



# United Nations Conference on Trade and Development

Distr.: General  
20 November 2014

Original: English

## Trade and Development Board

Investment, Enterprise and Development Commission

Intergovernmental Working Group of Experts on

International Standards of Accounting and Reporting

Thirty-first session

Geneva, 15–17 October 2014

## Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its thirty-first session

Held at the Palais des Nations, Geneva, from 15 to 17 October 2014

## Contents

	<i>Page</i>
I. Agreed conclusions .....	2
A. Key foundations for high-quality reporting: Good practices of monitoring and enforcement, and compliance mechanisms.....	2
B. Other business.....	3
II. Chair's summary .....	3
A. Opening statements.....	3
B. Key foundations for high-quality reporting: Good practices of monitoring and enforcement, and compliance mechanisms.....	4
C. Other business.....	12
1. Follow-up on the Accounting Development Tool .....	12
2. Updates by other international and regional organizations .....	14
III. Organizational matters .....	15
A. Election of officers .....	15
B. Adoption of the agenda and organization of work.....	15
C. Outcome of the session.....	16
D. Adoption of the report .....	16

## Annexes

I. Provisional agenda for the thirty-second session .....	17
II. Attendance.....	18

GE.14-22519 (E)



\* 1 4 2 2 5 1 9 \*

Please recycle



## **I. Agreed conclusions**

### **A. Key foundations for high-quality reporting: Good practices of monitoring and enforcement, and compliance mechanisms**

(Agenda item 3)

1. The thirty-first session of UNCTAD's Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) underscored the facilitating role that reliable and globally comparable corporate reporting will have on attaining the sustainable development goals that member States are currently considering for adoption with a view to implementing them as a post-2015 development agenda. The session took note of the series of financial regulatory reforms that member States have been implementing in the aftermath of the recent global financial and sovereign-debt crisis and the positive impact that these reforms are expected to have in terms of rebuilding confidence in the global financial system, promoting integrity in financial markets, supporting long-term investment, financial stability and sustainable economic growth. Corporate reports play an important role to deliver material information on the company's performance and financial position as well as on its impact on society. It called on standard-setters and other stakeholders to continue working together with a view to achieving a level corporate reporting field for all countries around the world. Delegates called on UNCTAD ISAR to facilitate the promotion of financial reporting standards and non-financial reporting requirements, including on an integrated basis, with a view to enhancing quality, comparability and transparency of corporate reports.

2. The Intergovernmental Working Group of Experts agreed on the critical role that monitoring of compliance and enforcement (MC&E) mechanisms play in effective implementation of global standards and codes for high-quality corporate reporting. In this respect, the need for concerted efforts by regulatory and enforcement authorities, as well as other stakeholders, around the world was highlighted with a view to building efficient MC&E systems that would ensure consistent implementation of international standards and requirements on corporate reporting. The Intergovernmental Working Group of Experts underscored the usefulness of the issues note prepared by the secretariat and the country case studies presented at the session illustrating complex and integrated MC&E mechanisms and challenges to be addressed in order to build such mechanisms. The Intergovernmental Working Group of Experts called on UNCTAD to continue facilitating sharing of experience and providing information on good practices in the area of MC&E to assist countries in their efforts on developing policies and building capacity in this area for high-quality corporate reporting. The session requested the UNCTAD secretariat to constitute a consultative group to assist with preparation of a guiding document on good practices in the area of MC&E.

3. Delegates at the thirty-first session of ISAR took note of the growing demand for useful, concise, reliable and comparable reporting, responsive to the challenges of the sustainable development agenda. The session highlighted the need for coordination and building synergies among existing requirements and initiatives on sustainability and non-financial reporting, such as environmental, social and corporate governance disclosure. It requested the UNCTAD secretariat to work towards developing a cohesive approach to addressing sustainability reporting challenges with a view to enhancing the role of corporate reporting in attaining the sustainable development goals. Furthermore, the session requested the UNCTAD secretariat to form an ad hoc consultative group of experts to assist with the necessary preparatory work required for addressing this topic.

