



Republic of Senegal

REPORT ON THE OBSERVANCE OF STANDARDS AND CODES - ACCOUNTING & AUDITING (ROSC A&A)

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Contents

EXECUTIVE SUMMARY	1
I. INTRODUCTION AND CONTEXT	8
II. IMPLEMENTATION OF THE 2005 ROSC RECOMMENDATIONS	12
III. LEGAL AND INSTITUTIONAL FRAMEWORK.....	17
IV. ACCOUNTING STANDARDS	31
V. AUDITING STANDARDS	34
VI. PERCEPTION OF THE QUALITY OF FINANCIAL INFORMATION AND OF THE ACCOUNTING PROFESSION.....	35
VII. RECOMMENDATIONS.....	37

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ACRONYMS AND ABBREVIATIONS

ADPME	Agency for the Development of Small and Medium Enterprises
ANSD	National Agency of Statistics and Demography
APIX	National Agency for Investment Promotion and Large Projects
BCEAO	Central Bank of West African States
BMN	Upgrading Office
BRVM	West African Regional Stock Exchange
CAC	Legal External Auditor
CCOA	West African Accounting Council
CESAG	African Center for Advanced Management Studies
CGA	Authorized Management Center
CGCPE	Government Portfolio Management and Control Unit
CIMA	Inter-African Conference on Insurance Markets
CNC	National Accounting Council
CNC OHADA	OHADA Accounting Standardization Commission
CPPC	Permanent Council of the Accounting Profession
CRCA	Regional Insurance Control Commission
CREFEFCF	Regional Public Accounting and Financial Training Commission
CREPMF	Regional Council of Public Savings and Financial Markets
DECOFI	Diploma of Accounting and Financial Expertise
DESCOGEF	Advanced Accounting and Financial Management Degree
DFS	Decentralized Financial Systems
DGID	Directorate General of Taxes and Government Property
ECOWAS	Economic Community of West African States
EIG	Economic Interest Group
ESP	Ecole Supérieure Polytechnique
FIDEF	International Federation of Francophone Accountants
GDP	Gross domestic product
IAS	International Accounting Standards
IASB/IASC	<i>International Accounting Standards Board / Committee</i>
IES	International Education Standards
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
ISA	Senegalese Institute of Directors
ISA	International Standards on Auditing
LLC	Limited Liability Company
MEFP	Ministry of Economy, Finance and Planning
OHADA	Organization for the Harmonization of Business Law in Africa
ONECCA	National Association of Accountants and Chartered Accountants of

	Senegal
PCB-UMOA	WAMU Bank Chart of Accounts
PCE	Government Chart of Accounts
PCG	General Chart of Accounts
PCRBF	Coordination of Fiscal and Financial Reforms Project
ROSC	Report on the Observance of Standards and Codes
SA	Corporation
SME	Small and medium enterprises
SMO	IFAC Statement of Membership Obligations
SNC	Partnership
SYSCOA/SYSCOHADA	West African/OHADA Accounting System
UA	Uniform Act
UCAD	Université Cheikh Anta Diop de Dakar
UNCTAD	United Nations Conference on Trade and Development
VSE	Very Small Enterprises
WAEMU	West African Economic and Monetary Union
WAMU	West African Monetary Union

FOREWORD

International standards contribute to greater transparency and make possible the identification of possible deficiencies in a country's regulations that could increase its economic and financial vulnerability. The assessment of standards and practices in the field of accounting and auditing in Senegal is part of the "Reports on the Observance of Standards and Codes (ROSC¹)" program, a joint initiative of the World Bank and the International Monetary Fund.

This second ROSC review of Senegal was conducted at the request of the Senegalese government. It follows the first assessment carried out in 2005, which led to the preparation of an action plan with implementation support from the World Bank through an Institutional Development Fund Grant.

The purpose of this review is to: (i) assess the degree of implementation of the 2005 recommendations and action plan and evaluate their impact on the accounting and auditing profession; and (ii) identify reforms that could be undertaken to strengthen the accountancy profession and improve the quality of the country's financial and accounting information. The report summarizes the findings and policy recommendations that arise from the review.

This assessment focuses on the strengths and weaknesses of the accounting and auditing environment that affect the quality of the financial information produced by private-law entities for the use of their various external users. It includes a review of legal obligations, as well as the practices observed in the country. The reference framework serving as the basis of comparison for the analysis consisted of the International Financial Reporting Standards (IFRS²), the International Standards on Auditing (ISA³) and the international good practices currently observed in the field of accounting and auditing regulation.

TEAM AND EXPRESSION OF THANKS

This report was prepared by a World Bank team based on the work accomplished in Senegal. The project team was headed by Fatou Fall SAMBA (Financial Management Specialist, GGODR) and also included Hugues Agossou, (Senior Financial Management Specialist, GGODR), Eric BRINTET (Lead Financial Management Specialist, GGODR), Aleksandar KOCEVSKI (Operations Officer, GGODR), Saidou DIOP (Senior Financial

1. Reports on the Observance of Standards and Codes (www.worldbank.org).

2. International Financial Reporting Standards. The acronym IFRS applies to both the International Accounting Standards or IAS, previously issued by the Accounting Standards Committee or IASC (which in 2001 became the International Accounting Standards Board or IASB) and the standards issued since 2001 by the IASB.

3. International Standards on Auditing, issued by an autonomous body within the International Federation of Accountants or IFAC. The official English version of the ISA standards is available free of charge on the IFAC website (www.ifac.org).

Management Specialist) (GGODR), Ndeye Absa CISSE (Team Assistant, AFCF1), Eugenie KIENDREBEOGO (Consultant, GGODR), Thierno MBACKÉ, Abdoulaye CAMARA and Cheikh MBAYE (Consultants, GGODR). The report also benefited from the decisive support and highly useful comments and suggestions of the team responsible for conducting the peer review: Kofi Agyen BOATENG (Senior Private Sector Development Specialist, GTCDR), Ousmane KOLIE (Senior Financial Management Specialist, GGODR), Zeynep LALIK (Senior Financial Management Specialist, GGODR), Patrick KABUYA, Senior Financial Management Specialist (GGODR), Cédric MOUSSET (Lead Financial Sector Specialist, GFMDR). The authors wish to express their thanks to the Senegalese authorities, the various government department heads met with, the BCEAO, and the representatives of the accounting profession and the Senegalese private sector, for their active participation and support during the course of this review.

Vice President: Makhtar Diop

Country Director: Louise J. Cord

Parctice Manager: Renaud Seligmann

Task Team Leader: Fatou Fall Samba

EXECUTIVE SUMMARY

This 2015 Accounting and Auditing Report on the Observance of Standards and Codes (ROSC A&A) is the second assessment for Senegal. Its main objectives are to: (i) assess the degree of implementation of the 2005 recommendations and action plan and evaluate their impact on the accounting and auditing profession; and (ii) identify reforms that could be undertaken to further strengthen the accountancy profession and improve the quality of the country's financial information. Senegal is experiencing weak economic growth, attributable on one hand to the economy's vulnerability to domestic and external shocks and, on the other, to structural weaknesses linked in particular to the high costs of transport and energy, as well as an insufficiently attractive business climate. The implementation of the recommendations contained in this report will facilitate improvement in the quality and credibility of financial information in the country. These aspects could be key factors for improving the business climate and boosting investor confidence.

Senegal has made significant progress in improving the quality of financial information since the last ROSC A&A when the National Association of Accountants and Chartered Accountants of Senegal (ONECCA) joined the International Federation of Accountants (IFAC) in 2013, thus increasing its credibility and enabling its members to gain the confidence of international investors. ONECCA is now playing a key role within the african and francophone accoung profession.

The country has also made major steps forward with reforms undertaken by the West African Economic and Monetary Union (WAEMU) on the SYSCOA (West African/OHADA Accounting System) accounting system⁴ and the Government Chart of Accounts (PCE)⁵. These reforms were made possible by the work accomplished within the framework of the West African Accounting Council (CCOA), responsible for standardization and whose functioning greatly improved owing to the support of partners.

Within the OHADA zone, the Uniform Act on the Law of Commercial Companies of the Organization for the Harmonization of Business Law in Africa (OHADA) was amended, particularly with regard to auditors, good corporate governance practices, enhancing transparency and supervision, particularly for companies making public offerings.

Despite these advances, the ROSC mission identified weaknesses linked to the partial or non-implementation of the 2005 recommendations and other shortcomings that became apparent in the course of this assessment. The findings of this report show limited implementation of the 2005 recommendations often due to weaknesses in the fuctionning of some regional institutions of WAEMU or OHADA such as Permanent Council of the Accounting Profession (CPPC), Regional Public Accounting and Financial Training Commission (CREFECF) and OHADA Permanent Secretary. Indeed, of the 18

⁴ Through Regulation No. 05/CM/UEMOA of June 28, 2013, the new SYSCOA system was to have become effective January 1, 2015 in the WAEMU member countries, but Opinion No. 03/2015 of November 5, 2015 of the OHADA Common Court of Justice and Arbitration (CCJA) stresses the importance of the harmonization of accounting standards in the OHADA zone. Indeed, this opinion does not allow an OHADA member state to use legal and accounting systems (particularly SYSCOA) other than the OHADA system. This state has been confirmed on April, 7 through a memorandum issued by Senegalese Ministry Of Finance.

⁵ Through Directive No. 09/2009/CM/UEMOA of June 26, 2009 which Senegal has already transposed and its implementation is planned for 2017.

recommendations made in 2005, 9 have been fully or partially implemented, including 5 at the national level and 4 at the subregional level.

Nevertheless, three partially implemented recommendations suggest a relatively positive change in the accounting and auditing profession in the medium term.

Institutional and legal framework

- Although the WAEMU's SYSCOA was revised in 2013, no changes have yet been made to SYSCOHADA (OHADA accounting system) since its introduction in 2000. Consequently, the existence of two accounting systems in the WAEMU zone (SYSCOA and SYSCOHADA) is a source of confusion for economic actors. The two systems need to be harmonized and aligned with the IFRS. It should be noted, in this connection, that the process of revising SYSCOHADA is underway. The technical presentation of the revised SYSCOHADA in plenary session is scheduled for April and its adoption by the OHADA Council of Ministers could take place in June 2016;
- The charts of account for the banking sector (PCB) and the insurance sector (Code of the Inter-African Conference on Insurance Markets – CIMA), which have not changed since their introduction in the late 90s, differ in many ways from the international standards, as indicated in the 2005 ROSC. Harmonization of the PCB with the IFRS and Basel II – III has begun, with implementation slated for 2016 in a transitional phase and full implementation by 2018. As for the CIMA Code, its accounting rules need to be aligned with the IFRS;
- Governance and the presentation and publication of the financial statements of state-owned enterprises (SOE) also exhibit numerous weaknesses vis-à-vis the international requirements, particularly in the areas of corporate governance, internal control, the observance of statutory deadlines for the presentation of financial statements, the quality of financial and accounting information, etc. The government should, therefore, continue the actions undertaken by the Parastatal Sector Directorate (DSP) and the Supreme Audit Institutions (SAI) to improve the quality of the financial information of state-owned enterprises and parastatals. This is especially important in Senegal, given the impact of SOEs on the State budget, the investments made in infrastructure, and the competitiveness of the economy;
- Although ONECCA has taken essential steps to comply with the IFAC requirements, weaknesses linked to quality assurance, failure to monitor in-service training, the organization of firms often consisting of only one member⁶ and the low fees charged for tasks mandated by the standards jeopardize the accounting profession. The Association should, therefore, continue its ongoing efforts to comply with the IFAC Statements of Membership Obligations (SMO), with the support of the authorities. ONECCA should also be more open to independent accounting professionals by changing the legislation, with a view to increasing its resources and influence. A census of these professionals could be taken and procedures for their inclusion defined by ONECCA. For legal reasons, they currently cannot be added to the Association's Membership Roll;
- The management of the course of study for the Diploma of Accounting and Financial Expertise (DECOFI), which is needed to register as an accountant in the WAEMU zone, is

⁶ Which still does not allow for ensuring that the firm is complying with the IFAC technical standards, particularly with regard to the implementation of auditing standards and the rules on internal quality control.

deficient in many ways, related to the lack of funding mechanisms, the small number of schools offering the training, the high cost of the training for these schools, the difficulties noted in the organization of technical training seminars⁷, and lack of equivalence with other diplomas. The reform of the DECOFI curriculum under way in the WAEMU should take into account the above-mentioned deficiencies in order to address them.

Accounting standards

- SYSCOA has evolved toward convergence with the international standards, taking into account the socioeconomic and legal environment of the countries concerned (see paragraph 46). Its first year of implementation was supposed to cover the fiscal 2015 accounts, but the mission notes that the delay in the revision of SYSCOHADA (following the above-mentioned Common Court of Justice and Arbitration (CCJA) Opinion of November 5, 2015) has led to the postponement of this date⁸. The mission reviewed a sample of the financial statements of a number of enterprises, based on the unrevised SYSCOA. The review indicates continuing implementation difficulties, with the level of detail of the financial information and the corresponding explanations falling far short of the requirements of the international standards⁹;
- The accounting standards are still poorly applied, particularly for commercial enterprises without an auditor¹⁰. The accounting profession could become involved in putting in place a platform that takes into account the obligation of having a One-Stop Window for the filing of financial statements (GUDEF¹¹) at the Directorate General of Taxes and Government Property (DGID) of the Ministry of Economy, Finance and Planning (MEFP), in order to improve the quality of the financial statements submitted by enterprises and combat illegal practice of the profession of accountant or chartered accountant;
- Applying the IFRS is not an immediate concern in the WAEMU zone, especially for small and medium-sized enterprises (SMEs), which are already having trouble using the current system. The rules governing the production of the corporate financial statements and consolidated accounts of market sector enterprises (including publicly listed companies) remain those of SYSCOA/SYSCOHADA. However, discussions are underway concerning application of the IFRS by publicly listed companies by 2018. It should be pointed out that nonapplication of the IFRS by SMEs is not an obstacle to their admission to the Regional Stock Exchange or to gaining access to financing in the WAEMU zone. Moreover, the stock exchange participants we met with indicated that investors are not concerned about having SME financial statements prepared in accordance with the IFRS. On the other hand, the opening of a BRVM compartment specifically for SMEs is looked upon favorably by stock exchange participants (especially brokerage firms). Simpler conditions related in particular to the elimination of the minimum capital and account history requirements should facilitate their participation in the stock exchange and their access to the regional financial market.

⁷ Interns have to undergo 3 costly annual training session totaling 360 hours

⁸ The memo of April, 7 from the Senegalese Ministry of Finance confirms this position and indicates that financial statements of the 2015 fiscal year should be done in line with SYSCOHADA.

⁹ The revised SYSCOA took these implementation problems into account by simplifying certain tables (see paragraph 15) in order to obtain better quality financial and accounting information. The SYSCOHADA revision should also take these implementation difficulties into account

¹⁰ owing mainly to the lack of understanding of the standards and their complexity

11. The one-stop window for the filing of financial statements (GUDEF) was established by Directive No. 04/2009/CM/UEMOA adopted by the WAEMU Council of Ministers on March 27, 2009.

