The Emerald Research Register for this journal is available at
www.emeraldinsight.com/researchregister

The current issue and full text archive of this journal is available at
www.emeraldinsight.com/0268-6902.htm

Auditing standards in Poland: past, present and future

Richard G. Brody
University of South Florida, St Petersburg, Florida, USA, and
Stephen Moscove and Robert Wnek
University of New Haven, West Haven, Connecticut, USA

Abstract

Purpose – To describe and discuss historical, current and possible future auditing standards and related issues in Poland so that investors, auditors and others are aware of the specific needs and limitations facing the country.

Design/methodology/approach – The accounting and auditing history of Poland is provided as background information and then more recent developments since the fall of Communism to the present day are discussed to demonstrate that progress has been made. Future needs are outlined and various suggestions are made.

Findings – Provides specific details as to the current state of the auditing standards in Poland as they relate to the standards in other countries. Recognizes the need for time to make improvements but highlights areas of critical importance.

Practical implications – A comprehensive analysis of the state of auditing standards in Poland. Useful for academics and others who might have a desire to participate/assist in the development of new standards. Provides perspective with respect to the development of these standards in an emerging capital market country.

Originality/value – This paper provides information that is not well-disseminated and offers practical advice to those dealing with Polish companies, including auditors and financial statement users. The material is of interest to practitioners, academics and students.

Keywords Auditing standards, Poland

Paper type General review

Introduction

Accounting scandals in both the US (e.g. Enron, WorldCom) and Europe (e.g. Ahold and Parmalat) have been headline news on a regular basis. Major changes have been put into effect to regain public confidence and prevent future scandals as the ultimate goal is to improve the quality of external audits. In the US, the Sarbanes-Oxley Act has redefined the role of both auditors and corporate executives. The Public Company Accounting Oversight Board is now the national watchdog in the US and many changes are either underway or forthcoming for both publicly held companies and their accounting firms. Similar efforts are being made by the European Union (EU), and while each EU country and the European Parliament still need to approve a legislative proposal that mirrors much of Sarbanes-Oxley, a great deal of common ground has been recognized.

The development of accounting principles and reporting practices in different countries is influenced by numerous factors including the culture of the country, the nature and source of financing, the size and structure and complexity of businesses, the capital markets, the tax laws, and the regulatory environment. These differences in

Managerial Auditing Journal
Vol. 20 No. 1, 2005
pp. 36-46
© Emerald Group Publishing Limited
0268-6902
DOI 10.1108/02686900510570687

operating environments of countries lead to differences in audit objectives, standards, and practices.

Financial statement users need to be aware of these differences if they are to make informed decisions. This caveat is especially relevant to the emerging capital markets of Central and Eastern European countries, which have been attracting a variety of foreign investors. One of these countries is Poland. Due to a high level of direct foreign investment in Poland, it is critical that investors are provided with adequate audit assurance. Furthermore, the potential for accounting scandals in Poland increases the importance of auditors providing this assurance.

As an example of a Polish accounting scandal, Jacek Kruszczynski was arrested in April of 2003 for allegedly defrauding a Polish corporation known as Pollena by taking $304,000 worth of household chemical products and selling them on the black market. Kruszczynski and his associates were accused of paying bribes and kickbacks to a Pollena executive who allegedly helped them take possession of the chemical products. This executive also worked to subvert Pollena's efforts to collect payment for these products. Polish authorities indicated that Kruszczynski did business under the name "Jeans Centrum," a company registered in Poland under his wife's name. Jeans Centrum provided false accounting information as part of the scam, according to Polish authorities.

Another high profile scandal occurred in February 2002 when the head of Poland's biggest oil company was arrested as part of an insider trading scandal. Some argued that the charges were made for political reasons in order to force the executive to resign. The BBC news agency reported that:

> Volatile emerging markets in Eastern Europe are extremely sensitive to scandals around large companies, which are usually involved in domestic politics (*BBC News*, 2002).