## B. Other business

(Agenda item 4)

### Follow-up on the Accounting Development Tool

4. The Intergovernmental Working Group of Experts reiterated the importance of the Accounting Development Tool (ADT) for facilitating an integrated and systemic approach to building a solid national regulatory, institutional and human-capacity foundation for high-quality reporting; consistent and efficient implementation of globally recognized accounting and reporting standards, codes, benchmarks and good practices, along the whole of the reporting chain; breaking the barriers and enhancing a policy dialogue and trust among major stakeholders in the area of accounting and reporting. The session expressed its appreciation to those member States that shared their experiences and views on the application of the ADT in their jurisdictions. The Intergovernmental Working Group of Experts encouraged member States to continue applying the ADT and sharing their findings at future ISAR sessions, as one of the important ways of advancing countries' reforms towards high-quality and comparable reporting. It also encouraged regional professional bodies (such as the Pan African Federation of Accountants, the Fédération Internationale des Experts-comptables Francophone and other regional organizations) to consider using the ADT at a regional level for peer learning from countries that applied the ADT, for raising awareness on international requirements and good practices in the area of corporate reporting, and on key elements of national reporting infrastructure that need to be built or strengthened in the country to meet such requirements.

## II. Chair's summary

### A. Opening statements

5. In his opening remarks the Deputy Secretary-General of UNCTAD welcomed delegates and mentioned the role of ISAR as the focal point in the United Nations system for corporate transparency and accounting issues. He commented that this session took place as part of the World Investment Forum, which was focused on investment in the sustainable development goals. He emphasized the relevance of the work of ISAR in attaining the sustainable development goals, and noted that a key challenge in mobilizing funds for these goals is the lack of transparency on sustainability performance, as is also highlighted in the UNCTAD *World Investment Report 2014*. He explained that the main agenda item will deal with MC&E as a priority area for capacity-building. Accordingly, he stressed key pronouncements in this area by international organizations. He also underscored the difficulties faced by countries and especially by developing countries to develop a sound MC&E system, including its complexity, the lack of awareness of good practices, and guidance. In addition, he provided practical examples to illustrate the need for extensive technological, human and financial resources.

6. The Head of the Enterprise Branch, Division on Investment and Enterprise, in her introductory remarks provided an introduction to the topic, including its definition, a list of key guidance points and actors in this area, and commented that the findings of the ADT – recent ISAR guidance on assessing a country's reporting infrastructure – had reflected the need for further efforts on building efficient national mechanisms for MC&E for companies, auditors and professional accountants. She noted that the secretariat had prepared a background note to facilitate discussions (TD/B/C.II/ISAR/70) and provided further information on the main areas addressed in this note.

7. In his keynote speech, the Secretary-General of the Public Interest Oversight Board emphasized the role of the audit profession in the implementation and enforcement of corporate reporting requirements. He mentioned that these activities had different levels of development; however, he said they needed to be linked to each other. He noted that the emergence of audit oversight bodies had happened in the last 10 years or so, and that the main challenge consisted of feeding the lessons learned from inspections into the standard-setting process.

8. He also highlighted the changes in the standard-setting process in the area of audit, ethics and education standards, including the creation of the Public Interest Oversight Board itself to oversee such processes. He underlined the importance of international standards and indicated that adopting an international set of standards implied the voluntary acceptance by national regulators of such standards – in the absence of an international MC&E. Furthermore, he elaborated on the role of the International Federation of Accountants (IFAC) Compliance Programme and the statements of membership obligations, and their contributions to the overall MC&E process. He also enumerated a number of challenges faced by audit oversight bodies, including budgetary restrictions, the need for an adequate legal basis and empowerment to impose sanctions, shortage of technical expertise, and developing adequate inspection processes. He stressed the difficulty in conducting oversight activities of foreign audit firms, which called for cooperation among audit oversight bodies and also with standard-setters and other key actors. Finally, he emphasized the necessity for addressing issues related to the use of the International Public Sector Accounting Standards (IPSASs).