Auditing standards

- The process of approving professional standards within ONECCA is in progress and the responsible Committee is in place. The process should be finalized by July 2016 and disseminated within the accounting profession;
- Upgrade training for members and a plan for assisting firms are needed within the context of quality assurance, to help professionals apply the auditing standards;
- The Permanent Council of the Accounting Profession (CPPC), which is responsible for the standardization of auditing in the WAEMU zone, has developed many tools that have yet to be disseminated and used.

Perception of the quality of financial information

- **For sectors with a supervisory or regulatory authority** (banks, financial institutions, microfinance institutions, insurance companies, publicly listed companies, telecommunications companies), the financial information of enterprises in the sectors are considered by the relevant actors to be generally reliable. Indeed, in addition to the controls performed by the regulatory bodies, the accounts are audited annually by one or two auditors. However, the above-mentioned weaknesses concerning the conditions for practicing the accounting profession¹² should prompt a reassessment of that perception of reliability. Moreover, certain insurance company executives we met with complained that audit missions are sometimes carried out by auditors lacking the necessary competence in the sector;
- The perception of the quality of the financial information of **SOEs** is somewhat mixed, as governance problems¹³ often arise, particularly in connection with the appointment, abilities and independence of members of the Board of Directors (BD) and the competence of individuals responsible for preparing the account..Discussions the mission had with stakeholders revealed that improvements are needed in the areas of corporate governance, the internal control system, and the timely production of reliable financial information¹⁴. These weaknesses constitute major challenges, and the Parastatal Sector Directorate (DSP) of the Ministry of Economy, Finance and Planning, which is responsible for the financial oversight of public enterprises, has already taken steps to address them. In addition to these efforts of the DSP, the mission recommends the establishment of a working framework involving the DSP, the SAI and ONECCA to improve the quality of financial information and promote understanding of the financial statements. The contribution of the accounting profession should include capacity building for members of the board of directors, to increase their understanding of financial statements and internal auditing techniques. Joint audit missions by the auditors of SOE and the SAI would also help to strengthen external control;
- **For SMEs**, financial information is available, but is often seen as insufficiently reliable. Conversations with the managers of financial institutions revealed that there is a risk that certain SMEs could resort to submitting multiple financial statements, each

¹² Mainly weaknesses linked to quality assurance and failure to monitor in-service training

¹³ Corporate governance or government: concept generally referring to best management practices related to transparency, financial information and corporate accountability.

¹⁴ Financial statements are often not available until several months after the accounts are closed.

showing a different financial position. These financial statements differ depending on the need and the purpose (tax return, access to credit or responses to invitations to bid). The establishment of Authorized Management Centers (CGA) to assist SMEs with management and bookkeeping has not produced the expected results. The SME Charter currently being prepared should include a mechanism involving all concerned actors (SME Directorate, Agency for the Development of Small and Medium Enterprises - ADPME, Upgrading Office, CGA, ONECCA, etc.) to better monitor the needs of SMEs. Moreover, the establishment of a platform (online filing portal) that takes into account the necessity of having the GUEDEF at the DGID and that will be shared with the National Agency of Statistics and Demography (ANSD), the Central Bank of West African States (BCEAO), the Court Registry Office, the Agency for the Promotion of Investment and Large Projects (APIX), and in partnership with ONECCA and the CGAs, would also make it possible to improve the quality of financial statements, avoid multiple balance sheets, combat illegal practice of the profession and expand the tax base;

- One of the distinctive characteristics of the **informal sector** is the production of a low level of financial information, often to evade tax obligations, despite the relief measures introduced by the government (tax amnesty, consolidated tax). Informal sector enterprises produce financial statements only under pressure from the tax authorities, banks, or specialized support agencies (ADPME, APIX, etc.). Conversations with economic agents also revealed that large enterprises may also be kept in the informal sector, either because the senior manager is unaware of the advantages of operating in the formal sector or because he is uninterested in exploring the possibilities of growing his business. Thus, the accounting profession’s involvement in providing overall support or assistance based on “outputs” tailored to informal enterprises could encourage the latter to fulfill their accounting and tax obligations more willingly. Furthermore, a partnership between the accounting profession and the financing entities would make it possible to provide information certified by accountants in order to more easily and more quickly gain access to financing.

- **The profession is viewed as credible and competent by some of the entities visited.** The profession is well-known to the authorities and the private sector. However, some actors, especially in the insurance or stock market intermediation sectors, would like to see greater value added in the auditor’s work. In addition, the fees are considered high by SMEs and the informal sector. Finally, actors in the banking sector also objected to the submission of multiple balance sheets¹⁵ and incomplete financial statements by some enterprises. To improve the quality of financial information, ONECCA should be more involved in the preparation of the accounts of private and public sector enterprises, in the context of establishment of the GUEDEF platform at the DGID.

The recommendations of the 2015 Accounting and Auditing ROSC in Senegal are summarized in the following table:Action	Responsibility	Importance	Short term (less than 1 year)	Med. term (1 - 3 years)	Long term (3 - 5 years)
A- Strengthen the accounting standards					
1- Expedite adoption of the revised SYSCOHADA and ensure that the two accounting systems, SYSCOA and	CNC OHADA-	high	XXX		

¹⁵ Whether or not certified by accountants.

SYSCOHADA, are identical - new recommendation-regional level	CCOA				
2- Update the sectoral charts of account of credit institutions and insurance companies - renewed recommendation-regional level	BCEAO-CIMA	moderate		xxx	
3- Revise the organization and functioning of the National Accounting Council (CNC Senegal), ensure that it has sufficient resources and establish a relationship with the OHADA National Accounting Standardization Commission - renewed recommendation-national level	Government of Senegal and OHADA	moderate	xxx		
<i>B- Strengthen the accounting profession and the professional standards</i>					
4- Obtain approval of the auditing standards and of the Code of Professional Duties from the responsible committee - new recommendation-national level	ONECCA-Government of Senegal	high	XXX		
5- Make quality assurance mandatory in the profession, grant a two-year transition period before imposing sanctions, and find resources for its implementation - new recommendation-national level	ONECCA	high	XXX		
6- Open up the profession to independent accounting professionals by revising the law with a view to increasing the resources and influence of the profession - new recommendation-national and regional level	ONECCA-CPPC	moderate		XXX	
7- Develop a working framework involving the Parastatal Sector Directorate and the Supreme Audit Institution (SAI) and draw up a memorandum of understanding between the two entities and ONECCA to improve the governance and supervision of public enterprises - new recommendation-national level	ONECCA-SAI-DSP	moderate		XXX	
8- Encourage alliances among ONECCA member firms to make them technically and financially stronger - new recommendation-national level	ONECCA	moderate			XXX
<i>C- Improve accountant education and training</i>					
9- Reexamine the management of the DECOFI and the functioning of CREFECF before adoption of the texts on the DECOFI curriculum in the WAEMU zone - new recommendation-regional level	CREFECF-WAEMU	high	XXX		
10- Establish a system of equivalence between the diplomas of certain schools or universities with the DESCOGEF- renewed recommendation-regional level	CREFECF-WAEMU	high	XXX		
11- Conclude agreements with other countries on the reciprocal recognition of accounting diplomas. These agreements could apply prioritarilly to the six member countries of CEMAC - renewed recommendation-regional level	CREFECF-WAEMU	moderate		XXX	
12- Put in place a system within ONECCA to monitor compliance with the requirement of in-service training for members of the Association - renewed recommendation-national level	ONECCA	high	XXX		
<i>D- Improve the financial information of enterprises</i>					
13- Computerize GUEDEF with the establishment of a platform that centralizes the receipt of all financial statements and grants access to all recipients (ANSD, Court Registry Office, APIX, BCEAO, etc.). This action will also be helpful in combating illegal practice of the accounting profession - new recommendation -	DGID	high		XXX	

national level					
14- Appoint independent and qualified directors and build their capacities with support from ONECCA regarding the role of corporate governance and the importance of good quality financial and accounting information. - new recommendation-national level	.DSP	high		XXX	
15- Revise and Expedite the amendment of Law No. 90-07 to enable state-owned enterprises to comply with the Uniform Act and the Principles of Corporate Governance of the Organization for Economic Cooperation and Development (OECD) - new recommendation-national level	DSP	moderate		XXX	
16- Initiate collaboration between the DGID, the ADPME, the CGAs and ONECCA to assist SMEs and the informal sector with bookkeeping and management - renewed recommendation-national level	Government of Senegal	moderate		XXX	
17- In the OHADA Uniform Act on the Law of Commercial Companies stipulate penalties for failure to make financial statements available to shareholders - renewed recommendation-regional level	OHADA	moderate			XXX
18- Open BRVM compartment 3 for SMEs to enable them to access the stock exchange financial markets - renewed recommendation-regional level	CREPMF	high	XXX		
19- Formalize the creation of the steering committee to develop a detailed action plan for the reforms stemming from the ROSC mission's recommendations and ensure the coordination of actions as well as the monitoring of their implementation - new recommendation-national level		high	XXX		

I. INTRODUCTION AND CONTEXT

Introduction

1. **The second assessment of accounting and auditing standards and practices in Senegal (A&A ROSC) focuses on the degree of implementation of the recommendations made during the first assessment carried out in 2005.** It identifies and also assesses the strengths and weaknesses that have emerged since the first assessment of the accounting and auditing environment and that have an impact on the quality of the financial information produced by private-law entities for the use of their various external users. Finally, the 2015 A&A ROSC offers recommendations for constant improvement of the quality of financial information, which, together with strengthening the macroeconomic framework, should help to boost the economic growth expected by Senegal¹⁶.

2. **To facilitate the collection of data for the assessment, the A&A ROSC team used tools developed by the World Bank. Additional data and information, including the degree of implementation of the 2005 recommendations, were also collected during meetings with the stakeholders.** The frame of reference serving as the basis of comparison for the analysis consisted of the IFRS, the ISA, the International Education Standards (IES), the Code of Ethics for Professional Accountants¹⁷ and the international good practices currently observed in the field of accounting and auditing regulation.

Economic context

3. **Senegal is located in West Africa with a population in 2014 of approximately 13.93 million, 55 percent of whom live in rural areas.** The country is the second largest economy in the West African Economic and Monetary Union (WAEMU) after Côte d'Ivoire, with GDP of US\$15.66 billion in 2014. Senegal's average GDP has remained at a relatively low level of 3.6 percent since 2006, compared to an average growth rate of 6 percent in the rest of Sub-Saharan Africa. This economic growth, although modest, was accompanied by a slight reduction in poverty in the country during the same period. This weak economic growth is explained, on the one hand, by the economy's vulnerability to domestic and external shocks and, on the other, by the structural weaknesses of the economy related in particular to the high costs of transport and energy, as well as an insufficiently attractive business climate. The Country Poverty Reduction Strategy (CPRS) was revised in 2014 with the adoption of the Plan Sénégal Emergent (PSE), whereby the government intends to reverse the unfavorable trend of economic performance. Reforms have been undertaken to improve both the business climate and public investment, while preserving fiscal sustainability. In the medium term, with the support of technical and financial partners, the country looks forward to economic recovery. Thus, economic growth is expected to exceed 6 percent in 2017, which will allow the country to make significant progress in combating poverty.

4. **In recent years, Senegal has made efforts to improve the business climate.** The implementation of the Three-Year Program for Reform of the Business Climate and Competitiveness (2013-2015 PREAC) enabled Senegal to move from 166th place in 2013 to

¹⁶ Through SME empowerment and SOE performances

17. Issued by the "International Federation of Accountants or IFAC," available at www.ifac.org

156th place in the Doing Business ranking and to be included in the list of the world's top ten reformers.¹⁸ The PREAC considerably simplifies the procedures for starting a business or obtaining a building permit. It also made possible a reduction in property tax from 15 percent to 10 percent. The country's Global Competitiveness Index is also improving, the country having moved from 177th place in 2012 to 113th place in 2013. Despite all these reforms, entrepreneurs still face challenges owing to the difficulty of obtaining financing and the lack of good quality infrastructure, especially in the electricity sector. This situation explains the low private investment rate,¹⁹ which fell from 20 percent in 2006 to 16 percent in 2011.

5. **The financial sector in Senegal is essentially dominated by the banking sector, which is by far the main source of business financing.** As of December 31, 2013, the country had 20 banks and two financial institutions located in the largest cities,²⁰ with a total balance sheet of CFAF 4,100 billion. The banking sector is considered relatively robust, despite its vulnerability to loan concentration and asset quality risks. As one of its responsibilities, the BCEAO supports the financial sector by adopting measures designed to strengthen and increase the bank penetration rate.²¹ Access to credit in Senegal improved with the entry into force of the Uniform Act of the Organization for the Harmonization of Business Law in Africa (OHADA) on secured transactions. The country also strengthened its credit reporting system by adopting the law establishing the Credit Information Bureau as well as the corresponding implementing regulations by the West African Economic and Monetary Union (WAEMU) governing the granting of authorizations and the operation of credit reporting agencies²². Despite all these actions, Senegal still needs to expand access to bank credit since, in the Doing Business 2016 report, the country is in 133rd place out of a total of 189 economies ranked according to the ease of obtaining credit. The country thus fell five places from its ranking of 128th in Doing Business 2015.

6. **The microfinance sector in Senegal is a dynamic sector providing important financial services to very small enterprises (VSE) and low-income households.** The microfinance sector expanded overall access to the financial system to around 20 percent of the population in 2013. The sector had a total of 238 institutions with a credit volume representing close to 3 percent of GDP in 2013. On December 31, 2013, these institutions held a loan portfolio of CFAF 235 billion (US\$ 412 millions) and savings deposits of CFAF 197 billion. Microfinance loans primarily benefited small commercial, agricultural and

18. Source: World Bank Doing Business 2015.

19. Source: Agency for Investment Promotion (APIX)

20. IMF- Senegal: Financial Depth and Macrostability / Patrick Imam and Christina Kolerus.-Washington, DC: International Monetary Fund, C2013 (<https://www.imf.org/external/pubs/ft/dp/2013/afr1305.pdf>)

21. According to the IMF 2013 report on financial depth and macrostability in Senegal, only 7 percent of the population had a bank account in 2012 (<https://www.imf.org/external/pubs/ft/dp/2013/afr1305.pdf>). In 2011, government workers and students receiving scholarships were required to open a bank account for direct deposit of their monthly salary or scholarship payment.

²² Senegal also joined the Global Forum on Transparency and Exchange of Information for Tax Purposes, the aim of which is to ensure application of the relevant standards agreed at the international level. This forum adopted the Standard for Automatic Exchange of Financial Account Information, which requires financial institutions subject to reporting requirement (banks, brokers, insurance companies, etc.) to report certain financial information to the competent jurisdictions (investment income, account balances, proceeds from the sale of financial assets, etc.)

service enterprises. Telephone banking services have also grown in recent years, particularly in rural areas.

7. **The Regional Stock Exchange of the WAEMU member countries (BRVM), located in Abidjan, Côte d'Ivoire, affords opportunities to attract foreign capital.** The market capitalization of BRVM shares rose from CFAF 4,031 billion (US\$ 6.7 million) in December 2012 to CFAF 6,024 billion (US\$10.04 million) in January 2014.²³ With the introduction of two new companies, the BRVM includes 3 companies operating in Senegal, out of the 39 listed on December 31, 2014. The Government of Senegal has regularly raised funds on the regional financial market since 2005, with more than CFAF 550 billion mobilized as of December 31, 2014. The success of the stock prices of these 3 publicly listed companies shows that the regional financial market can be a genuine source of financing for large Senegalese SMEs.