Prior to the economic transformation in Poland, accounting rules facilitated the information needs of a centrally planned economy. The launching of economic reform for market economic transformation in Poland during the late 1980 s was accompanied by the introduction of various market-oriented regulatory actions, including new rules of accounting and auditing. Moreover, the process of economic reform in Poland has been expedited by its preparation for European Union accession.

Poland began the process of negotiating entry to the EU in the spring of 1998. The first phase of this process involved identifying differences in the legal systems of the EU and Poland so that these differences could be eliminated. The end objective of the process was the adapting of Polish law to be consistent with the EU legislative heritage (i.e. *acquis communitaire* – a package of regulations that describe the functioning of a uniform market). Poland became a member of the EU in 2004.

The economy in Poland has changed dramatically since the fall of communism. Poland moved from its centrally planned economy to a free-market based economy. Overall, a dynamic and growing private sector now dominates Poland's economy. In certain sectors of Poland's economy, however, state-owned enterprises still play a decisive role.

Poland's goal is to raise its living standards closer to the EU's average. The rise in its living standards will be dependent on how Poland handles its economic challenges. Currently, the country is committed to structural reform of its educational system as well as reforming both its health care and pension systems. Prior to examining accounting and auditing issues associated with Poland, a brief overview of Poland's economy is first presented.

The economy of Poland – an overview

Poland has consistently pursued a policy of economic liberalization throughout the 1990 s. As a result, it stands out today as the greatest success story among the former communist states. However, much still remains to be accomplished. The privatization of small- and medium-sized state-owned companies and a liberal law on establishing new organizations have encouraged the development of the private business sector, which has been the main drive for Poland's economic growth. On the negative side, the agricultural sector of Poland remains handicapped by structural problems, inefficient small farms, surplus labor, and a lack of investment. In addition, restructuring and privatization of sensitive sectors, such as coal mining, has been slow, but current foreign investments in energy and steel have begun to turn the tide.

Recent reforms in education, health care, state administration, and the pension system have caused larger than expected fiscal pressures for Poland. Relieving these fiscal pressures are priorities of the Polish government. Progress in the public finance area depends largely on privatization of Poland's remaining state sectors, the reduction of state employment, and an overhaul of Poland's tax code to include, for example, farmers, many of whom pay no taxes.

Poland is a net exporter of processed fruit and vegetables, confectionery, meat, and dairy products. It is the leading European producer of potatoes and rye and is one of the world's largest producers of sugar beets. Poland is also a significant producer of grains, cattle, and hogs. The country's efforts to increase domestic feed grain production are hindered by the short growing season, poor soil, and the small size of farms.

As a consequence of Poland's growth and investment-friendly environment, it has received over $50 billion in direct foreign investment since 1990. However, Poland's government continues to play a significant role in the country's economy, as reflected in unnecessary red tape and the high level of politicization in many business decisions. Investors in Poland frequently complain that state regulation is neither transparent nor predictable. Furthermore, these investors believe that the Polish economy suffers from a lack of competition in many of its sectors, especially telecommunications.

The Polish government announced a new set of economic reforms in 2002 that were designed in many ways to finish the process launched in 1990 (which was a comprehensive reform program to replace the centralized command economy with a market-oriented economic system). These reforms recognize the need to improve Poland's investment climate (particularly the conditions for small- and medium-sized firms) and better prepare the Polish economy to compete as an EU member.

Accounting and auditing history

The maintenance of bookkeeping records in Poland can be tracked back to the fifteenth century. Merchant books were found dated back to 1421-1454. Accounting began in the sixteenth century when the state treasury of Poland was separated from the household treasury. In the seventeenth century, Polish accounting served as a model for other European countries. Unfortunately, in 1873, Poland lost its independence for the first time to the countries of Russia, Prussia, and Austria. As a result, for 150 years, these countries had regulated accounting practices in the different areas of Poland that were portioned.