## **B. Key foundations for high-quality reporting: Good practices of monitoring and enforcement, and compliance mechanisms**

(Agenda item 3)

9. This high-level segment of regulators and standard-setters addressed the importance of MC&E for achieving high-quality financial and non-financial reporting, current initiatives underway aimed at improving the MC&E mechanisms, and facilitating cooperation and exchange of experience on a global basis.

10. The Secretary-General of the International Organization of Securities Commissions (IOSCO) noted that the growing trend of market-based financing brings the MC&E issues to the forefront. He discussed the ongoing cooperation with the International Accounting Standards Board (IASB) on disclosures that were not based on generally accepted accounting principles (GAAPs), and indicated that his organization had published a consultation paper on this issue. He also drew attention to the work underway on audit quality, in the aftermath of the findings of the International Forum of Independent Audit Regulators (IFIAR) inspection findings, which was being led by the Netherlands Authority for the Financial Markets.

11. The next speaker, the Head of Accounting and Auditing Issues and Policy of the Financial Stability Board focused on the Board's collaboration with IFIAR and the Global Public Policy Committee to promote audit quality and increase professional scepticism on audits of "global systemically important financial institutions". He drew attention to the Enhanced Disclosure Task Force to develop principles and recommendations for improved risk disclosure. He also provided an update on the status of the IASB and the Financial Accounting Standards Board work plan aimed at converging their respective standards, including the work on applying an expected losses model on accounting for loans.

12. A representative of IFIAR highlighted that for the 2013–2015 period, IFIAR has been focusing on goals that include: becoming the definitive global authority on audit

quality issues; broadening and deepening contacts with non-IFIAR audit regulators; conducting a thematic review of IFIAR's core principles; analysing inspection findings by conducting surveys among IFIAR members; promoting the signing of memorandums of understanding with IFIAR members with a view to facilitating sharing of information; and conducting global coordinated inspections of group audits.

13. The Chair of the Accounting and Auditing Working Group of the International Association of Insurance Supervisors highlighted key activities that the Association was undertaking, including developing a basic capital requirement, the development of higher loss absorbency requirements to apply to global systemically important financial institutions, and the development of risk-based group-wide global insurance capital standards. Furthermore, he underscored the importance of coordination among regulators and enforcement authorities with a view to making corporate reporting cost-effective.

14. The Chair of the International Financial Reporting Standards (IFRSs) Foundation elaborated on the widespread adoption of IFRSs since 2001. He noted that the full benefits of IFRSs would be realized only when they were applied within a strong regulatory and legal framework. He highlighted the Foundation's efforts aimed at promoting consistent implementation and enforcement of IFRSs – such as the memorandums of understanding reached with IOSCO and the European Securities Markets Authority.

15. A board member of IFAC discussed the emergence of a shared private–public-sector model for standard-setting and the legacy of the IFAC reforms. He stressed the importance of regulatory convergence to promote better compliance and enforcement and voiced concerns over trends of regulatory fragmentation that stifled business confidence. He then elaborated on the Member Body Compliance Programme of IFAC.

16. The Deputy Chief Executive of the Global Reporting Initiative (GRI) addressed MC&E issues from the angle of non-financial and sustainability reporting. She provided a review of trends in sustainability reporting and discussed the business case for non-financial reporting. She highlighted the implications of the European Directive on Non-financial Reporting and continued with a discussion of the GRI Reporting Guidelines (fourth generation). Furthermore, she highlighted the growing trend of stock exchanges in emerging economies taking the lead on promoting disclosure of sustainability information, creating further momentum for more rigorous implementation of sustainability reporting requirements.

