and successfully implemented) and micro-entities would report solely for tax purposes. In addition, SMEs should be given an option to prepare financial statements according to IFRS. To achieve this objective:

- The legal framework of the Republic of Tajikistan needs to be amended to provide clear definitions of PIE, SME and micro entities for corporate financial reporting. At a minimum, PIEs should include banks and other credit institutions, insurance and reinsurance companies, companies providing financial investment services, investments managers and mutual funds, companies whose securities trade on a regulated market and state-owned entities. Current definitions for SMEs and micro entities used for statistics or tax purposes would probably serve for this purpose.
- Standard formats of financial statements should be adapted to incorporate new accounting requirements and provide (i) more flexibility in disclosure requirements for IFRS financial statements, that is, include expanded forms to allow for additional disclosures; and (ii) minimum mandatory disclosures for SMEs under updated NAS. At present SMEs generally do not provide any notes to their financial statements.
- NAS accounting standards should be expanded gradually to cover more accounting transactions. NAS development was abandoned when the decision was made to apply IFRS to all businesses by 2010. While NAS should be principles based, the development of new standards should take into account the Tajik tradition of providing detailed accounting guidance and rules.
- The MoF should ensure that Tajik translations of the latest versions of IFRS and ISA are adopted on a timely basis as part of the Republic of Tajikistan accounting and auditing regulations. Copies of these translations should be made readily available to educators and the various preparers, users and auditors of financial statements. For

example, accounting and auditing standards in the local language could be made available on the MoF website.

- When it comes to accounting standards enforcement, a group of representatives of the insurance supervisor, the MoF's newly established but not yet functioning SOE monitoring unit and the NBT should review the financial statements of all PIEs (i.e., SOEs, insurance companies, banks), including audit reports, and inform the companies about any inadequacies so that they can then take appropriate remedial measures. Irregularities and errors should be posted on the regulators' websites.
- In the area of prudential reporting, the NBT should pursue its efforts to align prudential reporting with IFRS. A first steps would be to require a reconciliation of prudential reporting to IFRS general purpose financial statements.

89. **Statutory audit framework**

Audit requirements should be set at a level appropriate to the public interest in financial reporting and should take into account the capacity of the audit profession in the Republic of Tajikistan. The requirements are likely to apply to all PIEs and other companies above certain threshold limits.

- All PIEs should be subject to audit requirements. They should have to adopt corporate governance principles such as setting up audit committees responsible for appointing auditors and reviewing corporate financial statements.
- Other companies above a certain size should be subject to statutory audit requirements.
- Statutory audits should be performed according to National Standards on Auditing, which need to be aligned with, or replaced by, ISA. The alignment with, or adoption of, ISA would be one of the components required to enhance the audit function.

The audit oversight system should be improved. The MoF and the NBT should join forces to create a single public oversight system that would eventually evolve into a more comprehensive public oversight system that would not be limited to the MoF and regulators but would also include the private sector. A number of actions are required for an effective oversight system:

- The Ministry of Finance should consider creating a Chamber of Auditors with mandatory membership for all auditors. The Chamber could play a certain regulatory role and its creation will help to unite the audit profession, which is important for effectively using the scarce resources available for building up the profession. Twinning the chamber with an IFAC member institution that could help build the appropriate infrastructure would also help development efforts. Examples of internationally agreed criteria for well-functioning professional organizations are contained in IFAC's Statements of Membership Obligations (SMOs). The MoF may want to consider that one such body would suffice; the creation of multiple bodies would not only waste scarce resources, it could actually serve as an impediment to the development of the accounting profession.
- The introduction of a quality assurance review program. The program's focus and objective should be to improve audit quality by identifying gaps in the implementation of auditing standards and encouraging training and improvements in methodology to address the gaps. The program should also have a mechanism to review and enforce the ethical requirements. Auditors should be required to have professional liability insurance and should prove annually that they have subscribed to it.
- Reviews should be carried out by either dedicated full-time inspection staff or through a system of peer review. In the initial stages, the quality assurance review program

would benefit from direct support and input from individuals or agencies with established experience in such audit quality control.