8. **The insurance sector is governed and supervised by the Inter-African Conference of Insurance Markets (CIMA), a supranational body with jurisdiction in 14 African countries,²⁴ and by the National Insurance Directorate of the Ministry of Economy, Finance and Planning.** The Senegalese Federation of Insurance Companies (FSSA) has 19 members. For 2013, the total amount of insurance premiums collected on the market was estimated at CFAF 95.3 billion (US\$176 million), including CFAF 70.9 billion (US\$131 million) in non-life premiums and CFAF 24.4 billion (US\$45 million) in life premiums.

9. **The Senegalese Government still has significant holdings in several companies in certain key sectors of the economy.** Such is the case, in particular, for water supply, through the National Water Company of Senegal (SONES),²⁵ port infrastructure (Autonomous Port of Dakar), the Social Security Retirement Institute of Senegal, the Social Security Fund, the Cap Vert Realty Company (SICAP), the Senegalese Electricity Company (SENELEC), etc. The government also holds a major interest in the leading telecommunications company (Sonatel). The telecommunications sector includes 3 private operators (Sonatel, Tigo and Expresso) regulated in technical matters by the Telecommunications and Postal Regulation Authority (ARTP). The Parastatal Sector Directorate of the Ministry of Economy, Finance and Planning, which replaced the Government Portfolio Management Unit, is responsible for the financial oversight of public enterprises.

10. **The informal sector and small and medium enterprises are considered the backbone of the country's economy.** The informal sector accounts for 60 percent of GDP and is a key factor in the Senegalese economy. Flexible, attractive and dynamic, it is both a competitor and a partner of formal enterprises and has grown significantly in the last two decades. Primarily located around the capital, SMEs contributed around 33 percent to GDP and 42 percent to employment in the modern sector in 2013.²⁶ In 2012, the country had

23. BRVM (<http://www.brvm.org>)

24. Benin, Burkina Faso, Cameroon, Congo, Côte d'Ivoire, Gabon, Guinea Bissau, Equatorial Guinea, Mali, Niger, Central African Republic, Senegal, Chad, and Togo.

25. There is also another operator (Senegalaise des Eaux), a subsidiary of a French group.

26. www.commerce.gouv.sn

8,153 industrial units,²⁷ consisting essentially of SMEs largely characterized by limited competitive strength and slow growth, owing *inter alia* to a lack of competitiveness, low profitability and problems with investment and modernization. In these circumstances, they face a number of barriers to full integration into world trade. These barriers have led the Government of Senegal to adopt certain regulatory and legislative policy measures since the 2005 ROSC to support the development of SMEs²⁸. To strengthen this mechanism, the government plans to prepare and shortly adopt an SME charter to further assist their growth and enhance their competitiveness.

11. **Regional integration remains a strategic pillar of Senegal’s development.** The below table shows the main regional cooperation institutions associated with accounting and auditing laws:

Regional Institution	Member countries-cooperation field	Relation with accounting and auditing legislation
West African Economic and Monetary Union (WAEMU)	Eight member countries. ²⁹ - Economic cooperation	Private and public accounting standards-Education-auditing standards- accounting profession
West African Monetary Union (WAMU)	Same 8 country members of WAEMU- cooperation on financial matters within the framework of the WAMU, which has a single currency, the CFA franc, and common institutions: the Central Bank of West African States (BCEAO), the bank of issue, and the WAMU Banking Commission	banking accounting and auditing standards- banks auditing
Inter-African Conference of Insurance Markets (CIMA)	14 African countries ³⁰ - common insurance legislation	insurance accounting and auditing standards- insurance companies auditing
Economic Community of West African States (ECOWAS)	(WAEMU members plus 7 countries ³¹) – Economic Cooperation	
Organization for the Harmonization of	(WAEMU members plus 9 countries ³²)- common	Private and public accounting standards-Education-auditing standards- accounting profession

27. Source: Economic databank of the National Agency of Statistics and Demography – ANSD – December 2013 edition

²⁸ Namely: (i) SME sectoral policy letter (LPS-PME 2005-2009); (ii) Law No. 2012-31 of December 31, 2012 establishing the General Tax Code, which expands the tax base of the Unified Levy (CGU) to fifty million (CFAF 50,000,000) and establishes the simplified actual accounts regime for enterprises with turnover between CFAF 50 million and CFAF 100 million;²⁸ (iii) the creation of SME financial instruments (Priority Investment Guarantee Fund - FONGIP, the Sovereign Strategic Investment Fund - FONSIS and the National Bank for Economic Development - BNDE)

29. Benin, Burkina Faso, Côte d’Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo. The WAEMU Commission is headquartered in Ouagadougou.

30. Benin, Burkina Faso, Cameroon, Congo, Côte d’Ivoire, Gabon, Guinea Bissau, Equatorial Guinea, Mali, Niger, Central African Republic, Senegal, Chad, and Togo.

31. In addition to the eight WAEMU countries, the following are also members of ECOWAS: Cape Verde, the Gambia, Ghana, Guinea, Liberia, Nigeria and Sierra Leone.

Business Law in Africa (OHADA)	legislation on corporate and accounting laws	
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II. IMPLEMENTATION OF THE 2005 ROSC RECOMMENDATIONS

Of the 18 recommendations made during the 2005 A&A ROSC, 9 have been fully or partially implemented. These results show that efforts are being made to improve the quality of financial information in the country, as 9 of the recommendations made in 2005 are being addressed. Most of unimplement recommendations are due to weaknesses in the functioning of some regional institutions of WAEMU or OHADA such as Permanent Council of the Accounting Profession (CPPC), Regional Public Accounting and Financial Training Commission (CREFEFC) and OHADA Permanent Secretary..

12. The following table summarizes the implementation status of the 2005 recommendations and includes the reasons for their degree of implementation.

Implementation status of the 2005 A&A ROSC:

Recommendation	Implementation status	Comments and impacts
<p>ACCOUNTING STANDARDS</p> <ul style="list-style-type: none"> Improve the SYSCOA-SYSCOHADA accounting standards, taking into account the international context, which will lead to aligning them with the IFRS. Responsibility-regional level: WAEMU and OHADA 	<p>Partially completed</p>	<p>Regulation No. 05/CM/UEMOA of June 28, 2013 was adopted by the WAEMU with effect from January 1, 2015. 16 provisions of Regulation No. 04/96/CM/UEMOA of December 20, 1996 were revised to align the SYSCOA accounting system more closely with the IFRS. However, certain aspects still differ from the international standards, owing to the legislator's intention to have the economic environment of the WAEMU member countries taken into account. The impact of this implementation can only be measured using accounts prepared in accordance with this new system. SYSCOHADA, on the other hand, has not changed, but the process of revising it is under way and could conclude in June 2016. As a result, there are now two accounting systems – SYSCOA and SYSCOHADA – in the WAEMU zone.</p>
<ul style="list-style-type: none"> Reconcile the PCB and CIMA Code accounting rules with the IFRS to improve the quality of the financial statements of banks and insurance companies, taking into account the constraints associated with providing regulators with accounting information consistent with the prudential rules. Responsibility-regional 	<p>Not completed</p>	<p>The PCB and CIMA Code accounting standards have not changed. The PCB reform project was launched at the same time as the consideration of Basel II and III. This reform is expected to be completed by 2108. New CIMA Code provisions were adopted in 2005, mainly concerning the prudential rules. However, no significant changes have been made in the accounting standards to align them with the IFRS.</p>

32 OHADA brings together the eight WAEMU countries and 9 other mostly francophone African countries (Cameroon, Central African Republic, Comoros, Congo, Gabon, Guinea, Equatorial Guinea, Democratic Republic of Congo and Chad); the Democratic Republic of Congo has announced its intention join. OHADA is headquartered in Yaoundé.

Recommendation	Implementation status	Comments and impacts
<p>level: BCEAO and CIMA</p> <ul style="list-style-type: none"> Adopt accounting rules specifically for microfinance institutions. Responsibility-regional level: BCEAO To facilitate the SYSCOA update, define the mode of operation of the CCOA and ensure that it has the resources needed to carry out its work. Ensure as well the effectiveness of the mechanism for making the accounting standards enforceable. Responsibility-regional level: WAEMU 	<p>Completed with effect from 2009</p> <p>Partially completed</p>	<p>Accounting standards were adopted for microfinance institutions in 2009.</p> <p>Regulation No. 02/2009/CM/UEMOA of March 27, 2009 establishing the West African Accounting Council (CCOA) defines its composition and operation. Article 16 states that the CCOA's operations will be financed with resources raised by the Commission and with contributions from the CNCs of the member states. In reality, the resources from the WAEMU Commission are used only for operations and are insufficient. The CNCs are not contributing at present. The CCOA's main activities in recent years have concerned the SYSCOA reform, the preparation of public accounting standards and the organization of West African accounting seminars (JOAC). These activities were carried out with the support of the World Bank, through the WAEMU project. The mechanism for making the accounting standards enforceable is still the responsibility of the WAEMU Commission. The impact of implementing this recommendation can only be measured when the reformed SYSCOA is placed in service.</p>
<ul style="list-style-type: none"> Define the mode of operation of the National Accounting Councils (CNC) and ensure that they have sufficient resources. Responsibility-regional level: WAEMU and Government of Senegal 	<p>Not completed</p>	<p>The composition of the CNC has not changed and its mode of operation remains the same. However, meetings were held in 2013 and 2014. Without sufficient resources, Senegal's CNC cannot fulfill its accounting standardization responsibilities.</p>
<ul style="list-style-type: none"> Given the implementation problems observed since the SYSCOA was established, and in the light of a differentiated analysis of the needs of the users of accounting and financial information: a) Simplify the tables specified by SYSCOA in the normal system (part 4, Title I, Chapters 3 and 4); b) on that basis, adjust the thresholds 	<p>Completed with effect from 2015</p>	<p>Regulation No. 05/CM/UEMOA of June 28, 2013 was adopted by the WAEMU with effect from January 1, 2015. The tables were considerably simplified and the financial statements were revised. The impact of implementing this recommendation can only be measured using the accounts prepared with this new system.</p>

Recommendation	Implementation status	Comments and impacts
defining the applicability of the three SYSCOA regimes (normal, reduced or minimal) Responsibility-regional level: WAEMU		
ACCOUNTING PROFESSION – PROFESSIONAL STANDARDS <ul style="list-style-type: none"> <li data-bbox="183 515 534 817"> • Begin the process of aligning the national auditing standards with the ISA, and the Code of Professional Duties with the IFAC Code of Professional Ethics. Responsibility-regional and national level: ONECCA Senegal-CPPC <li data-bbox="183 1041 534 1377"> • Establish a professional practice monitoring system to ensure the quality of accounting and auditing practice as well as observance of the ethical rules applicable to the profession. Responsibility-regional and national level: ONECCA and CPPC <li data-bbox="183 1657 534 1848"> • Have a presiding judge appointed for the ONECCA Disciplinary Board. Responsibility-national level: Government of Senegal <li data-bbox="183 1937 534 2060"> • Support the profession’s efforts to combat illegal practice, particularly by strengthening the system of 	<ul style="list-style-type: none"> <li data-bbox="566 537 758 604">Partially completed <li data-bbox="566 1064 758 1131">Partially completed <li data-bbox="566 1668 758 1736">Completed with effect from 2011 <li data-bbox="566 1948 758 1982">Not completed. 	<p data-bbox="782 504 1388 974">In its 2011 general meeting ONECCA adopted the ISA standards as professional standards. A manual of ONECCA standards was also prepared in December 2010. In addition, Article 86 of the ONECCA by-laws established a Consultative Standards Approval Committee. The purpose of this process is to incorporate standards into Senegalese substantive law through approval by interministerial decree. To date, the Code of Professional Duties and 8 auditing standards have received a favorable opinion from the Committee and are in process of approval by interministerial decree. Professional standards have been drawn up for the CPPC, but the implementation process is not making much progress.</p> <p data-bbox="782 1030 1388 1456">Senegal’s ONECCA adopted the International Standard on Quality Control ISQC1 and ISA 220 as quality assurance standards. It also put in place a Quality Assurance Committee and developed a Quality Assurance System (SAQ) with financial support from the World Bank and technical assistance from the French accounting profession. Quality assurance was initiated by ONECCA in 2013, but it is voluntary at present and will not become mandatory until 2017. A number of problems mentioned in the Committee’s 2014 report should be addressed to ensure that quality assurance is properly implemented in the profession. It is too early to measure the impact of this recommendation.</p> <p data-bbox="782 1523 1388 1646">A judge was appointed and currently presides over the ONECCA Disciplinary Board. To date, two disciplinary sanctions have been pronounced by the Disciplinary Board.</p> <p data-bbox="782 1758 1388 2060">Illegal practice was still a problem when the mission reviewed the sample of financial statements. Despite its efforts, ONECCA lacks sufficient resources to put an end to it. The substantial involvement of the authorities, especially those of the DGID responsible for receiving financial statements and monitoring enterprises, is needed. If the GUDEF platform recommended by the mission is approved by the DGID, it will considerably intensify this fight against illegal practice.</p>

Recommendation	Implementation status	Comments and impacts
<p>sanctions against enterprises using providers not registered with ONECCA. Responsibility-national level: Government of Senegal</p>		
<p>TRAINING</p> <ul style="list-style-type: none"> • Develop a training and upgrade plan for all members of the profession. Responsibility-national level: ONECCA Senegal • Make trainers' compensation more attractive for members of the accounting profession Responsibility-national level: CESAG • Approach other franco-phone countries as soon as possible with a view to concluding agreements on the reciprocal recognition of accounting diplomas. Responsibility-regional level: ONECCA Senegal and/or CPPC 	<p>Not completed</p> <p>Completed</p> <p>Not completed</p>	<p>Although ONECCA has held training sessions on the professional standards developed in 2010 with World Bank support, the skills and the training needs of each member have not been identified. In addition, the ONECCA Training Committee still needs to draw up and implement the annual training plan and ensure that it is followed. A means of tracking each member's 40 hours of mandatory training should be devised. Sanctions should also be defined.</p> <p>CESAG was able to increase the rates of the fees paid to professionals who participate in its training. Thus, four ONECCA accountants are currently participating in the training provided by CESAG, which has the highest DESCOGEF success rates in the subregion. However, this collaboration could be formalized with ONECCA in a memorandum of understanding pursuant to which CESAG would manage and ensure the sustainability of this compensation.</p> <p>Regulation No. 12/2000/CM/UEMOA of November 22, 2000 establishing the DECOFI makes no provision for equivalence with any other diploma. The draft text amending the provisions governing the DECOFI is in process of finalization in the WAEMU. It provides for the conclusion of agreements on reciprocal recognition of the DECOFI accounting diploma by the CREFECF.</p>