17. A representative of the International Integrated Reporting Council highlighted the significance of recent endorsements to the International Integrated Reporting Framework by institutions such as the Integrated Reporting Committee of South Africa, the Singapore Stock Exchange and the European Commission, and the positive implication of such developments for the rigorous implementation of the framework. Furthermore, the representative discussed the upcoming launch of the Integrated Reporting Business Network, a follow-up to the Council's pilot programme that underpinned the development of the International Integrated Reporting Framework.

18. Delegates raised a number of questions following the presentations by panellists. In relation to IFRSs and prudential regulation, a delegate asked whether the IFRSs Foundation was making efforts to persuade jurisdictions that did not permit the use of IFRSs for banks to do so. The Chair of the IFRSs Foundation indicated that, in the aftermath of the recent financial crisis, certain IFRSs had been amended in such a way as to provide information that is directly usable by prudential regulators, citing, for example, dynamic provisioning (expected-losses provisioning). Therefore, in the future more and more prudential regulators were likely to find IFRSs more directly applicable for their regulatory needs.

19. Another question was asked on the convergence of IFRSs with GAAPs in the United States of America, and on whether the United States was going to adopt IFRSs in the near

future. The Chair of the IFRSs Foundation elaborated on converged IFRSs and United States GAAPs – such as on revenue recognition and leases. He also reminded participants that the IOSCO objective of developing global accounting standards that make it possible for issuers to list globally had already been realized (including in the United States) since foreign issuers were already permitted to submit financial statements prepared in accordance with IFRSs without reconciliation to United States GAAPs. A question was raised on the growing complexity and volume of corporate reports. The Chair of the IFRSs Foundation noted that complex business transactions introduced complexity in financial reporting. The example was given of revenue recognition of purchase of an iPad directly from the vender, compared to one purchased by entering into a service contract with a telecommunications carrier. He also elaborated on the IASB Disclosure Initiative, which aimed to streamline disclosures.

20. The second high-level panel started with a presentation by the Chair of the Securities Commission of Brazil. He indicated that full and fair disclosure is the core principle for the capital markets. He recognized that the development of the capital markets in Brazil was based on strong promotion of investor education and protection, risk-based supervision plans, and solid enforcement process. The speaker commented on the recent changes in the global system of corporate reporting standards, and noted that his country had converged its GAAPs to IFRSs. He also noted that so far there was no separate audit oversight authority in his country. He also highlighted as an issue the lack of skilled people available to perform the functions of an audit oversight authority.

21. The next speaker, a representative of the Slovenia Insurance Supervision Agency, explained that reporting was a key supervisory tool for his agency and a part of the overall supervisory process. He stressed that the ultimate responsibility for the content and quality of reporting lay with the management of the company. The speaker stated that actuarial function, risk management, internal audit and compliance were the four key functions of supervisors, noting that the functions were complementary. These key functions were important not only at the entity level but also at the macrolevel for sound financial supervision. As a key challenge, he noted non-compliance with reporting requirements, which presented a substantial risk for the policyholders of insurance companies and investors. He also noted the need for coordination among regulators to avoid duplication of reporting requirements.

22. The Chief Executive of the Independent Regulatory Board for Auditors (IRBA) in South Africa indicated that the Board was established in accordance with the Auditing Profession Act of his country. He highlighted several objectives of IRBA, such as establishment of an independent board, protection of the investing public, improvement and maintenance of internationally comparable ethics and auditing standards. The speaker elaborated on measures that the Board was undertaking to implement recommendations received from the World Bank Reports on Observance of Standards and Codes (ROSCs). The speaker highlighted the importance of independence for oversight authorities such as IRBA and also highlighted the need for engaging with the profession, Government and stakeholders for oversight authorities to carry out their activities in an effective manner.