Once professional organizations for auditors and accountants are in place, they should participate in the quality control system by providing some of their highly qualified members for reviewing audits.

- The MoF should establish a disciplinary committee and procedures to enforce professional ethical requirements and auditing standards. The disciplinary process should include sanctions for transgressions and an appeal process.
- The MoF's audit certification program should be reviewed for compliance with IFAC's International Education Standards. The MoF should consider other professional qualifications, such as the CAP, CIPA, ACCA and CPA qualifications, and determine if exemptions for certain relevant components of the MoF audit certification can be awarded to holders of these professional qualifications.
- The MoF should continue monitoring and enforcing current requirements for certified and licensed auditors to undertake a number of approved hours of CPD each year. It may want to delegate this responsibility to the public oversight system once that becomes operational.

90. **Institutional capacity building**

- The MoF's Methodological Accounting and Auditing department should receive significant support, including from international peer institutions, to build its capacity in terms of the number, qualification levels and training of its staff.
- The NBT, the MoF's insurance and securities agencies, as well as the MoF unit supervising SOEs, should receive significant support to enforce high-quality financial reporting by the entities they regulate. They should also be given the necessary authority to require that regulated entities comply with the relevant financial reporting requirements and, in particular, remedy any deficiencies noted in the reviews of their financial statements.
- The providers of accounting and auditing education in the Republic of Tajikistan, including university lecturers and professional trainers, should be given the necessary support and assistance to update their knowledge and skills to include the latest international best practices in accounting and auditing, including IFRS and ISA. This may involve a major program of re-tooling accounting lecturers at universities, particularly in the state sector and could also involve some tuition in the English language, in which much relevant technical material is published.
- Each regulatory agency, including the MoF's Security Supervisor, should publish the financial statements of the entities they regulate in full on their websites and also should require companies to publish their financial statements on their own websites. This would enforce the current legal requirement that financial statements be made publicly available. Over the longer term, all companies should be required to file their financial statements with a single, central financial statement register, where they would be available to the public.

91. **Professional education and training:**

- The Government of the Republic of Tajikistan should ensure that the content of current accounting education and training is aligned with the needs of the professional accounting community. It should ask professional organizations, university educators, relevant government ministries and leading national and international accounting firms to work together on reforming accounting courses to better meet current market needs. Courses should prepare not only accountants for public practice and industry, but also those working as civil servants, regulators and supervisory staff involved in designing or enforcing accounting regulations. Such an approach would qualify accountants for certification armed with knowledge and experience relevant to the needs of the Tajik market. Such an approach might include the following steps:

- A review of university accounting syllabi and courses with significant accounting and auditing components to ensure that they are compliant with the latest versions of IFRS, ISA and current legislation in the Republic of Tajikistan. Emphasis should be placed on adapting university programs to help students meet professional certification and licensing requirements.

- One or two Tajik university should be chosen to pilot the implementation of the accounting education reform. This, too, could benefit from twinning arrangements with universities that have already successfully made the transition from the former Soviet system to more modern accounting education systems.

- Make greater efforts to standardize and raise the quality of university accounting and auditing education programs across the nation.

- To increase the capacity of the auditing profession over the next few years, the MoF should raise professional education requirements for licensed auditors so that they can obtain an international professional accounting qualification. Currently, the only international qualification available locally is the CIPA.

- Review Tajik continuous professional education curricula for accountants and auditors to implement up-to-date training on IFRS and *clarified* ISA.