The regulatory phase in Poland prior to 1990 was characterized by a turbulent political history, engendered in frequent regulation changes. The impact on Poland of the first world war was very significant; in 1918, a free Polish state was re-established after 150 years of partition. The 20 years of existence of the Second Republic (1918-1939) were characterized by governmental interventionism in economic development, with particular emphasis on credit protection and tax collection. The accounting and auditing legislation of Poland was consolidated in the Commercial Code 1934, which was influenced by the German Code. In 1907, the Polish Association of Accountants, a professional organization comprised of accountants, was established.

Until 1989, a communist rule and a centrally planned economy existed in Poland. Prior to 1989, Polish accounting consisted of a very detailed set of rules. The version of socialism adapted by Poland after 1956 created conditions for the increased autonomy of state-owned enterprises, which enabled management and other personnel to participate in the distribution of profits generated by these enterprises. It became the state's concern to ensure that surpluses were calculated at the end of each financial year in accordance with set targets of long-term central plans (Ministry Decree on the Principles of Accounting, 1973).

In 1957, the Institution of Audit Experts was established in Poland to verify accounts of state-owned enterprises with the appointment of the State Authorized Accountants (SAA). The SAA did not create an independent profession; rather, they were employed on a full-time basis within the accounting divisions of the state enterprise. The role of the SAA was ascertaining appropriation of profits and verification of the achievements of centrally planned targets. The audit function was focused on certifying the appropriateness of enterprises' financial statements with the law through the means of certificates of correctness, ensuring that these enterprises had correctly accounted for all transactions with the state budget.

The next significant phase of accounting and auditing development in Poland was between 1991 and 1994. These years in particular were influenced by the mass privatization of state-owned enterprises and an on-going harmonization process within the provisions of European law. New legislation consisted of *Ustawa z dnia 19 pazdziernika 1991 r. o. badaniu I oglaszaniu sprawozdan finansowych oraz bieglych rewidentach I ich samorzadzie* (i.e. the Audit and Publication of Financial Statements, Statutory Auditors and their Self Regulation Act 1991) and *Rozporzadzenie Ministra Finansow z dnia 15 stycznia 1991 r. o. rachunkowosci* (i.e. the Decree of Ministry of Finance, 15 January 1991, on the Principles of Accounting).

The key phase of the formation of Polish auditing standards started in January 1995 with the introduction of a new legal act driven by the incentive of fast accession to the EU. The new parliamentary act, *Ustawa z dnia 29 pazdziernika 1994 r. o. bieglych rewidentach I ich samorzadzie* (i.e. the Statutory Auditors and their Self Regulation Act 1994), superseded and expanded the auditing regulations contained in the Audit Act 1991.

In September 2000, the new Audit Act (*Ustawa z dnia 21 wrzesnia o bieglych rewidentach*) was issued. This act required that the process of issuing audit standards by the Polish Chamber of Auditors needed to involve consultation, not only with the

Ministry of Finance, as required by the Audit Act 1994, but also with the Polish Securities and Exchange Commission and relevant bank and insurance authorities.

Regulatory framework

The Audit Act of September 2000 and the comprehensive amendments to the Accounting Act adopted on November 9, 2000 have brought Polish accounting and auditing regulations more in line with international standards. The accounting regulations have moved the focus of Polish accounting away from an emphasis on tax compliance toward a more business-oriented approach, directed at meeting the information needs of various stakeholders in a Polish market economy.

The Audit Act 2000 introduced standard wording for the short-form and long-form formats of audit reports due to the differences between the legally required contents of these reports. A short-form audit report provides a written opinion on the correctness and truth of an enterprise's financial statements, including the date and place of their preparation. A long-form audit report contains a statement that the enterprise's financial statements were prepared in accordance with the law and generally accepted accounting principles (GAAP). This latter report also includes an opinion on the correctness and truth of the enterprise's financial statements with the specification that data, which in comparison with the previous accounting period, indicated circumstances which materially and negatively impacted on operating results and the financial situation of the reporting entity. These differences in the contents of the audit reports are dictated by their public availability. The short-form audit report is to be made available to shareholders while the long-form audit report is submitted to the Polish treasury office as a tax regulation requirement only.