Recommendation	Implementation status	Comments and impacts
<p>ACCESSIBILITY OF ENTERPRISES' FINANCIAL INFORMATION</p> <ul style="list-style-type: none"> Put in place the necessary structures for the functioning of the court registry office. Responsibility-national and regional level: Government of Senegal in concert with OHADA Improve the auditing of parastatal enterprises' financial statements and ensure their dissemination to the public. Responsibility-national level: Government of Senegal 	<p>Not completed</p> <p>Not completed</p>	<p>The ROSC mission noted that one of the 5 copies of the financial statements that enterprises file with the DGID for the Court Registry Office is not received by the latter. Senegal is in the process of putting in place a platform known as "Seninfogreffé," the ultimate aim of which is to permit the collection of various data about enterprises, including financial and accounting information. However, the enterprises are not at present filing financial statements with the court registry office as required by the OHADA Uniform Act. It will therefore be necessary to put in place a system linking the Court Registry Office and the DGID to collect data through the proposed GUEDEF platform and store it in "SenInfogreffé." In addition, links to the World Bank's ongoing OHADA Project should be established by computerizing the Trade and Personal Property Credit Register (RCCM). The objective is to put in place a computerized link between the national and regional trade registers to increase the availability of financial information.</p> <p>Although the Parastatal Sector Directorate of the Ministry of Economy and Finance is in the process of putting in place a system to collect financial and accounting information from public enterprises, it is not yet operational. The auditing of financial statements by the SAI is also deficient, owing in particular to the lack of resources and the relatively long interval between audits. The dissemination of financial information to the public is still not effective.</p>
<p>OTHER ISSUES</p> <ul style="list-style-type: none"> For enterprises wishing to list their shares, ease the obligation concerning the presentation of audited financial statements by reducing from five to three the number of years of statements required of enterprises with capital in excess of CFAF 500 million. Responsibility-regional level: BRVM and CREPMF Take steps to raise enterprises' awareness of corporate governance and of the use of SYSCOA. Responsibility-national level: Government of Senegal, ONECCA and professional 	<p>Not completed</p> <p>Partially completed</p>	<p>A project to open an SME compartment is pending at the Regional Stock Exchange (BRVM) of the WAEMU countries. It is the "anteroom" for the introduction of SMEs on the Exchange with reduced access requirements. To date, the CREPMF has not finalized the process for opening it.</p> <p>The Senegalese Institute of Directors (ISA), created at the initiative of the private sector, undertook to raise awareness through a Code of Good Governance in Public and Private Enterprises. Currently, it is not as successful as expected. The Parastatal Sector Directorate plans to take steps to improve the governance of public enterprises. For banks, Banking Commission Circular No. 005-2011/CB/C of January</p>

Recommendation	Implementation status	Comments and impacts
<p>organizations</p> <ul style="list-style-type: none"> Establish criminal penalties for corporate executives who fail to provide shareholders with company documents. <p>Responsibility-regional level: OHADA</p>	Not completed	<p>4, 2011 strengthened the corporate governance mechanism, particularly with regard to the distribution of powers and responsibilities among various bodies and the development of tools essential for good governance. Regarding SYSCOA, not enough has been done to raise awareness of the new system.</p> <p>No penalty is prescribed for failure to provide company documents to shareholders.</p>

III. LEGAL AND INSTITUTIONAL FRAMEWORK

A. Accounting and Auditing Legislation and Regulation

14. The obligations concerning bookkeeping and the presentation of financial statements as well as the statutory audit (external audit) of Senegalese enterprises are contained in various national, subregional, and international texts. They are summarized in the following table and analyzed in detail in the 2005 ROSC A&A.

Legal form Business segment	Annual financial statements	External audit	Filing of financial statements	Publication
Commercial companies (Corporations, LLCs, partnerships, simplified joint stock companies (SAS) – Economic interest groups (EIG) - Parastatal enterprises and mixed enterprises	Accounting law OHADA Uniform Act	<p>Law on commercial companies</p> <p>OHADA Uniform Act</p> <p>Mandatory for corporations</p> <p>Mandatory over a certain size defined in OHADA for LLCs, EIGs, partnerships, and simplified joint stock companies</p>	For corporations, mandatory filing with the court registry office responsible for commercial affairs <i>(not observed in practice)</i>	
Credit institution	Bank chart of accounts (PCB)	Mandatory (Auditor certified by the Banking Commission)		With the Banking Commission
Insurance company	CIMA Code	Mandatory (Auditor certified by the CRCA)	With the CRCA	Company required to provide a copy of its financial statements to anyone who requests it
Social Security	Law No. 75-50	Mandatory	Not required	Not required

Retirement Institutions	of April 3, 1975			
Microfinance institutions	Law No. 2008-47 of September 3, 2008 regulating decentralized financial systems (DFS)	Mandatory for confederations, federations, unions and DFSs covered by Article 44 of Law No. 2008-47 of September 3, 2008	With the Directorate of Regulation and Supervision of DFSs, the BCEAO, and the Secretariat of the WAMU Banking Commission for DFSs covered by Article 44	Published in an official gazette at the institution's expense

15. The Uniform Act on Accounting Law has not changed since the 2005 ROSC. However, after more than 15 years of implementation, the Uniform Act on the Law of Commercial Companies and Economic Interest Groups (AUDSGIE) in the OHADA zone, which governs the external auditing of commercial companies, has changed. The 1998 Act was reexamined in the light of its implementation, by the OHADA Council of Ministers meeting on January 30, 2014 in Ouagadougou, with entry into force on May 5, 2014.

16. **Several provisions of the AUDSGIE were revised with a view to implementing corporate governance good practices, by further clarifying the roles and responsibilities of the various bodies and functions and by reducing the risks of conflicts of interest.** It was also aimed at enhancing transparency and supervision, particularly for public companies, as well as defining sanctions and the nullity regime. Shareholder rights are strengthened, particularly with regard to the external auditing of commercial companies, but only corporations and, to a certain extent, limited liability companies (LLC) were affected. This control was extended to other types of companies (partnerships, economic interest groups). In addition, the condition related to minimum registered capital of CFAF 10 million was eliminated. The major innovations are: (i) the introduction of the simplified joint stock company, characterized by a high degree of flexibility; (ii) the introduction of variable capital companies for non-public corporations (S.A.) and for simplified joint stock companies (S.A.S.); (iii) the strengthening of shareholder rights with the possibility of voting, particularly by videoconferencing (Article 133-2); (iv) the modernization of the electronic publication procedures (Articles 256-1 and following); (v) the limitation of the principle of the free transmissibility of shares (Articles 765-1 to 771-3); (vi) the introduction of provisions concerning the free allotment of shares to company employees and executives (Articles 626-1 to 626-6).

17. **The SYSCOA procedures for the preparation of company financial statements were modified in 2013, whereas those of SYSCOHADA have not changed since the 2005 ROSC.** The WAEMU Council of Ministers, meeting on June 28, 2013, adopted Regulation No. 05/CM/UEMOA amending Regulation No. 04/96/CM/UEMOA of December 20, 1996 on the adoption of a common accounting system in the WAEMU known as SYSCOA. The changes made in the presentation of SYSCOA financial statements essentially concern: (i) the simplified set of financial statements is reduced from three systems to two: the normal system and the minimal cash system³³; (ii) the balance sheet and income statement are now on a single page; (iii) the TARIFE is replaced with a Flow of Funds Table (TFT); (iv) the attached thirty (30) pages of statements with a large quantity of missing information, the completion of which requires extensive reprocessing, are now in a two-part annex: obligatory data on one (1) page and Notes to the Financial Statements containing information from the financial statements cross-referenced for better understanding; (v) financial statements presented in accordance with the minimal cash

³³ This system is dedicated to Very Small Enterprises whose turnover is below CFAF 30 million.

system must include: the balance sheet, the income statement, the statement of change in net assets. In addition to the set of financial statements, major changes were made with a view to convergence with the IFRS. The process of revising the OHADA accounting law is under way: its technical presentation in plenary session is scheduled for April 2016 and its adoption by the Council of Ministers could take place in June 2016.

18. **The General Tax Code requires companies to file their financial statements by April 30 of each year with the Directorate General of Taxes and Government Property (DGID).** In Senegal, financial statements are filed with the DGID (two copies for the DGID, one for the ANSD, one for the BECAO, and one for the Court Registry Office). Thus, the financial statements that corporations are required by law³⁴ to file with the court registry office are collected by the DGID. **The court registry offices in Senegal currently lack the human and material resources needed to receive and file these financial statements.** As a result, the statements are not filed with the court registry and there are no repercussions for these corporations, as no penalties are provided for in the legislation. An application called SeninfoGREFFE is being introduced with the support of APIX to obtain data from the Registry. For the time being, it cannot be used to collect electronic financial information from companies.

19. **SOEs are governed by two coexisting texts: (i) the OHADA Uniform Act on company law; and (ii) Law No. 90-07 of June 26, 1990³⁵ on the organization and supervision of enterprises in the parastatal sector and private-law legal entities receiving financial assistance from the public authorities. The multiple changes that have occurred in the economic and legal environment of these companies have not been taken into account in order to adapt or substantially review the reference legislation governing these SOEs, namely law N°90-07. Consequently, given the importance of the parastatal sector in the country's economy, this law must be updated and harmonized with other national legislation and OHADA Uniform Act.** Public enterprises have the same obligations as commercial companies to prepare, submit and publish financial statements (see paragraph 13). However, these financial statements are often not available until several months after the accounts are closed. Discussions with stakeholders revealed weaknesses as governance problems³⁶ often arise, particularly in connection with the appointment, abilities and independence of members of the Board of Directors (BD) and the competence of individuals responsible for preparing the accounts. Significant improvements are also needed in the internal control system of SOE, and the timely production of reliable financial information. They are subject to external auditing by one or two auditors and by the SAI³⁷ which ensures the regularity of the revenue and expenditure operations of audited entities and, in applicable cases, sanctions noncompliance with the rules governing such operation.

³⁴ *The Uniform Act states that "corporations are required to file summary financial statements with the court registry office (...), during the month following their approval by the general shareholders meeting" (Article 269).*

³⁵ This law is apparently being reformed to align it with the OHADA Uniform Act on the law of commercial companies.

³⁶ Corporate governance or government: concept generally referring to best management practices related to transparency, financial information and corporate accountability.

³⁷ The SAI of Senegal is governed by Organic Law No. 2012-23 of December 27, 2012 repealing and replacing Organic Law No. 99-70 of February 17, 1999 on the SAI. The SAI verifies and assesses the proper use of loans, funds and securities, as well as the management of all entities under its control. The Audit Office prepares a public annual general report containing its main findings during the year and the measures recommended to correct any omissions, anomalies and deficiencies observed.

20. **Banks and financial institutions are not subject to SYSCOA but are governed by specific provisions established by the monetary authorities of the West African Monetary Union (WAMU), which provisions have undergone a number of changes since the 2005 ROSC.** Most of these standards are set out in the Banking Law, the Bank Chart of Accounts (obligatory since 1996), and a “prudential mechanism” put in place by the WAMU Council of Ministers.³⁸ The WAMU Banking Commission oversees credit institutions in the territories of the eight member states of the Union to ensure that the banking system functions smoothly and efficiently.³⁹ It also contributes to the oversight of decentralized financial systems (DFS). Changes to the banking law were made in a circular. They are: (i) increase in the minimum capital of banks, from one to ten billion; (ii) Circular on the conditions for practicing the profession of auditor, which reduces the mandate to three years compared to the six-year mandate under ordinary law; (iii) on the organization of the internal control system, which makes a distinction between continuous auditing and internal auditing and the establishment of an audit committee; (iv) specifying the conditions for performing the functions of directors and executives of financial institutions; (v) on the governance of credit institutions; (vi) setting out the procedures for interviewing directors; (vii) directors and shareholders representatives. If properly implemented, these changes will strengthen bank supervision and the observance of the established prudential rules.

21. **Neither the 1996 Bank Chart of Accounts applicable to credit institutions nor the Code of the Inter-African Conference on Insurance Markets (“CIMA Code”)⁴⁰ has undergone major changes since the 2005 ROSC.** Concerning banks, the PCB reform project was launched with a view to achieving compliance with Basel II and III by 2018. For auditors, one of the main innovations introduced by Article 8 of Banking Commission Circular No. 004-2011/CB/C of January 4, 2011 is the obligation to produce a report on the assessment of the 50 greatest risks, in implementation of the Rating Agreements mechanism. In the insurance sector, the CIMA Code now requires insurance companies to provide financial statements⁴¹ and the board of directors’ report by June 1 of the following year instead of August 1.

22. **The mission of the Regional Council of Public Savings and Financial Markets (CREPMF) is to ensure that public companies fulfill their financial reporting obligations, but it is hampered in this task by the lack of a financial information quality assurance unit.** Created by the WAMU Council of Ministers on July 3, 1996, the CREPMF issues regulations governing the operation of the financial market. It has the authority to impose financial and administrative penalties, without prejudice to any applicable legal proceedings. These penalties are immediately enforceable by operation of law in all the territories of the member states. The CREPMF does not have a specific unit dedicated to checking the various aspects of the market’s accounting and financial

38 WAMU banking rules and regulations have evolved since 2005 and are now governed essentially by the WAMU Treaty of January 20, 2007 and the Convention of April 6, 2007. They are available on the Internet at www.bceao.int/internet/bcweb.nsf/french.htm?OpenFrameSet.

39 Since the April 1, 2010 entry into force of the texts on the institutional reform of the WAMU and the BCEAO, the Commission’s powers are now conferred on it by the Convention of April 6, 2007 and by a new uniform law on banking regulation in the member states.

⁴⁰ Treaty of July 10, 1992 (entered into force in 1995) and amendments approved by the Franc Zone Council of Ministers of Finance (WAEMU and Central African Economic and Monetary Community). CIMA is headquartered in Libreville and has 14 members, all of which are members of OHADA (although two members of OHADA, Comoros and Guinea, are not members of CIMA).

⁴¹ They include the operating statement, the income statement, the appropriation account, the balance sheet and the list of subsidiaries and holdings.

information. Given the number of companies listed, the creation of such a unit may not be necessary at present, although it may eventually become so.

23. **The Authorized Management Centers (CGA) established to help SMEs with their bookkeeping have not produced the expected results.** The CGAs are government agencies established by the law of December 29, 1995 to bring SMEs into the formal sector by offering tax incentives.⁴² The system, established in 1998, has had very limited success because few enterprises (SMEs or informal sector) have actually joined the one CGA established to date, in Dakar. The basic reason for this, according to some observers, is that the tax benefits granted to members are perceived as insufficient. Other enterprises also seem to believe that the value added by the CGA in the form of various types of management assistance (financial and accounting, social, organization of production, legal, etc.) is not enough to attract the informal sector, especially if the necessary instruction is not effectively promoted. In any event, the adequateness of accounting standards is not questioned since the minimal cash system is taken into account by the SYSCOA for VSE.

B. The accounting profession

A strong accounting profession, recognized internationally and regulated independently, strengthens financial reporting practices by increasing the observance of regulations. It builds investor confidence and, in the end, contributes to more sustained economic growth.