APPENDIX 1

High level comparison of IFRS and Tajik National Accounting Standards (NAS) for enterprises

IFRS/IAS	**NAS Applicable to the Enterprise Sector**
Framework for the Preparation and Presentation of Financial Statements	No equivalent standard/regulation.
IAS 1 – *Presentation of Financial Statements*	**Regulation 104 *Financial Reporting of Enterprises* (2001)** Based on former IAS 1 principles. Describes financial statements, their components, general accounting principles and disclosures: a balance sheet, a profit and loss statement and annexes to them as well as explanatory notes. They also should include a cash-flow statement, a statement of changes in equity and a statement on thefts, as well as textual explanations. Notes also include accounting policies and additional information on acquisitions and disposals of assets. This regulation refers to Regulation 135 on accounting policies but not to any other NAS. **Regulation 124 on preparation of quarterly and annual financial statements by enterprises (2001)** Describes mandatory formats for financial statements and specifies line items. Formats follow former IAS 1 requirements. In addition, it contains traditional soviet forms related to thefts. Disclosures are mentioned as part of financial statements but not detailed or referred to in other standards.
IAS 2 – *Inventories*	**Regulation 5 on accounting of inventories (2002)** Based on IAS 2 principles but the LIFO method is allowed.
IAS 7 – *Cash-Flow Statement*	No equivalent standard/regulation.
IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*	**Regulation 135 on accounting policy of enterprises (1999)** Based on former IAS 1. Contains the main principles for accounting policies and disclosures. In addition, the regulation expands on the controls and documentation to be included in accounting policies. Does not address Changes in Accounting Estimates and Errors.
IAS 10 – *Events After the Balance Sheet* Date	**Regulation 53 on events after the reporting date (2002)** Based on IAS 10 principles.
IAS 11 – *Construction Contracts*	**Regulation 41 on Construction contracts (2002)** Based on IAS 11 principles.
IAS 12 – *Income Taxes*	No equivalent standard/regulation.
IAS 16 – *Property, Plant, and Equipment (PPE)*	**Regulation 6 on accounting for fixed assets (2002)** Based on IAS 16 principles but (i) there are no requirements for impairments tests; (ii) depreciation principles are based on separate tax rules; (iii) revaluations are performed in accordance with specific government decrees that do not necessarily lead to a fair value measurement of fixed assets.
	Regulation 64 on long-term investments (2002) Describes rules applying to capital investments in fixed assets.
IAS 17 – *Leases*	**Regulation 87 on accounting for finance leases (2004)** Based on IAS 17 principles, The regulation is, however, more detailed in providing sample accounting entries and the chart of accounts codification.
IAS 18 – *Revenue*	**Regulation 49 on revenues of enterprises (2001)** Based on IAS 18 principles but the classification of revenues is not entirely consistent with IFRS
No equivalent IAS or IFRS	**Regulation 50 on expenditures (2001)** Follows the same logic as the one for revenues, classifying expenditures to match revenues in the profit and loss statement.
IAS 19 – Employee Benefits	No equivalent standard/regulation.
IAS 20 – *Accounting for Government Grants and Disclosure of Government Assistance*	No equivalent standard/regulation.
IAS 21 – The Effects of Changes in Foreign Exchange Rates	**Regulation 153 on accounting for assets and liabilities expressed in foreign currency (1999)** Based on principles of IAS 21, but no disclosure requirements.

IFRS/IAS	NAS Applicable to the Enterprise Sector
IAS 23 – *Borrowing Costs* IAS 24 – Related Party Disclosures IAS 27 – *Consolidated Financial Statements and Accounting for Investments in Subsidiaries* IAS 28 – *Accounting for Investments in Associates* IAS 29 – *Financial Reporting in Hyperinflationary Economies* IAS 31 – *Financial Reporting of Interests in Joint Ventures* IAS 32 – *Financial Instruments: Presentation* IAS 33 – *Earnings Per Share* IAS 34 – *Interim Financial Reporting* IAS 36 – *Impairment of Assets* IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets* IAS 38 – Intangible Assets IAS 39 – *Financial Instruments: Recognition and Measurement* IAS 40 – Investment Property IAS 41 – *Agriculture* IFRS 1 – *First Time Adoption of IFRS* IFRS 2 – *Share-based Payment* IFRS 3 – *Business Combinations* IFRS 4 – Insurance Contracts IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations* IFRS 6 – *Exploration for, and Evaluation of, Mineral Resources* IFRS 7 – *Financial Instruments* Disclosure IFRS 8 – *Operating Segments*	No equivalent standard/regulation.