In summary, under the present Polish regulation framework, audit opinions are required to state whether the accounts of enterprises present a true and fair view on the basis of correctly maintained accounting records and comply with law and accounting regulations. Additionally, Audit Act 2000 regulated operation of the National Chamber of Statutory Auditors (NCSA). The NCSA is independent in performing its duties and acts in compliance with the provisions of the law and its statutes. However, the Ministry of Finance is responsible for NCSA supervision. Membership within the NCSA is compulsory and becomes effective following registration on the list of statutory auditors.

The NCSA is a legal entity, with its register offices in the capital city of Warsaw. The duties of the NCSA include:

- representing the members of the chamber and protecting their professional interests;
- establishing professional standards for auditors;
- establishing principles of professional ethics for auditors;
- prescribing the theoretical and practical requirements to be met by candidates statutory auditors and the granting of the title of statutory auditor;
- supervision of appropriate professional conduct by members of the chamber;
- professional training of the members of the NCSA; and
- imposing disciplinary penalties on chamber members for breeches of law, professional standards, or professional ethics (Izba Bieglych Rewidentow Krajowa, 2000).

Amendments to Poland's Accounting Act of 29 September 1994 have eliminated audit requirements for small-sized enterprises. The threshold for an enterprise to be subject to annual statutory auditing is meeting at least two of the following three conditions during the immediate past financial year:

(1) Annual average of 50 full-time employees.

(2) Total assets at fiscal year end of at least the Polish Zloty equivalent of Euro 2,500,000.

(3) Net sales revenue and financial income of at least the Polish Zloty equivalent of Euro 5,000,000 (The Accounting Act of 29 September 1994).

Prior to the amendments in the Accounting Act of 1994, a large number of smaller-sized enterprises were required to have statutory audits once every three years.

Additionally, the Accounting Act of 1994 requires annual statutory audits of banks, insurance companies, investment funds, pension funds, holding companies, joint stock companies, and publicly traded companies. Regarding publicly traded companies, there are special requirements. These companies are required to have semi-annual financial statements reviewed by independent auditors and to submit these statements to the Securities and Exchange Commission. Moreover, between 2001 and 2002, these companies were required to include in their financial statements a description of major differences between their adopted accounting policies and international accounting standards requirements.

The auditing profession

In 1960, the Ministry of Finance in Poland introduced the chartered accountant designation. Prior to the reforms in Poland, chartered accountants tended to hold managerial positions in accounting departments of enterprises. To obtain the chartered accountants' designation, individuals had to pass examinations in accounting, commercial law, and controls. The chartered accountants examined and issued certificates of correctness of enterprises' financial statements on behalf of the Finance Ministry during a special three-week release time from their own place of work.

The new market economy in Poland forced changes in the auditing profession. In 1992, chartered accountants became certified public accountants (CPAs). Subsequently, they underwent training in the new rules of taxation, accounting, and auditing. In order to practice auditing in Poland, an accountant must belong to the NCSA. Moreover, an actively practicing certified public accountant cannot work for a non-CPA entity, except for a university.

Many American and European auditing firms have offices in major Polish cities. Foreign accountants can obtain auditing licenses in Poland if they posses auditing licenses in their own countries. However, prior to obtaining a Polish auditing license, a foreign accountant must first pass an examination in commercial and tax law given in Polish. Most enterprises with foreign capital hire foreign auditors, as do many large Polish companies. Of the auditors of 1999 financial statements of the top-100 companies listed on the Warsaw Stock Exchange, 70 percent of these auditors came from big-4 auditing firms and 20 percent came from other internationally affiliated auditing firms. Foreign auditing firms are selected because of their experience, name recognition, and breadth of services, even though these firms charge higher billing rates than Polish auditing firms (Gottlieb, 1999). The Polish offices of foreign auditing firms are expected to grow significantly over the next few years, far faster than the growth of foreign auditing firms in Western Europe and the US.