24. **The accession of the ONECCA to the IFAC)in 2013 was a major step forward for the Senegalese accounting profession:** in November 2013, ONECCA became the third Sub-Saharan francophone African country to become a full member of IFAC. The Association's membership in this international institution, which brings together accountants from all over the world, boosts its credibility and helps its members gain the confidence of international investors. ONECCA was established in Senegal by Law No. 2000-05 of January 10, 2000, in accordance with a WAEMU Community Directive dated September 28, 1997. ONECCA is also a member of the International Federation of Francophone Accountants (FIDEF), the Association of Accountancy Bodies in West Africa (ABWA) and the Pan-African Federation of Accountants (PAFA).⁴³

25. **To bring ONECCA into compliance with international practices, new ONECCA by-laws were adopted by Decree No. 2013-766 of June 10, 2013.** They replace and repeal the preceding Decree No. 2001-281 of April 12, 2001 establishing by-laws. As in the by-laws in force at the time of the 2005 ROSC, the organization of ONECCA includes a general meeting of the members and a Board of Directors, made up of eight regular members and the Chair. In addition to several standing committees responsible for professional or technical matters,⁴⁴ it also has a disciplinary board. The Government

42 These incentives include reduction by half of the corporate income tax rate (from 25 to 12.5 percent) and, for very small enterprises (defined according to the same criteria as SYSCOA) an 80 percent reduction of their taxable income. Membership in a CGA also enables the enterprise to put things right with the tax authorities and receive help with tax returns. These benefits are acquired subject to the accuracy of reported earnings. The CGA system has been introduced in several other WAEMU countries.

43 Founding member of PAFA in 2012.

44 There are six in all: a) the Professional Register Committee, responsible for drawing up the list of all professionals eligible to join the profession; b) the Equivalence Committee, responsible for assessing the equivalence of foreign diplomas with the Diploma of Accounting and Financial Expertise (DECOFI); c) the In-Service Training Committee; d) the Professional Standardization Committee; e) the Internship Committee; and f) the Committee for Protection and Development of the Profession.

Commissioner in all instances represents the government's oversight of ONECCA⁴⁵, exercised by the Minister responsible for finance. The changes introduced by these new by-laws pertain to: (i) the establishment of a Consultative Professional Standards Approval Committee; (ii) the creation of a committee for the protection and development of the profession; (iii) it also further clarifies the function of the internship and the disciplinary board; (iv) it stipulates the Advanced Accounting and Financial Management Degree (DESCOGEF) as the diploma required for an accounting internship (the reference to the Diploma of Advanced Accounting and Financial Studies - DESCF – was deleted). One of ONECCA's major strengths is that its organizational bodies function well on the whole: the general meeting is held annually and the ONECCA Board of Directors meets at least once a month. Still, certain committees need to be energized by providing them with the resources needed to properly carry out their duties (Training Committee, Standardization Committee, Equivalence Committee, Quality Assurance Committee, etc.). ONECCA should also ensure that auditors fulfill their obligation to obtain a professional risk insurance policy in accordance with Article 19 of Law No. 2000-05 of January 10, 2000.

26. Order No. 008249 of October 11, 2001 establishing the Code of Professional Duties is in process of being repealed, in accordance with the standards approval process put in place by ONECCA. The 2001 Code of Professional Duties differs very substantially from the IFAC Code of Ethics, in particular because it does not identify protecting the public interest as one of the objectives of the accounting profession.⁴⁶ In addition, the issue of the conflicts of interest that can arise during an audit mission and incompatibilities with the auditor's mandate are scarcely mentioned. Consequently, an ONECCA general meeting adopted the IFAC Code of Ethics and in May 2009 drew up a new Code of Professional Duties, which entered into force on January 1, 2010. This new Code has already won the favorable opinion of the Standards Approval Committee and should soon be approved by interministerial decree. It conforms to the IFAC Code of Ethics while at the same time taking into account the country's legal and economic environment.

27. The requirements for joining the profession have not changed since the 2005 ROSC. Apart from the usual character-related criteria, the main requirement for becoming a member of ONECCA is: (i) for accountants, hold the Diploma of Accounting and Financial Expertise (DECOFI), and for chartered accountants, the Advanced Accounting Diploma, or any equivalent diploma recognized by the ONECCA Equivalence Committee, or (ii) have been a member of ONECCA in another WAEMU member state, subject to reciprocity.⁴⁷ In accordance with the provisions of Article 53 of the ONECCA By-Laws, the Equivalence Committee is responsible for assessing the equivalence between accounting diplomas received in accounting studies abroad and the accounting diploma duly recognized by the competent authority. It should be noted, however, that Regulation No. 12/2000/CM/UEMOA establishing the DECOFI makes no provision for equivalence.

⁴⁵ It is in fact a kind of oversight by the Ministry of Finance which appoints a representative within ONECCA. The latter can attend meetings of the Council and the General Assembly. A totally external oversight is not in the country's agenda for the time being.

⁴⁶ The IFAC Code of Ethics states that "one of the distinctive characteristics of the accounting profession is the acceptance of its responsibility to act in the public interest."

⁴⁷ Articles 5, 6, 20 and 11 of the above-cited Law 2000-05. The other eligibility requirements are: a) be a citizen of a WAEMU member state or of a nonmember state that has concluded an establishment convention or any other international agreement with Senegal (subject to the favorable opinion of ONECCA; to date, no agreement of this type has been concluded); b) not been convicted of a criminal or correctional offense damaging to his good character, particularly any conviction including disqualification from holding the post of manager or director of companies; c) be in possession of his civil rights; d) give evidence of good character satisfactory to the Association's Board of Directors and e) have his tax domicile in Senegal.

Consequently, the ONECCA Equivalence Committee of Senegal put in place a mechanism, including criteria, to serve as the basic frame of reference for equivalencies. Under that mechanism, nine applications were reviewed and approved in 2012, 2013 and 2014. It is therefore important that the equivalence of the DECOFI be regulated by the CREFECF, which is responsible for managing the diploma in order to facilitate the work of the national associations in this field.

28. **One of the significant advances since the 2005 ROSC is the establishment of an ONECCA Quality Assurance Committee to exercise quality assurance of the Association’s member firms in accordance with the IFAC requirements.** To bring ONECCA into compliance with the IFAC international standards, the Association adopted the ISQC 1 and ISA 220 international quality control standards. ONECCA also established a Quality Assurance Committee and, with World Bank financial support and technical assistance from the French accounting profession, developed a Quality Assurance System (SAQ). ONECCA’s Quality Assurance Committee has been conducting reviews of the profession since 2013, but implementation of the system is voluntary for the time being and will not become mandatory until 2017. All the professionals the mission met with believe that quality assurance is useful and necessary for the profession, but its method of implementation should be revised. In its 2014 report, the Quality Assurance Committee pointed out weaknesses that should be corrected, relating in particular to: (i) the difficulty of selecting firms to be reviewed because of the voluntary nature of the reviews; (ii) difficulties finding and mobilizing reviewers because of the lack of pay (3,000 hours of volunteer work were needed for quality assurance in 2013). Finally, ONECCA’S quality assurance system, which relies on volunteers, lacks both resources and authority to impose penalties, and is relatively weak and ineffective.

29. **The membership of ONECCA has grown slowly since the 2005 ROSC. Opening up the profession would further increase its influence and its resources.** The number of members entered in the Association’s Membership Roll grew as follows between 2005 and 2015:

Categories	12/31/2014	12/31/2004
Chartered Accountants-practising accountants and auditors	151	95
Accountants-practising accountants	13	02
Accounting firms	75	37
Total	239	134

30. This table shows that the membership grew relatively little, since in 10 years (2005-2015), 55 Chartered accountants joined the profession, or an average of 5-6 accountants per year. By way of comparison, an anglophone country such as Ghana had 1,089 accountants in 2004 and 3,851 accountants in 2014, representing annual registrations of about 280 members. This slow increase of members is related, on the one hand, to tough criteria for joining the profession and, on the other hand, to the fact that only independant chartered accountants are allowed to be in the roll. The profession should therefore consider the possibility of being more open to accounting professionals in the government (DGID, Audit Office, Treasury, etc.), in business, or in universities. Doing so would bring all the accounting professionals into ONECCA and increase its influence in the country. The organization of technical seminars for these accounting professionals would also contribute to improving the quality of financial information in the country. Finally, ONECCA would also gain by increasing its resources with additional dues. Most of the members of the accounting profession met with during this A&A ROSC favor such an opening up but say that it should be organized and gradual. It would also require an amendment of Law No.

2000-05 of January 10, 2000 and of the WAEMU Community Directive of September 28, 1997 regulating the profession. Discussions are currently under way in the Senegalese accounting profession about basing the implementation of such an opening up on what is being done in anglophone countries.

31. Despite these advances, the Senegalese accounting profession still faces difficulties, owing to the current characteristics of the country's accounting and auditing market. Almost all the accounting professionals are located in Dakar, as the business potential in other regions still seems unlikely to support the opening of a firm. ONECCA statistics from the member's activity reports show that the external auditing market exceeds CFAF 10 billion, with a total of 517 auditor positions surveyed, 169 of which are in public interest entities (development projects, banks, insurance companies, public and parastatal enterprises). The international or French networks present in Dakar, through subsidiary firms or representatives, enjoy a commanding share of the market as a result of auditing these public interest entities. It was also noted that the members of the profession need to do more to organize themselves, as evidenced by the growth of the ratio of accounting firms to accountants (39 percent in 2004, compared to 48 percent in 2015). The existence of firms with only one member weakens the profession technically and financially. Indeed, it complicates compliance with the IFAC international requirements and drags down fees as a result of price competition. In these circumstances, it is not surprising that adhering to the ONECCA fee scale adopted by Decree No. 2005-1162 of December 2, 2005 is impossible. This situation is further exacerbated by illegal practice⁴⁸ of the profession, which is especially prevalent in the field of bookkeeping and remains a very common practice.

32. ONECCA has tried to find solutions to these problems, but so far none have worked. A committee for protection and development of the profession, specified in the by-laws, was put in place to protect the profession and expand its role. It should be noted, however that the committee's assigned objectives in regard to combating illegal practice and expanding the role of the profession were not achieved. Measures involving the authorities (particularly the Ministry of Economy, Finance and Planning) and ONECCA are needed to combat illegal practice and expand the role of accountants (for example, statutory audit of certain local governments, certain associations, assisting SMEs and the informal sector, etc.). Opening up the profession as recommended in the preceding paragraph would make it possible to inventory and further unite the country's accounting professionals and better combat illegal practice.

33. ONECCA must comply with the 7 SMOs (Statements of Membership Obligations) in order to remain a member of IFAC. Membership in IFAC requires each member organization to apply the Statements of Membership Obligations or SMOs, unless it can be shown that not applying an SMO would better serve the public interest. The seven SMOs currently in force specifically require that member organizations be diligent in observing the IFAC auditing standards and Code of Ethics (ISA standards), as well as the IFRS. Consequently, the challenge for ONECCA now is to take the necessary steps to ensure observance of these SMOs and remain a member of IFAC.

⁴⁸ Illegal practice of the accounting profession is an offense punishable by imprisonment for six months to two years or a fine of CFAF 1 million to CFAF 5 million.

ONECCA: Assessment of the current status of observance of the 7 IFAC SMOs

SMO	Degree of responsibility ⁴⁹	Current status and challenges
SMO 1 Quality assurance	Direct	The Association established a Quality Assurance Committee and developed a Quality Assurance System (SAQ). Quality assurance was initiated by ONECCA in 2013 and, to date, 20 of 75 firms have been reviewed. Implementation of the system is voluntary at present and will not become mandatory for ONECCA members until 2017. To properly implement quality assurance within the profession, ONECCA needs human and financial resources as well as an advisory and sanctioning mechanism. Quality assurance could also be considered for the CPPC.
SMO 2 International education standards and other pronouncements issued by the International Accounting Education Standards Board (IAESB)	Direct for the CREFEFC, universities and training institutes	The level and content of the DECOFI established in 2000 are consistent with international standards and take into account the specific socioeconomic, accounting and legal characteristics of the subregion. It is poorly administered by the CREFEFC, however, owing essentially to the latter's lack of resources. To date, only three training institutes are accredited in the eight WAEMU countries and only 63 candidates have earned a diploma in the last 10 years. The process of reforming the DECOFI and making it an LMD system is in process of finalization by the WAEMU Commission.
SMO 3 International standards, related practical recommendations and other documents published by the International Audit and Assurance Standards Board (IAASB)	Direct for the CPPC	An ONECCA general meeting adopted the ISA standards as professional standards and a manual of ONECCA standards was prepared in December 2010 by a consultant recruited within the framework of the World Bank IDF Grant project. In addition, Article 86 of the ONECCA by-laws established a Consultative Standards Approval Committee. This process leads to the incorporation of standards into Senegal's substantive law through approval by interministerial decree. To date, the Code of Professional Duties and 8 auditing standards have received a favorable opinion from the Committee and are pending approval by interministerial decree. Professional standards have been prepared for the CPPC, but the implementation process is not making much progress.
SMO 4 Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA)	Direct for the CPPC	An ONECCA general meeting adopted the IFAC Code of Ethics as professional standards. A Code of Professional Duties was also drawn up in 2009. In addition, Article 86 of the ONECCA by-laws established a Consultative Standards Approval Committee. This process leads to the incorporation of standards into Senegal's substantive law through approval by interministerial decree. To date, the Code of Professional Duties and 8 auditing standards have received a favorable opinion from the Committee and are pending approval by interministerial decree. For the CPPC, professional standards have been prepared but the implementation process is not making much progress.
SMO 5 International Public Sector Accounting Standards and other guidelines issued by the International Public Sector	Shared with the Ministry of Economy and Finance	Senegal has transposed into its national legislation Directive No. 09/2009/CM/UEMOA of June 26, 2009 establishing the Government Chart of Accounts (PCE) in the WAEMU. Article 6 of that directive clearly indicates that the government's general accounting is based on international accounting standards, particularly the West African Accounting System (SYSCOA). Senegal is thus engaged in a dynamic process of implementing a chart of accounts based on international

⁴⁹ There is no SMO for which ONECCA does not bear responsibility. Consequently, the Association needs financial and technical resources to fulfill its obligations as an IFAC member.

Accounting Standards Board (IPSASB ⁵⁰)		standards by 2017. ONECCA is a stakeholder in this process and has two members on the Committee, appointed by the Ministry of Economy, Finance and Planning for the purpose of implementing the new government chart of accounts.
SMO 6 Investigation and discipline	Direct	The Board of the Association has sole authority to deal with errors and omissions in the performance of professional duties committed by accountants in the Association's Membership Roll. Such cases are referred to the Disciplinary Board, the mission of which is to sanction omissions in the performance of professional duties of which members of the Association may be guilty, whether or not such omissions also result in sanctions imposed under ordinary law. ONECCA's Disciplinary Board has to date summoned and sanctioned two members. Its resources need to be increased to enable it to raise awareness and sanction all omissions observed.
SMO 7 International Financial Reporting Standards	Direct for the West African Accounting Council and the OHADA Permanent Secretariat	16 provisions of the WAEMU accounting system were revised in 2013 and SYSCOA is now more fully compliant with the IFRS. However, certain aspects still deviate from the international standards (see paragraph 46), owing to the legislator's intention to have the economic environment of the WAEMU member countries taken into account. The OHADA system, SYSCOHADA, has not been adapted. A joint effort of the WAEMU and OHADA should be made to examine the possibilities of putting in place a single accounting system in the WAEMU-OHADA area.