23. A representative of the Danish Business Authority noted that the enforcement mandate of the Authority covers registration of companies and foundations; supervision of foundations; examination of financial statements; oversight of auditors; and oversight on matters of money laundering. He highlighted five enforcement principles that the Authority had adopted: the rules needed to be simple and easy to comply with; priority of enforcement efforts needed to focus on areas where they had the greatest impact (risk based); companies needed to be advised to follow the rules and those that did not should be penalized; enforcement efforts needed to be coherent and comprehensive; and the enforcement authority needed to communicate to the public regularly on its performance.

He indicated that the Authority had found that, in general, the quality of the work of auditors and annual reports prepared by entities under the auditors' oversight was below the expectations of the regulator. He further noted that the Authority was in the process of developing an action plan to address these deficiencies.

24. A representative of the Qatar Financial Centre Regulatory Authority discussed the implementation of XBRL to support this Authority's supervisory process. The main objectives of the project were: developing and implementing a macroprudential framework; redesigning statutory returns to better reflect risk-based information; enhancing management information; and enhancing the supervisory processes. The speaker further discussed the strategic goals and benefits of the project. Nevertheless, he recognized the challenges of the project – for example, numerous reporting frameworks, lack of specific auditing standards for regulatory assurance, and inadequate alignment between banking, insurance and IOSCO principles, among and others.

25. The next speaker, the Chief Executive of the Financial Reporting Council of Nigeria, shared several good practices of funding for enforcement institutions and highlighted that the funding practice needed to protect the independence of the institutions. The speaker also indicated annual quality reviews, harmonization of standards, consolidated supervision, a methodology for effective regulation and supervision of the conglomerates and cross border flows, as well as a regular education of key stakeholders as being integral parts of maintaining consistency and high-quality control over regulation and enforcement of corporate reporting requirements.

26. A representative of the World Bank highlighted a number of engagements that the World Bank had made with countries to promote high-quality corporate reporting, including with respect to MC&E. He noted that compliance should not be seen as an end goal but rather a means of achieving high-quality corporate reporting by adhering to pertinent standards and codes. He discussed several challenges related to the process of ensuring compliance with reporting obligations: making the reporting available to the public; empowering the regulators/supervisors to conduct investigations and to take remedial actions and/or sanctions; providing sufficient resources to regulators and fostering cooperation among regulators; fostering active financial markets that promote discipline among participants; and suitability and enforceability of standards and codes. Furthermore, he elaborated on different models of audit oversight available around the world and the relative advantages and disadvantages of the respective oversight models.

27. The Managing Partner of Deloitte discussed the main findings of a comparative study on audit regulation that the company had prepared in 2013. He highlighted seven requirements that an audit oversight body needed to meet in order to qualify for recognition by IFIAR or to achieve equivalency with European Union requirements: registration, inspection, investigation, enforcement, standard-setting, funding and continuing professional education. He emphasized the need to maintain proportionate regulation, in particular the need for differentiating between public-interest and non-public-interest entities. He indicated that in the United Kingdom of Great Britain and Northern Ireland the findings of audit quality reviews of the Audit and Performance Review Committee went to the audit committee of the reporting entity, and highlighted this as a good practice in terms of transparency. However, he questioned the usefulness of proposals for disclosing such information to the public. He also noted that regulators and enforcement authorities had a responsibility towards ensuring sustainability of the audit profession and, therefore, they needed to avoid heavy-handed regulation that could deter the best talent from joining the profession.

28. Following the presentations one participant asked whether regulators follow up with reporting entities on findings of their examinations to ensure that such findings don't become recurrent. A panel member indicated that his organization executed a careful

tracking of the effectiveness of the enforcement strategies. He indicated that most of the findings of examinations of financial statements in his country occurred in the early years of transitioning to IFRSs and were thus not of a recurring nature.

29. A participant asked whether a prudential regulator had oversight with respect to auditors who attest on the financial statements of entities under the regulators purview. A panellist responded that the issue had created challenges in his country. In recent years, the prudential regulator had communicated to the appropriate audit oversight body cases where auditors failed to comply with applicable obligations.