Unfortunately, the demand for skilled accountants and professionally qualified auditors in Poland is greater than the supply of these individuals. The publicly traded companies and financial institutions of Poland try to employ skilled accountants for internal financial control and external financial reporting. However, the availability of such professionals remains somewhat limited and relatively expensive. In the recent past, better opportunities in the auditing profession of Poland have inspired talented college students to become qualified auditors (Cairns, 1999). Since the qualification period ranges between five and seven years, the supply of Polish auditors continues to lag behind the demand. A recent study reported that the average age of about 75 percent of the NCSA members is 60 years!

Professional education and training

The required academic standards for entering the auditing profession in Poland appear to be high. However, a current shortage of experienced university accounting instructors affects adversely the quality of accountancy education throughout Poland. Enrollment as a candidate for professional examination to become a statutory auditor requires a university degree, although the candidate is not required to have prior academic training in economics, accounting, or related subjects.

In response to the needs of the market economy, the higher education institutions in Poland have introduced new courses covering subjects taught in business schools in Europe and the US. While a few Polish universities have world-standard accounting instructors, many of them suffer from a scarcity of experienced full-time professors. Moreover, a large number of the full-time instructors teaching accounting in Poland are involved in auditing practice, and many of these instructors are employed in part-time teaching jobs at several educational institutions. Cairns (1999) argues that there is a need in Poland for improving the curriculum of professional accounting education and the focus of the statutory auditor examination. These improvements should be made to fit the Polish guidelines that have been established for the purpose of specifying qualification requirements for statutory auditors.

The NCSA prepares and administers the statutory auditor examination. The candidates for this examination need to pass tests on ten subjects in four phases. The examination is heavily focused on memory work of the Polish national rules and regulations, with less testing of candidates' critical thinking abilities. As reported by Urzad Statystyczny Glowny (2001) for the period 1994-2000, about 4,350 candidates were enrolled in statutory auditor examinations. During the early years of this examination period, the pass rates of candidates were low, resulting in only a small number of accountants gaining membership in the NCSA. By April 2000, however, a total of 550 candidates had successfully passed the statutory auditor examination and became new members of the NCSA.

In addition to the educational requirements, there are also practical experience requirements for entry into the auditing profession. Prior to obtaining their professional designations as statutory auditors, candidates are required to gain practical work experience for at least three years, broken down as follows: at least one year as an accountant in an organization and at least two years of professional training under the supervision of a statutory auditor. The practical training of individual candidates needs to be approved by the examination commission of the NCSA. In special cases, the NCSA may waive the one-year experience requirement working as an accountant in an organization; however, the two-year professional training requirement with a statutory auditor cannot be waived.

Each practicing member of the NCSA is required to attend 30 hours of continuing professional education every year. The NCSA strictly enforces this requirement. The NCSA encourages its members to undertake professional training courses offered by the Association of Accountants of Poland, qualified audit firms, and regional NCSA offices. Frequently, the large audit firms in Poland offer in-house training programs, attendance of which is generally approved by the NCSA as a fulfillment of the continuing professional education requirement.

Establishing auditing standards

The NCSA is legally authorized to set auditing standards for Poland. It performs this function in consultation with the Ministry of Finance, the Securities and Exchange Commission, and the Banking Supervision Commission. In the process of drafting auditing standards, efforts are made to adapt internationally recognized standards to Poland's own circumstances.

Listed below are eight auditing standards issued by the NCSA:

(1) General principles on auditing of annual financial statements.

(2) Auditor's short-form report and long-form report on annual financial statements of an entity other than a bank or an insurance company.

(3) Auditor's short-form report and long-form report on annual financial statements of an insurance company.

(4) Auditor's short-form report and long-form report on annual financial statements of a bank.

(5) Auditing of consolidated financial statements.

(6) General principles in relation to the review of interim financial statements.

(7) Auditing of annual financial statements of entities that are not subject to the mandatory annual audit.

(8) Auditor's short-form report and long-form report on annual financial statements of investment or pension funds.

When particular auditing issues are not covered by any of Poland's audit standards, the NCSA permits the use of appropriate International Standards on Auditing (ISA).