34. ONECCA Joining IFAC has been possible through: (i) building and adopting accounting standards in line with those of IFAC; (ii) the introduction of a voluntary quality assurance control within the profession; (iii) the existence of a regional accounting diploma which meet the requirements of IFAC; (iv) ONECCA involvement in the PCE which is inspired by the international public accounting standards; (v) the setting up of a disciplinary Commission that works.

35. **With six direct responsibilities and one shared responsibility, ONECCA should receive sufficient resources and solid support from the national and subregional authorities to remain a member of IFAC.** ONECCA has administrative personnel to assist the President and the Council in carrying out activities. Even though it has resources to function properly, additional funds are needed to provide its members with all necessary technical infrastructure to do their work. Accordingly, ONECCA also needs the subregional bodies of the WAEMU (CCOA, CPPC, CREFECF) or OHADA to function properly in order to make decisive progress on the accounting standards, professional standards, education and training.

C. Education and training

A good education and training system that turns out well-trained accountants who keep their technical knowledge current contributes to the observance of standards and codes and serves to strengthen the quality of financial information in the country.

36. **Faced with a complex crisis, the Government of Senegal undertook major reforms in the field of public and private higher education.** Public higher education in Senegal is characterized by repeated social conflicts, overcrowded universities, training courses often ill-suited to the economic environment and an unsustainable scholarship program. The numbers in private higher education have soared as well, and in 2011 the

⁵⁰ The IAASB, the IAESB, the IESBA and the IPSASB are IFAC standardization boards.

government authorities decided to regulate private education with a view to harmonization, complementarity, and regulation relative to the public sector, and to institute quality control.

37. Education and training in accounting and auditing continue to be dominated in Senegal by private education. Academic training in Senegal's public universities most often leads to management and economics diplomas, even though these universities also offer professional instruction in accounting and auditing at the License and Masters level. The most representative institutions in the accounting and auditing field are the Ecole Supérieure Polytechnique (ESP), the Administration and Business Creation Training Institute (IFACE), the Catholic University of West Africa (UCAO) and the African Center for Advanced Management Studies (CESAG). Most of the masters awarded by these institutions entitle the recipient to register to prepare for the DESCOGEF (diploma granting access to an accounting internship, see paragraph 33). ONECCA is involved not only in the accounting curricula of these schools and institutes, but also in training and the organization of examinations. Moreover, with regard to the training of accountants other than chartered accountants, certain individuals met with during the mission (corporate executives, chartered accountants) complained about the relatively poor qualifications of the accountants trained and sent into the labor market. The lack of government oversight of many private schools, particularly with regard to the content of the training and the qualifications of teachers, the quality of lecturers, training material, and training facilities are believed to be one of the causes of this situation.

38. The university course of study leading to the Diploma of Accounting and Financial Expertise (DECOFI), established in 2000 in Senegal and in the WAEMU member states, has not changed since the previous ROSC. The level and content of this diploma are consistent with international standards and take into account the specific socioeconomic, accounting and legal characteristics of the region. This course of study, the governance of which was entrusted to the Regional Public Accounting and Financial Training Commission (CREFEFCF) led, as of December 31, 2014, to: (i) the awarding of 289 Advanced Accounting and Financial Management Degrees (DESCOGEF), a BAC+5 level diploma in Finance and Accounting conferring the status of Accounting Intern; (ii) the registration of 210 accounting interns with the ONECCAs of the WAEMU countries; and (iii) the awarding of the Diploma of Accounting and Financial Expertise (DECOFI) to 63 candidates. Despite these relatively significant results, the curriculum is hampered by the lack of financing mechanisms, the small number of schools that offer the training,⁵¹ the high cost of the diploma⁵² and the difficulties encountered in organizing technical training seminars that are considered expensive⁵³. This situation is responsible for the number of DECOFI graduates, which some actors the mission spoke with consider relatively small compared to the needs of the accounting and auditing market. In addition, one of the diploma's shortcomings is also attributable to the fact that the text regulating the DECOFI does not stipulate a system of equivalence with diplomas. As a result, the course of study does not provide opportunities to acquire other skills (engineering school, business school, university, etc.) owing to the lack of equivalence with other diplomas. The profession should therefore broaden its horizons and incorporate a variety of skills, which would increase the number of professionals.

⁵¹ Only three institutes provide training in the WAEMU zone, one of which is the CESAG in Senegal.

⁵² Approximately CFAF 4,500,000 for DESCOGEF training in the CESAG.

⁵³ 3 annual seminars lasting 40 hours each are necessary for the 3 years of training for interns scattered around the 8 countries..

39. **The reform of the curriculum was begun several years ago with a view to conforming it to the LMD system and improving governance of the diploma.** This new DECOFI curriculum takes account of Directive No. 03/2007/CM/UEMOA on the adoption of the License-Master-Doctorate (LMD) system in universities and higher education institutions in the WAEMU zone. The WAEMU Commission assigned the CREFECF the task of developing a four-stage course of studies: (i) initial training, which is provided over the course of three school years and leads to the Accounting and Financial Studies Diploma - DECOGEF, (Professional License – Bachelor’s Degree); (ii) in-depth theoretical and technical training, which is provided over the course of two school years and can only be taken after obtaining the DECOGF or a diploma considered equivalent by the CREFECF, leads to the Advanced Accounting and Financial Management Degree (Professional Master – Master’s Degree); (iii) the three-year professional internship, which includes “professional support seminars” totaling 120 hours per year and leads to an Internship Validation Certificate; (iv) the final examination, which is open to all holders of an internship validation certificate and leads to the *Diploma of Accounting and Financial Expertise (DECOFI)*.

40. **The 2001 ONECCA Code of Professional Duties, which is still applicable, and the Code currently in process of approval by interministerial decree within the framework of the Approval Committee stipulates mandatory in-service training for members of the Association. The Codes stipulate 40 hours of mandatory in-service training each year, but as yet there is no mechanism for enforcing it.** Consequently, the lack of a supervisory and sanctioning mechanism within ONECCA to ensure that the members fulfill the obligation of in-service training is a major weakness.

D. Accounting and auditing standards

41. **In December 2008 the OHADA Council of Ministers created an Accounting Standardization Committee (CNC-OHADA) to assist with accounting standardization.** The regulation establishing an Accounting Standardization Committee (CNC-OHADA) at the permanent secretariat was adopted by the OHADA Council of Ministers in its December 2008 meeting in Dakar. Article 3 of the regulation states that “the CNC-OHADA is a consultative body responsible for proposing accounting standards to assist OHADA in the interpretation, harmonization and updating of accounting standards in the States parties; the CNC-OHADA assures the coordination and synthesis of theoretical and methodological research related to the standardization and application of accounting rules; the CNC-OHADA, at the invitation of the Permanent Secretariat, has the specific function of preparing all draft reforms of the accounting rules. As a result of the creation of the CNC-OHADA, two standardization bodies coexist in the WAEMU zone: the CNC OHADA, applicable to 17 OHADA States-parties, and the CCOA, encompassing eight WAEMU countries, without any mechanism put in place for coordinating research and synthesizing the work.

42. **The West African Accounting Council (CCOA), the standardization body for SYSCOA, has undertaken major reforms since the 2005 ROSC.** The CCOA’s activities since 2009 have produced significant results, particularly with regard to: (i) the reform of SYSCOA, which is expected to enter into force in 2015; (ii) the adoption of a new government accounting system through Directive No. 09/2009/CM/UEMOA setting out the government chart of accounts (PCE) within the WAEMU, which is based on international standards, particularly those of the West African Accounting System (SYSCOA), and will be applicable in Senegal beginning in 2017; and (iii) the organization of West African accounting seminars (JOAC). The CCOA has developed a strategic plan with activities scheduled for the future that will require locating more permanent financing mechanisms.

43. **The National Accounting Council (CNC) of Senegal, created by Decree No. 2001-281 of August 12, 2001, still lacks the resources needed to properly carry out its bridging role in the field of standardization.** The CNC has no operating budget, despite an action plan adopted in 2013; its sole activity is organizing the West African Accounting Seminars (JOAC). To provide the needed dynamism, the government should be asked to become meaningfully involved by allocating the budgetary resources that the CNC needs to play its standardization role.

44. **The Permanent Council of the Accounting Profession (CPPC)⁵⁴ is the WAEMU consultative body responsible for professional regulation and harmonization of the conditions for practicing the accounting profession in the WAEMU.** The CPPC is placed under the authority of the Commission and, in collaboration with the Associations, ensures observance of the conditions for practicing the accounting profession in the Union. The opinions and recommendations of the CPPC included in the implementing regulations of the Commission are binding on the Associations, which disseminate them by all appropriate means in the public interest. Despite these significant powers, the CPPC is not making much progress in carrying out its tasks. To date, none of the professional standards developed with the support of the World Bank project in the WAEMU have been publicized and implemented because the CPPC is nonfunctional. The CPPC should prepare an action plan and work toward strengthening the accounting profession in the WAEMU zone.

E. Mechanisms for Verifying Compliance with Accounting and Auditing Standards

45. **The Directorate General of Taxes and Government Property is authorized to receive and audit the financial statements of private and public enterprises for the purpose of levying the taxes, duties, fees and royalties specified in the General Tax Code (CGI).** Article 568 of the CGI states that Tax and Government Property agents may conduct on- and off-site inspections of the accounting and documents filed or held by taxpayers, for the purpose of levying and monitoring the taxes, duties, fees and royalties specified in the CGI. Consequently, the tax administration has significant investigative and sanctioning powers conferred by law. However, it does not at present have sufficient staff to inspect the accounting of all taxpaying enterprises in Senegal. Furthermore, the tax inspectors still lack the accounting tools needed to ensure compliance with the accounting standards. The accounting profession does not have a means of enhancing the reliability of financial statements before they are filed in accordance with the GUEDEF community provisions.

46. **The inspections carried out by the Banking Commission in connection with application of the PCB have not changed since the last ROSC.** The Banking Commission, as a supervisory and regulatory body, conducts regular on- and off-site

54 Article 4 of the new Regulation No. 01/2009/CM/UEMOA stipulates the following: the CPPC is responsible in particular for (1) drawing up a code of ethics and professional duties in accordance with international standards and ensuring that it is followed, (2) determining the professional standards specific to each type of professional accounting mission and the schedule of minimum hourly fees, (3) defining the framework, conditions and outlines of the in-service training of accounting professionals, (4) determining the conditions for initiating quality control of the services provided by accounting professionals, (5) annually disseminating the list of registered accounting professionals in the Union to the Association of each member state, (6) regularly providing the Association of each member state with a list of suspended, omitted and deleted accounting professionals as well as those who are subject to an ongoing sanction, (7) monitoring the free movement of accounting professionals in the Union, (8) contributing to the management of the training curriculum for the Diploma of Accounting and Financial Expertise and participating in the design of training programs for accounting occupations in the Union, and (9) ensuring coordination of the activities of the various Associations.

inspections, often with the support of the BECAO.⁵⁵ The Banking Commission's annual report indicates that it carried out 43 inspections in 2013. The report also points out that on-site inspections are aimed in particular at "assessing corporate governance, implementation of the bank chart of accounts, the efficiency of internal and external controls, strategic choices, the information system, the accounting organization (...)." In practice, the Banking Commission relies heavily on the auditor's certification report and comments on internal control. Its sanctioning powers are significant, in particular because its decisions are enforceable by operation of law within the territory of each of the WAMU member states.⁵⁶

47. The inspection of insurance companies by the CRCA at the CIMA level and of the Directorate of Insurance at the national level have not changed significantly. The CRCA has supervisory and sanctioning powers similar to those of the Banking Commission. The frequency of inspections is about once every two years, on average. The inspectors analyze the certified financial statements and the accounting documents required of insurance companies in the CIMA signatory countries, as well as the auditors' reports. In addition, the Directorate of Insurance of the Ministry of Finance conducts on- and off-site inspections of the accounts of insurance companies. These inspections include reconciliations between the financial statements and the obligatory statistical reports as well as an assessment of proper implementation of the technical risk provisioning methodology. It also reviews auditors' reports and can perform additional controls if the auditors have expressed one or more reservations.⁵⁷ In practice, the CRCA relies heavily on the auditor's certification report and comments on internal control.

48. The Regional Council of Public Savings and Financial Markets (CREPMF) is responsible for ensuring that public companies fulfill their financial reporting obligations. The CREPMF does not have a unit specifically dedicated to checking aspects related to accounting and the provision of financial information to the market. In practice, the CREPMF relies heavily on the certification report and comments on internal control made by auditors.

49. The government portfolio management process has changed since the 2005 ROSC, inasmuch as the Parastatal Sector Directorate (DSP) of the Ministry of Economy, Finance and Planning is now responsible for collecting financial data from public and parastatal enterprises. The DSP, which replaced the Government Portfolio Management Unit (CGPE), is in the process of putting in place a system for the fiscal and financial monitoring of public enterprises. It receives financial statements from the enterprises and produces an annual report. It has also launched a process wherein these enterprises sign performance contracts with the government, within the context of the World Bank PCRBF Project. The mission noted that the DSP system for collecting and analyzing the financial and accounting information of public enterprises needs to be improved with a view to annual publication of the accounts using the GUDEF platform. In addition, the discussions under way to reform Law No. 90-07 of June 26, 1990 governing public enterprises should continue. The Audit Office, for its part, relies heavily on the auditor's certification report and comments on internal control.

⁵⁵ All the work associated with the Accounting and Auditing ROSC in Senegal was carried out in Dakar. There were no meetings with the Banking Commission, the CRCA, or the CREPMF.

⁵⁶ In 2013, three warnings were sent to banks established in Senegal and 2 notices of dismissal to one chairman of the board of directors and to one director of a bank established in Senegal.

⁵⁷ One of the responsibilities of the Directorate of Insurance is to represent the Senegalese government on the boards of directors of the five insurance or reinsurance companies in which it has shareholding interests. According to the Directorate of Insurance, these holdings allow it to ensure that the companies in question function properly and that the CIMA Code is observed.

50. **The ONECCA Quality Assurance Committee still does not have sufficient resources to carry out its reviews in the profession.** Whereas the 2013 campaign involving nine firms had prioritarily targeted firms with auditors appointed to public interest entities (EIP), the 2014 campaign involving 11 firms focused on smaller firms. Thus, the quality assurance instituted by ONECCA involved a total of 20 of the 75 firms in existence as at December 31, 2014. The findings of the reviews revealed deficiencies in the organization of the firms (lack of technical manuals and tools, insufficient high-level technical personnel) and in their compliance with professional standards (mission acceptance procedures, existence of a mission letter, implementation of the risk-based approach, documentation of work, conformity of audit reports with the standards). ONECCA also has a Disciplinary Board made up of two elected members from ONECCA and a judge, who presides. This Board acts on the referral of the Association's Board of Directors and rules by majority vote on the report of one of its members, after hearing the Government Commissioner. Its deliberations are private. It may impose sanctions on accountants or chartered accountants, ranging from a simple warning to suspension for three months to three years, and even permanent disqualification. The Board heard two cases in 2013 and submitted them to the Association's Board of Directors. Its resources still need to be strengthened to enable it to increase awareness and sanction all omissions observed. At the community level, the CPPC has not actually begun its professional oversight work.