30. Another participant requested additional information on IRBA regarding the scope of the Board's oversight and audit experience requirements for its staff, and also sought clarification on possible conflict of interest on funding IRBA activities through registration of auditors. The representative of IRBA explained that the Board had oversight on auditors of both public-interest and non-public-interest entities; IRBA inspectors were required to register with IRBA and comply with the IRBA code of ethics; technical staff were chartered accountants; and mandatory annual registration fees for auditors did not necessarily affect the independence of IRBA.

31. The Chair indicated that a panel consisting of representatives of professional accountancy organizations (PAOs) from different regions of the world would share their views on the role of the accountancy profession in promoting an adequate implementation of corporate reporting requirements, and on their experiences in fulfilling the membership requirements of IFAC, stressing, in particular, issues related to compliance with the code of ethics.

32. The panel discussion started with a presentation by a representative of IFAC, who highlighted the importance of strengthening PAOs to ensure a high quality of reporting and to promote foreign direct investment, development of small and medium-sized enterprises (SMEs), transparency and accountability. She elaborated in detail on IFAC's membership compliance programme, including the statements of membership obligations and related action plans that all PAOs had to develop for continuous improvement as a member body of IFAC.

33. The representative of Côte d'Ivoire commented that in Africa they had faced regional issues arising from the uneven level of development among countries subject to the same regulation and asked how IFAC dealt with this type of situation. The speaker responded that countries were at different degrees of development and in some cases the national regulation prevented PAOs from performing specific activities; thus IFAC required PAOs to use their best endeavours to comply with the statements of membership obligations. She added that there were also regional accountancy organizations that had a strong role supporting the development of individual PAOs.

34. A representative of the Association of Chartered Certified Accountants mentioned that it was important to be focused on training and competence of a wide range of people in the supply chain; as well as to have a code of ethics and to establish detection mechanisms for non-compliance. He underscored the need for an authority in charge of enforcement, for an independent oversight function, and also for a set of measures and deterrence elements in place. He mentioned that in the European Union public oversight is a requirement. With regards to audit quality assurance he said that qualifications, competence and continuing training should be required and also independence and firm rotation should be observed. Finally, he highlighted difficulties that arise in inspecting foreign audit firms.

35. A representative of the Federation of European Accountants (FEE) presented the challenges faced in the European Union where there is a diverse profession with a variety of titles, different types of services provided and also differing educational and qualification requirements. She emphasized that enforcement in the European Union takes place first at



the national level, but there are coordination mechanisms established at regional level to promote consistency and coherence in implementation of requirements.

36. A participant asked what would be a good way to make the profession more consolidated. The speaker responded by saying that this could be achieved by raising awareness and sharing good practices. Another participant inquired how FEE could regulate European Union accountants given the vast diversity between so many countries. The speaker clarified that FEE did not regulate but promoted discussions, coordination and raised awareness to provide support in facing policy regulation issues.

37. The next speaker, a representative of the Federal Accounting Council of Brazil, described a series of activities that Brazil had been conducting to enhance corporate reporting, including training to spread the use of the code of ethics, establishment of corporate governance mechanisms, promoting integrated reporting, establishing a massive education programme to support proper implementation of IFRSs for SMEs, and introducing continuing education requirements for all registered accountants. The speaker also stressed that the Council had increased national coordination. He mentioned some activities undertaken to improve audit quality. Finally, he highlighted current action such as the enhancement of inspection programmes in accounting firms and companies, and the improvement of enforcement of the code of ethics.

38. A participant commented on the relevance of MC&E and the fact that these issues evolve over time. He indicated that it would be useful if the Intergovernmental Working Group of Experts could continue working on this topic in future sessions.