Compliance with auditing standards

The statutory regulatory bodies of Poland rely heavily on the auditors for ensuring compliance with the established accounting and disclosure requirements. Krzywda *et al.* (1998) believe that due to a lack of legal limitations and the independence of statutory auditors guaranteed by the legal acts, these regulatory bodies rarely enforce actions against those statutory auditors who fail in ensuring compliance with the accounting and auditing requirements.

Within specific circumstances, the NCSA is empowered to take disciplinary actions for enforcing the code of professional ethics and auditing standards. According to the act of 13 October 1994 on statutory auditors and their self-regulation (MacLullich, 2001), the NCSA may impose the following disciplinary penalties against delinquent auditors:

- admonishment;
- reprimand;
- suspension for one to three years from auditing profession; and
- cancellation of auditing license.

Moreover, as a part of its monitoring mechanism, the NCSA organizes and performs practice reviews of statutory auditors and audits firms once every three years through the National Supervisory Commission. The members of this commission are entitled to examine all documents relating to audits performed by statutory auditors. Currently, the results of these practice reviews are kept confidential by the NCSA.

It is widely recognized that efforts are needed to improve statutory auditors' compliance with Polish auditing standards. Over the past few years, visible steps forward have been made in developing Polish audits into a practice consistent with international standards. However, there are still many instances today where auditors do not comply with Polish auditing standards. The most common problems identified during the past three years in the course of audit practice reviews included deficiencies in the form and content of audit working papers, a breach of the professional code of ethics, and noncompliance with various other professional practice norms (Reczek, 2000). The most frequent penalties for these violations were admonition and reprimand.

It could be argued that the major reason for the gap between established auditing standards and actual practices is caused by the inability of many practicing Polish auditors to properly apply audit standards. This inability is likely due to insufficient training of Polish auditors and too many retired auditors who continue to work on audits without upgraded skills.

In comparison to the ISA, Polish auditing standards provide only general guidelines on audit objectives and procedures. Unlike the ISA, the Polish audit standards are not structured to cover separate audit areas. Moreover, the Polish auditing standards contain a provision that requires statutory auditors to be guided by the knowledge enriched through the professional literature and especially the ISA. In this respect, there is a need for the development of guidelines to assist practitioners in conducting audits. The NCSA, in addition to issuing auditing standards, has issued guidelines on the following areas associated with the audit function:

- auditing of a company's assumptions regarding going-concern assessment;
- wording of the short-form opinion on annual financial statements;
- wording and content of long-form auditor's report on annual financial statements;
- auditor's participation in physical inventory count; and
- auditing of balance sheet and income statement items.

Unfortunately, even if statutory auditors comply with all of the Polish auditing standards, the deficiencies in these standards may adversely affect the quality of the audit function. Some of the major deficiencies in Polish auditing standards, in reference to the ISA, are described below:

ISA 220: *Quality control for audit work.* There are no Polish auditing standards covering comparable requirements.

ISA 240: *Fraud and error.* Polish auditing standards do not cover the important issues of fraud and error as separate sources for material misstatements and withdrawal from audit engagements in situations of fraud occurrence. The requirements under Polish auditing standards on reporting fraud or error to management and to users of the auditor's report are generic and relate only to the actually detected fraud or error, and not to suspected fraud or error.

ISA 401: *Auditing in a computer information system environment.* There are no Polish auditing standards covering comparable requirements.

ISA 510: *Initial engagements.* Polish auditing standards do not cover specific procedures for first time audit engagements and for situations where another auditor worked on a company's financial statements in the prior period.

ISA 530: *Auditing sampling and other selective testing procedures.* There are no Polish auditing standards covering comparable requirements.

ISA 540: *Audit of accounting estimates.* There are no Polish auditing standards covering comparable requirements.

ISA 550: *Related parties.* There are no Polish auditing standards covering comparable requirements.

ISA 610: *Considering the work of internal auditing.* There are no Polish auditing standards covering comparable requirements.

ISA 620: *Using the work of an expert.* There are no Polish auditing standards covering comparable requirements.