IV. ACCOUNTING STANDARDS

A. Reformed SYSCOA and Other Accounting Systems Applicable in Senegal Principal Differences with the IFRS

51. The SYSCOA accounting standards applicable in Senegal for entities other than banks and insurance companies have changed significantly in terms of convergence with the IFRS. The 16 operations affected by the changes in SYSCOA are the following: (i) loan redemption premiums; (ii) expenses on initial capital and capital increases; (iii) accessory expenses for the acquisition of fixed assets; (iv) capitalized expenses; (v) the component approach; (vi) major audits; (vii) the annual adjustment of residual value and useful life; (viii) the costs of dismantling, removing and restoring a site; (ix) leasing; (x) depreciation of inventories; (xi) subsidies tied to assets; (xii) provisions for expenses to be spread over several years; (xiii) retirement benefits; (xiv) multiyear contracts; (xv) benefits in kind; (xvi) translation adjustments.

52. The differences between SYSCOHADA, which remains unchanged, and the IFRS were pointed out in the previous report on the 2005 ROSC. The below table presents main differences between the revised SYSCOA and the IFRS⁵⁸:

GENERAL BASES	
REVISED SYSCOA	IAS/IFRS
Accounting Law and financial information	« Financial information »
List of Accounts + Templates of financial statement	No list of accounts, no «template »
Accounting for stakeholders	Information for investors
Public sector intervention (UEMOA delegation)	Private "independent authority »
Conceptual framework with the objective of clear opinion (regularity and sincerity)	Conceptual framework clear opinion (qualitative criteria)
Two systems : normal, SMT	A single entity of standards, «all » must be applied
Links with laws. Apply the substance over the legal form	Substance over legal form Disconnect with tax
Assessment = historical cost	Shift towards assessment "fair value"
Formal rules of bookkeeping (for individual accounts)	No standard for bookkeeping

FINANCIAL STATEMENTS

⁵⁸ Differences between IFRS and the SYSCOA normal regime (i.e. for large enterprises).

SYSCOA	IAS/IFRS
Formal statement	Free format. Balance sheet classified by liquidity, Balance sheet int « net »
Detailed Income Statement by nature	Free format income statement (summary) by destination or by nature Concept of extraordinary income
Notes	Notes
Table of Cash Flow	Table of Cash Flow

53. Most of the differences between the revised SYSCOA and the IFRS pertain to the following: (i) Conceptually speaking, SYSCOA takes a legal-financial approach (accounting and financial reporting law) whereas the IFRS are based on financial information; (ii) the SYSCOA basis of assessment is historical cost whereas “fair value” is used in the IFRS; (iii) formally speaking, SYSCOA requires a list of accounts and a model financial statement, whereas the choice is free for the IFRS; (iv) SYSCOA is linked to the law by a limited application of the preeminence of substance over form, whereas the application of that concept is imperative for the IFRS; (v) the information to be attached to the financial statements is obligatory, but the content is more precise in the IFRS than in SYSCOA. This additional information, the purpose of which is to help users of financial statements gain a proper understanding of them and thus make better use of them, pertains to accounting rules and methods, description of the assumptions used for significant accounting estimates and details concerning the various financial statement items with the related explanations (concerning their nature, the reasons for significant variations, etc.).

54. In terms of the recording (or recognition) and valuation of assets, liabilities, income and expenses, the differences vis-à-vis the IFRS relate in particular to: (i) the fact that biological assets are still not treated in SYSCOA in accordance with IAS 41; (ii) SYSCOA does not treat concession contracts in accordance with IFRIC 12, despite the changes noted in the Law on Public/Private Partnerships; (iii) regarding consolidation, the issue of groups of enterprises is addressed very superficially in SYSCOA, in two short articles,⁵⁹ whereas it is the subject of a highly detailed international standard (IFRS 3, applicable as from 2005 instead and in place of IAS 22). The issue of consolidation and the accounting treatment of equity alliances is of particular importance for the Senegalese private or parastatal sector from the standpoint of Senegal’s economic integration in West Africa; (iv) transactions and relations with related parties (related-party transactions)⁶⁰ are treated as a specific item of information, separate from the financial statements themselves. In the OHADA legislation, corporations must provide information to their shareholders (and in the same way LLCs to their members) during the annual general meeting, concerning transactions carried out in the past fiscal year with enterprises having common managing agents, or concerning the continuation of transactions agreed to in prior fiscal years. This information is provided through the auditor, who verifies it and presents it in a “special” report to shareholders (or partners). The definition of the transactions to be reported to the auditor by the company is more limited than the definition in IAS 24 (“Related Party Disclosures”).

55. The accounting rules applicable to banks and credit institutions contained in the Bank Chart of Accounts (PCB) differ from the IFRS in several significant ways. These points were already raised in the preceding report, as the PCB has not changed since the 2005 ROSC.

⁵⁹ Articles 82 and 83 of the Uniform Act of November 20, 2000.

⁶⁰ A related-party transaction is defined as a transaction of any kind (commercial, financial, etc.) between the enterprise and an entity with which it has a relationship that could signify control or influence, such that the said relationship could influence the terms of the transaction (particularly the price).

56. **In the insurance sector, the accounting rules of the CIMA Code differ sharply from those recommended by the IFRS in several essential respects.** These discrepancies between the CIMA Code and the IFRS are discussed in the previous report on the 2005 ROSC.

B. Conditions for Effective Implementation of the Accounting Standards

57. **By Regulation No. 05/CM/UEMOA of June 28, 2013, the WAEMU Council of Ministers adopted a new accounting system known as the revised SYSCOA that was to have been implemented for the first time in the fiscal year ended December 31, 2015.** Concerning the applicability of these new standards despite the existence of the OHADA accounting system, Opinion No. 03/2015 – handed down by CCJA on November 5, 2015 in a case brought by the Republic of Benin on that question – stated that the intervention of auditors in the OHADA member countries must be based solely on financial statements prepared in accordance with the OHADA accounting system, so that any documents not prepared in accordance with those standards cannot be certified. In Senegal, the Ministry responsible for finance has so far not taken a decision that would clarify the authorities' position on the matter. This situation creates considerable confusion among the economic actors affected by the reform and necessitates harmonization of the two accounting systems in the WAEMU and OHADA zone. In these circumstances, the financial statements of enterprises based in Senegal as at December 31, 2015 will be presented in accordance with the SYSCOHADA rules as stated by the memorandum of April, 7 issued by the Senegalese Ministry of Finance. However, the process of revising SYSCOHADA is ongoing and adoption of the revised SYSCOHADA by the Council of Ministers is expected to take place in June 2016.

58. **The review of the end-2014 financial statements of a sample of 25 enterprises focused on the following sectors: banking, insurance, mining, trade, business, tourism, agro-industry, agriculture, tourism, construction, real estate, transportation, etc.** Inasmuch as the reformed SYSCOA is not yet applicable to the 2015 accounts, the review focused on the fiscal 2014 financial statements prepared on the basis of the unmodified system. It revealed that the application of accounting standards is deficient in terms of the amount of information provided. The review also revealed, regarding a number of specific aspects, several cases of noncompliance with SYSCOA. The main findings of the review are summarized below:

- Two enterprises in our sample do not submit the type of financial statements to be filed in accordance with the thresholds fixed by the system (enterprises in the normal system file statements from the simplified system, for which the TARIFE is not required);
- Certain financial statements are prepared by firms that are not members of the Association (illegal practice of the profession);
- The financial statements of one insurance company in our sample of two insurance companies do not include the statistical statements required by the CIMA Code (statements C concerning the solvency margin and the coverage of liabilities);
- ***The importance of the mandatory attached statement is not yet understood by the enterprises.*** As a result, there are no comments in the attached statement concerning certain important balance sheet items (provision for risk and charges, leasing, inventory valuation, etc.); because of this, outside readers have none of the pertinent information needed for a proper understanding of the enterprise's financial statements;

- *The presentation of the financial statements also suffers from a certain complexity*, with 29 tables, many of them not filled in.

59. *In general, the level of detail of the financial information and corresponding explanations falls far short of the requirements of the international standards.* The numerous tables specified by SYSCOA are completed without providing any significant information. The complexity of the tables is the reason for the problems encountered in using them, with very limited explanations concerning the accounting rules and methods followed, and very few comments concerning the composition of and changes in the various balance sheet items and in the income statement that would enable readers of the financial statements to gain a proper understanding of the enterprise's financial condition and performance. All these deficiencies are reasons for reforming SYSCOA in order to improve the quality of the financial and accounting information provided.

60. **Non-implementation of the IFRS by Senegalese SMEs is not why access to the West African subregional stock exchange is blocked. It is only an obstacle to gaining access to exchanges other than those in the subregion.** Indeed, the market authorities do not make it a requirement because the system approved for the publication of financial statements is still SYSCOA. As the review of the sample of financial statements shows, the SMEs have trouble using the current SYSCOA and are not ready to switch to the IFRS. These problems are often linked to the lack of resources necessary to hire or train qualified accounting personnel. Conversations with the SMEs also show that they have no knowledge of the IFRS, which, in any case, are not a condition for gaining access to bank credit or the BRVM financial market. On the other hand, the opening of an SME compartment with easier access conditions is looked upon favorably by participants in the BRVM.

V. AUDITING STANDARDS

A. Auditing standards – Differences vis-à-vis the ISA Standards

61. The new ONECCA By-laws repealed Decree No. 88-987 of July 19, 1988 establishing the auditing standards applicable to the accounting profession, and Decree No. 88-1003 of July 22, 1988 defining the minimum actions auditors must take in fulfilling their mandate. Thus, an ONECCA general meeting adopted the ISA standards as professional standards. A manual of standards was also prepared in December 2010. In addition, Article 86 of the ONECCA by-laws put in place a consultative committee responsible for expressing an opinion on the approval of professional standards proposed by ONECCA. These standards are then approved by interministerial decrees of the Minister of Justice and the Minister of Economy and Finance. The consultative committee expresses opinion on all matters related to the approval of professional standards and advises the ministers concerned. The purpose of this process is to incorporate standards into Senegalese substantive law through approval by interministerial decree. To date, the Code of Professional Duties and eight auditing standards have received a favorable opinion from the Committee and are pending approval by interministerial decree. Professional standards have been prepared for the CPPC, but the standardization process has not made much progress.

62. Standards receiving a favorable opinion from the Committee do not deviate from the ISA standards. Reviewing the auditing standards that have received a favorable opinion from the Committee shows that these standards replicate the content of the ISA standards, with care being taken to ensure that no national provision poses a contradiction. This process should be followed until all the IFAC standards have been reviewed.

B. Conditions for Effective Application of the Auditing Standards

63. In several respects, the regulatory framework and the environment in which financial statements are audited in Senegal still do not encourage strict application of the professional standards in force. As mentioned above, discussions with representatives of the profession in Senegal in the context of the ROSC study revealed difficulties in applying several important aspects of the ISA auditing standards adopted by ONECCA. Of these factors, special mention should be made of the following:

- ***Lack of in-service training.*** Although the ONECCA Code of Professional Duties requires a minimum of 40 hours of in-service training per year, the content of the 43
- Training is not specified (the Code leaves it to ONECCA to define a “minimum training program”). Moreover, there is no provision for monitoring compliance with this obligation by ONECCA’s members. In fact, this obligation is generally ignored. Inadequate in-service training prevents auditors from acquiring the up-to-date knowledge necessary to do high-quality, professional work.
- ***The monitoring of professional practice is ineffective.*** As noted above, the activities of auditing firms and auditors in Senegal are monitored by the Association, currently on a voluntary basis. The report of the ONECCA Quality Assurance Committee based on this voluntary arrangement points out the following weaknesses observed during the 2013-2014 quality review of the application of auditing standards: (i) some firms have no procedures manual; (ii) lack of a means of ensuring that the firm and its personnel observe the rules on independence; (iii) lack of a formal working framework; (iv) lack of formal procedures concerning audit tasks and guarding against the risk of fraud; (v) inconsistencies in the formulation of the opinion in certain reports.
- ***The mode of corporate governance.*** All but a few Senegalese enterprises are without an audit committee,⁶¹ the role of which is to ensure that external auditors fulfill all their responsibilities within the enterprise. The audit committee, which is independent of the general management, is also the body to which external auditors can present the findings of their work.
- ***A fragile economic model*** – The aim of the schedule of fees established by Decree No. 2005-1162 of December 2, 2005 is to ensure that professionals receive sufficient income to enable them to carry out all their tasks. However, meetings held during the ROSC study revealed that the fees are inadequate because company executives do not always understand the auditor’s work and do not see its usefulness.

VI. PERCEPTION OF THE QUALITY OF FINANCIAL INFORMATION AND OF THE ACCOUNTING PROFESSION

64. **The financial and accounting information in sectors with a regulatory or supervisory authority (banks, insurance companies, listed companies, private subsidiaries of multinational telecommunications companies) is generally considered satisfactory, given the mechanism put in place for the preparation and auditing of accounts.** These sectors have a regular reporting system and an ongoing control mechanism (regulatory body and auditor). The governance system of these sectors is often consistent with the international standards (board of directors, special committees, etc.). The discussions of the A&A ROSC mission with the regulatory authorities of the BCEAO and

61 In the sense of special committees of the Board of Directors, as envisaged in the Principles of Corporate Governance of the Organization for Economic Cooperation and Development (available at www.oecd.org/dataoecd/32/19/31652074.PDF).

the Directorate of Insurance indicate that the financial statements of the entities concerned and the auditors' opinion are checked and any deficiency is brought to the entity's attention for correction.

65. Among private enterprises in the traded sector, the perception is mixed because alongside large enterprises are a great many SMEs. Large enterprises publish financial statements that are regularly audited and sent to users (banks, tax administration, APIX, stock exchange, etc.). The need for SMEs to publish financial statements often responds to three imperatives (filing with the tax administration, bid for a procurement contract or request for financing). Our discussions revealed that these entities often produce different financial statements, depending on the recipient. The desire to evade business taxes is a major obstacle both to financial transparency and to compliance with the accounting rules. Banks seem to have the most difficulty trying to obtain audited financial statements from enterprises applying for a loan. The WAEMU issued Directive No. 04/2009/CM/UEMOA of March 27, 2009 creating a One-Stop Filing Window for financial statements (GUDEF), which is a supplementary unit of the national SYSCOA system for the collection of financial statements that could contribute significantly to financial transparency and better quality financial information. For banks, this quality of financial information will lead to less risk and, consequently, lower interest rates and less stringent collateral requirements. The BCEAO project to migrate to Basel II and III has a similar objective, as the quality of information will be a determining factor in the assessment of risk.

66. The informal sector is faced with a transparency and lack of financial information problem. Numerous enterprises, some of which are quite significant at the national level, belong to the so-called "informal" sector and thus do not produce any accounting information. For these large enterprises, the desire to avoid business taxes, unawareness of the benefits of accounting and lack of ambition on the part of the manager of the enterprise are the main reasons for nonobservance of the accounting rules and the lack of financial transparency. The purpose of creating CGAs (Authorized Management Centers) was to encourage enterprises to join the formal sector, but the results have fallen far short of expectations. It was also often suggested during discussions that the tax incentives associated with the CGAs would need to be increased to convince a larger number of enterprises to join. The ADPME, which was created to support this sector, should step up its cooperation with ONECCA and the CGAs in order to instill in the sector a culture of regularly producing accurate financial statements.

67. Among public enterprises, the competence of the preparers of financial statements and the lack of a sound corporate governance system undermine the quality of financial information. The perception of the quality of financial and accounting information is quite mixed, because problems often arise related to governance and the competence of the individuals responsible for preparing or approving the accounts. Indeed, the directors appointed by the government are not always qualified to express an opinion on the accounts. They are often named to represent ministries and government agencies without any assurance that they have the necessary qualifications to hold the position of director of a public enterprise. Furthermore, the financial statements are often not available until several months after the closing of the accounts. The mission's conversations with stakeholders revealed that improvements are needed in corporate governance, in the internal control system, in the production of quality financial information and in turnaround times. The establishment of a working framework involving the Parastatal Sector Directorate, the Audit Office and ONECCA would help to improve the quality of financial information.

68. Most of the individuals questioned during this Accounting and Auditing ROSC mission acknowledge the progress made by the accounting profession in Senegal. These

same observers and professionals agree that the accounting profession is actively working with the authorities and is present in employer organizations. This has enabled it to play a major role in the search for better quality financial information. The individuals met with during the mission believe that the profession should take the following actions:

- stress the value added to the enterprise during the course of audit missions and improve the choice of colleagues, depending on the sector and the complexity of the missions (insurance sector personnel);
- join the fight against the multiple balance sheets produced by some enterprises (banking sector personnel);
- increase awareness of the auditor's duties and responsibilities;
- adjust fees to enable SMEs to retain the services of an accountant.

VII. RECOMMENDATIONS

A. STRENGTHEN THE ACCOUNTING STANDARDS

69. **Recommendation No. 1 [Responsibility: CCOA and CNC OHADA-regional level]: Expedite adoption of the revised SYSCOHADA and ensure that the SYSCOA and SYSCOHADA systems are identical.** There are currently two accounting systems in the WAEMU zone: SYSCOA, which has already been modified, and SYSCOHADA, which is still being revised. At this point, it is urgent that the revised SYSCOHADA be adopted and that OHADA and the WAEMU cooperate effectively in order to have only one system in force in the OHADA area. Opinion 03/2015 of the CCJA issued on November 5, 2015 makes the convergence of the two systems all the more urgent. A good dynamic is already unfolding in the WAEMU zone, and some enterprises have already invested in training. Discussions between the two accounting standardization bodies should therefore continue in order to quickly arrive at a single system.

70. **Recommendation No. 2 [Responsibility: BCEAO and CIMA-regional level]: With the participation of community stakeholders, finalize the update of the sectoral charts of account of credit institutions and insurance companies.** Banks, financial institutions and insurance companies are not included in the scope of application of the accounting system defined in the Uniform Act on the organization and harmonization of the accounting of enterprises in the OHADA area. Conforming the sectoral charts of account to the OHADA accounting system, and ultimately to the IFRS, is an urgent necessity. To that end, greater account should be taken of reinsurance companies in the formulation of accounting and auditing rules. The implementation of this recommendation will considerably improve and more closely align the financial information produced by financial institutions and insurance companies with the international standards.

71. **Recommendation No. 3 [Responsibility: Government of Senegal and CNC-national level]: Revise the organization and functioning of the CNC and ensure that it has sufficient resources.** At present, the CNC is not properly fulfilling its function of accounting standardization at the national level. As a result, its organization and functioning need to be revised. Senegal could benefit from the experience of the CNC of Côte d'Ivoire, which is functioning relatively well. That National Accounting Council, established within the SYSCOA framework applicable to the WAEMU zone, should work with the OHADA Accounting Standardization Committee at the country level, with a view to harmonizing positions and improving national accounting practices.

B. STRENGTHEN THE ACCOUNTING PROFESSION AND THE PROFESSIONAL STANDARDS

72. **Recommendation No. 4 [Responsibility: Government of Senegal and ONECCA-national level]: Obtain approval of the auditing standards and of the Code of Professional Duties from the responsible committee.** The Standards Approval Committee carries out a process leading to adoption of the IFAC professional standards. It will ultimately become necessary to ensure that the auditing standards and the Code of Professional Duties of ONECCA conform to the IFAC international standards. The approval of these standards will provide accounting professionals with the technical standards needed to improve professional practice in Senegal.

73. **Recommendation No. 5 [Responsibility: ONECCA-national level]: Make quality assurance mandatory in the profession, grant a two-year transition period before imposing sanctions, and find resources for its implementation.** Quality assurance within ONECCA is voluntary at present and no sanctions are imposed. To ensure that quality assurance is effective and consistent with the IFAC standards, it will need to be made mandatory. A two-year transition period could be defined to assist supervised firms within the framework of an action plan. ONECCA will have to find a way of financing quality assurance (compensation of reviewers), for example by involving the firms. Quality assurance in the WAEMU zone could also be improved with the CPPC, through cross checks between countries, which will contribute to strengthening the confidentiality of the firms' information. A number of professionals met with during the study also mentioned the idea of establishing a technical directorate within ONECCA to help professionals better prepare for quality assurance tasks. This technical directorate or hub could also work on major technical issues of interest to the profession and establish a Documentation and Training Center. The implementation of these recommendations should improve professional practice in the country, as it will lead to the application of ethical standards and rules by the members of the Association.

74. **Recommendation No. 6 [Responsibility: ONECCA-national level]: To increase its resources and influence, open up the profession to independent accounting professionals.** The membership of ONECCA is limited at present because many of the country's accounting professionals are not members. A census of all independent accounting professionals should therefore be taken with a view to encouraging them to join the Association, although they cannot be listed in the Association's Membership Roll at the present for legal reasons. This would strengthen the profession and bring in additional resources to finance ONECCA's activities. The possibility of opening up the profession in this way should be examined within the framework of the Association's envisaged reform of Law No. 2000-05 establishing ONECCA.

75. **Recommendation No. 7 [Responsibility: ONECCA, SAInd DSP-national level]: Develop a working framework involving the Parastatal Sector Directorate, the Audit Office and ONECCA to improve the governance and facilitate the supervision of public enterprises.** The governance and supervision of public enterprises are currently major problems for Senegal. To make the process more effective, these three entities could develop a working framework for the purpose of revising Law No. 90-07, which governs public enterprises, and making recommendations to the competent authorities regarding the appointment of competent directors, the definition of their roles and responsibilities, the strengthening of internal control, the duties of the auditor, etc. The accounting profession's contribution to the implementation of these recommendations could include building the capacities of the members of boards of directors to help them make better use of financial statements and auditing techniques, as well as conducting joint external audit missions with

the SAI. Implementing this recommendation would strengthen the mechanism for management and supervision of the country's public enterprises.

76. Recommendation No. 8 [Responsibility: ONECCA-national level]: Encourage ONECCA member firms to form alliances. At present, most of the Association's members are individual firms that have many difficulties in obtaining the resources needed to comply with the requisite professional standards. ONECCA could hold meetings to increase awareness and put in place a mechanism to help firms form alliances. Members of the Association that form alliances could, for example, share their model with other interested parties and would also have the opportunity to share tools and costs.

C. STRENGTHEN EDUCATION AND TRAINING

77. Recommendation No. 9 [Responsibility: WAEMU-regional level]: Rexamine the management of the DECOFI curriculum and the way CREFECF is functioning before adopting the texts on the DECOFI. The management of the DECOFI curriculum is deficient in many ways, owing to the lack of financing mechanisms, the small number of schools that offer the training, the high cost of the diploma and the internship period, the difficulties encountered in organizing technical training seminars and the lack of equivalence with other diplomas. The ongoing reform of the DECOFI curriculum in the WAEMU should address the above-mentioned deficiencies before adoption of the text, adapt it to the LMD system and conform it to the international standards⁶².

78. Recommendation No. 10 [Responsibility: WAEMU and CREFECF-regional level]: Establish a system of equivalence between the diplomas of certain schools or universities and the DESCOGEF, in order to grant credit for studies already completed. As in countries such as France, university diplomas should be classified with a view to defining the modules to be accepted for credit, depending on the institution or university. In establishing the DECOFI, the CREFECF is responsible for this classification and should ensure the existence of a system of equivalence for the new course of study for the diploma. The implementation of this recommendation will have the benefit of establishing equivalencies between the existing diplomas and the DESCOGEF. It should eventually lead to a more sought-after diploma.

79. Recommendation No. 11 [Responsibility: CREFECF-ONECCA-CPPC-regional level]: Approach other francophone countries as soon as possible with a view to concluding agreements on the reciprocal recognition of the accounting diploma. This would enable holders of the DECOFI to participate in accounting or financial auditing missions outside the WAEMU countries. These agreements could apply on a priority basis to the six member countries of CEMAC.

80. Recommendation No. 12 [Responsibility: ONECCA-national level]: Put in place a system within ONECCA to monitor compliance with the obligation of in-service training for members of the Association. In-service training of the members of ONECCA is necessary to keep technical knowledge current. The Association should therefore require members to attend in-service training sessions. With such a system, it would be possible to monitor the in-service training of each member and penalize noncompliance. A professional development plan for ONECCA members and the associates of firms should be prepared

⁶² This new curriculum and its regulatory code and governing structure should allowed meeting the following objectives:

- Obtaining at low cost and easy geographical access enough highly qualified students ;
- Easing procedures and mechanisms to enhance rules application;
- Securing the sustainability by means of defining a viable business model with clearly identified resources and controlled expenditures.

annually by ONECCA, to ensure that ONECCA has the technical and financial resources needed to play its part in the provision of auditing and accounting training in the country.

D. IMPROVE THE QUALITY OF ENTERPRISES' FINANCIAL INFORMATION

81. **Recommendation No. 13 [Responsibility: Government of Senegal-DGID-national level]: Computerize GUDEF and grant access to all recipients of financial statements.** The authorities should promote the creation of a single computer platform (e-reporting) for the filing of financial statements. Managed by the DGID, this platform will have the advantage of preventing the filing of multiple balance sheets and expanding the tax base. Enterprises will thus be able to upload financial statements to the single platform, which will then be shared with the Court Registry Office, the ANSD, the DSP, the BCEAO and APIX. The system should be designed to enable persons authorized under Article 3 of Directive No. 04/2009/CM/UEMOA (ONECCA member, salaried accountant of the enterprise, any individual or legal entity authorized by the member state) to check these financial statements before they are filed. Access authorizations could then be established for the various government stakeholders. To enable application of the law on filing and accessing annual financial statements, the Court Registry Office will need to integrate this system into “Seninfogreffé” with a view to collecting and publishing the information specified in the OHADA Uniform Act. Concerning public enterprises, it is important for the government to ensure that the accounts of the various enterprises it controls or in which it has a shareholding interest are properly kept. To enhance financial transparency in Senegal, this financial and accounting information should also be made available to the public.

82. **Recommendation No. 14 [Responsibility: DSP- Government of Senegal-national level]: Appoint independent directors and build their capacities with training** (in the analysis and comprehension of annual financial statements and the use of auditors' findings). The government should ensure that all directors appointed have the necessary qualifications to perform their duties. Moreover, director appointments should not be limited to government personnel only; independent individuals should be able to sit on boards of directors as well. The implementation of this recommendation should significantly improve the management and guidance of public enterprises in Senegal.

83. **Recommendation No. 15 [Responsibility: Government of Senegal-DSP-national level]: Expedite the amendment of Law No. 90-07 of June 26, 1990 to enable public enterprises to comply fully with the Uniform Act and the principles of good governance.** To further modernize public enterprise management, Law No. 90-07 should be revised, particularly with regard to governance, the duties of auditors, the preparation and presentation of financial statements, internal control, etc. The objective of revising this law would be to conform it to OHADA and to best international practices in the matter.

84. **Recommendation No. 16 [Responsibility: Government of Senegal and ONECCA-national level]: Initiate collaboration between the DGID, the ADPME, the CGAs and ONECCA to assist SMEs and the informal sector with bookkeeping and improved access to capital.** To that end, the accounting profession's involvement in providing overall support or assistance based on “outputs” tailored to informal enterprises or SMEs could encourage the latter to fulfill their accounting and tax obligations more willingly. Moreover, a partnership between the accounting profession and financing entities would also facilitate the provision of information certified by accountants [...] Financial institutions will thus be able to rely more fully on these financial statements in conducting financial analyses, and will be able to more easily and more quickly grant loans to SMEs, VSEs and the informal sector. The partnership recently formed between ONECCA, the Upgrading Office and the CGA of Ziguinchor led to the proposal of rates reflecting those

objectives.⁶³ Such partnerships should be encouraged, strengthened and duplicated in other regions. Communication actions targeting the private sector (especially SMEs, VSEs and the informal sector) could also be undertaken to increase awareness of the profession.

85. Recommendation No. 17 [Responsibility: OHADA-regional level]: Specify criminal sanctions for corporate executives who fail to make the company's documents available to shareholders. The fact of not having annual financial statements and other corporate documents prevents shareholders from exercising their rights and undermines investors' confidence that the enterprise is properly managed. It is therefore necessary that the law specifically punish the non-communication of this type of information.

86. Recommendation No. 18 [Responsibility: CREPMF-regional level]: Open BRVM compartment 3 for SMEs to facilitate their access to the stock exchange financial markets. All the BRVM personnel met with during this study believe that opening the SME compartment could make it easier for SMEs to participate in the stock market and gain access to the regional financial market. Consequently, the CREPMF should take the necessary steps to open the compartment, including the proposal of simplified conditions for SMEs. The simplifications in the current draft text concerning compartment 3 include: (i) elimination of the minimum capital requirement, which is normally US\$ 200,000; (ii) the elimination of obligatory market capitalization of CFAF 500 million for compartment 1 and CFAF 200 million for compartment 2; (iii) account history requirement, which is one fiscal year for SMEs, five fiscal years for companies in compartment 1 and two fiscal years for those in compartment 2; (iv) no liquidity provider agreement with a management and intermediation company; (v) opening up to investment, which may be 10 percent for compartment 3, compared to 20 percent for compartments 1 and 2.

87. Recommendation No. 19 [Responsibility: Government of Senegal-national level]: Formalize the creation of a steering committee to develop a detailed action plan for the reforms stemming from the ROSC mission's recommendations and ensure coordination of the actions taken as well as the monitoring of their implementation. This Committee could consist of seven members and be chaired by a senior official of the Ministry of Economy. Its tasks will be to: (1) develop a detailed action plan clearly defining the sequence of key actions to be taken, the parties responsible for the planned actions, the implementation timetable and the necessary resources; and (2) coordinate the proposed reforms and monitor implementation of the actions undertaken taken.

⁶³ In implementation of a tripartite memorandum of understanding (CGA, ONECCA and the Upgrading Office) signed in October 2015, the Upgrading Office wished to benefit from the services of members of the Association with a view to improving the accounting and financial information systems of ten or so inns and campsites located in Casamance.