ISA 710: *Comparatives.* There are no Polish auditing standards covering comparable requirements.

ISA 720: *Other information in documents containing audited financial statements.* There are no Polish auditing standards covering comparable requirements.

Concluding comments

Poland has taken steps in the past several years to reduce the gap between Polish auditing standards and the ISA. However, there are still no Polish auditing standards for approximately one-third of the areas covered by the ISA. Furthermore, most of the existing audit standards of Poland require updating so they will be aligned with the international audit standards. Practicing Polish statutory auditors generally comply with the strict wording of written Polish auditing standards. But, the lack of detailed audit standards and the shortage of practical-oriented implementation guidelines for these standards appear to be constraints in the application of high quality audit methodology.

In view of the fact that Poland's membership in the European Union in 2004 necessitates its complying with the requirements of the International Accounting Standards Board, there is a definite need for further development of Polish auditing standards. Regarding Poland's recent membership into the EU, it should be noted that different groups of Poles have varying opinions on this membership. To illustrate, Poles in the construction and shipbuilding industries believe that EU membership will have a positive affect on Poland's economy. On the other hand, groups such as the power generation industry and farmers are not very optimistic. These groups express concerns over meeting EU standards while dealing with layoffs and rising debt in Poland.

MacLullich (2001) states that:

> It would be more meaningful and efficient for Poland to translate and adopt all International Federation of Accountants (IFAC)-issued auditing standards and related guidelines without any country-related modifications. This way scarce local resources of Poland could be devoted to the development and dissemination of implementing guidelines and audit practice manuals.

It is a reasonable conclusion that work is currently in process to develop further the Polish standards for the audit function. However, it is going to take considerable time to accomplish this goal in its entirety. The problem, as is so often true with emerging countries, is not so much in the development and introduction of the necessary legislation, but the difficulties of achieving effective practical implementation of audit standards in a way that will benefit the Polish economy. It has to be emphasized that Poland, like many other Eastern Europe countries, is just now setting out to do, in short order, what in the developed countries have taken 100 years or more to accomplish.

Additionally, the generational problems are important. Positive changes here will hopefully come when the youth of Poland attend universities (to study modern ideas associated with the accounting and auditing profession), graduate, and begin to take over the audit function in Poland. Finally, accounting and audit rules and practices cannot be improved on their own. Rather, they have to be accomplished by parallel improvements in rules and practices of other professions, such as law, banking, insurance, and financial services.

References

BBC News (2002), available at: news.bbc.co.uk/1/hi/business/1809348.stm (accessed 8 February).

Cairns, D. (1999), "Improving financial reporting in transitional economics", *Law in Transition*, European Bank for Reconstruction and Development, London.

Gottlieb, M. (1999), "Accountancy in Poland's economy", *The CPA Journal*, Vol. 69 No. 7, pp. 34-8.

Izba Bieglych Rewidentow Krajowa (2000), National Chamber of Statutory Auditors, available at: http://kibr.org.pl/index.phtml

Krzywda, D., Bailey, D. and Schroeder, M. (1998), "The development of the role of the statutory audit in the transitional Polish economy", *The European Accounting Review*, Vol. 7 No. 3, pp. 407-40.

MacLullich, K. (2001), "Truth and fairness in accounting: a case of Polish transition economy", Center for Economic Research and Transformation, available at: www.som.hw.ac.uk/cert/wpa/2001

Reczek, A. (2000), "Three for transparency", PriceWaterhouseCoopers, available at: www.pwcglobal.com/extweb/frmclp11.nst

Urzad Statystyczny Glowny (2001), Central Statistical Office, available at: www.gus.pl. statystyka/zawody

Ustawa z dnia 29 wrzesnia (1994), r. o rachunkowosci, *The Accounting Act of September 29, 1994*, Dziennik Ustaw, No. 121, Item 591.

Zarzadzenie Ministra Finansow z dnia 23 wrzesnia (1972), r. o. rachunkowosci jednostek gospodarki uspolecznionej, 1973.