39. A representative of the Institute of Chartered Accountants in India highlighted that MC&E represented a big challenge to developing countries due to the large interdependence with the legal system, the need for clear understanding of concepts, object and scope, and the necessity to ensure efficient MC&E. He stressed that compliance was closely related to the environment; thus such an environment needed to be conducive. He also mentioned that auditors came to the reporting process at the end of the chain and more attention needed to be focused on other contributors intervening in earlier phases of the reporting chain. The speaker also mentioned that India would be adopting IFRSs in the coming years and that management would declare compliance with enforcement requirements in a statement forming part of financial statements. Lastly, he mentioned that the Institute maintained a continuing education programme throughout the country.

40. A delegate recommended that the secretariat should look at assurance issues in audit quality. He also asked what mechanisms were in place in India to protect the accountants from other participants in the financial reporting process. The speaker explained that the Indian Institute of Chartered Accountants provided guidance notes to clarify such matters.

41. The next panellist from the Lebanese Association of Certified Public Accountants explained that to foster the quality of reporting, annual reports should contain more information on performance, and environmental and social policies. He enumerated key challenges in enforcement such as non-compliance with the code of ethics and conduct, independency, and competency issues. He said that to enhance the quality of reporting, each local jurisdiction should have an effective professional accountancy act for the auditing of public-interest companies, and that there should be coordination between key entities, enforcement of quality assurance through review and monitoring, peer review programmes and oversight boards.

42. A delegate enquired how Lebanon dealt with accountants trained in other parts of the world before accepting them into the Association. The speaker said that in Lebanon there were many auditor holders of professional certification from the United States. He explained that there was industrial training for some professionals but for others the Association provided 80 hours of training, and there were educational materials as well.

Another delegate enquired about non-compliance with the code of ethics that had been mentioned during the presentation. The Speaker commented that in 2013, some people had had their licences suspended and others had been fined for the cases of non-compliance identified.

43. A representative of the Chartered Institute of Public Finance and Accountancy (CIPFA) stressed the increased use of accrual accounting in global public finance. He underscored the role of CIPFA in promoting stronger government accounting and audit. He also mentioned that corporate governance and integrated reporting were important elements. He commented that the public sector was becoming a priority and emphasized that CIPFA was in a position to offer assistance and had long supported other PAOs. Finally, the representative stated that CIPFA aspired to stimulating global qualifications and capacity-building in the public sector.

44. Delegates commented that adopting IPSASs and using integrated reporting at the same time could be burdensome for some countries.

45. The panel presentation on country case studies on MC&E began with a brief overview provided by a member of the UNCTAD secretariat. He explained that the country case studies had been prepared with a view to enriching the deliberations on the main agenda through practical illustrations. He indicated that the panellists presenting their respective country case studies would discuss monitoring of compliance and enforcement of requirements for companies, audit firms and professional accountants.

46. The panel discussion began with a presentation of the case study of Canada. The panellist, a professor from Concordia University in Canada, commented that in Canada the Accounting Standards Board enacted standards and that there were provincial securities commissions that conducted monitoring and enforcement through tools such as cease-trade orders, restatement orders, fines and penalties, court litigation, among others. He highlighted fraud cases as a major issue due to the implication of criminal federal law and other actors. He also commented that audit firms and individual auditors were subject to different oversight and that violations were not publicly reported. In the case of the profession, he explained that public accounting was under provincial oversight.

47. Another speaker, a professor from the University of Western Australia, mentioned the different regulators involved in enforcement in Australia. She commented that reviews of financial statements compliance were done on a proactive basis, through tips from other regulators, and cases were also investigated. She further commented that auditors needed to be registered with the Australian Securities and Investment Commission. She explained that the Financial Reporting Council provided oversight for the Commission. The speaker discussed the type of penalties companies could face. She also commented that PAOs were in charge of training, continuing education and compliance with ethical standards. In concluding, she highlighted the importance of collaboration at all levels and the need for cross-border cooperation.

48. The next speaker presented the case study of Belgium, highlighting that in this country public-interest entities, large companies and large not-for-profit associations were subject to statutory audit. He described the institutional framework and underlined that the Financial Securities Market Authority was the entity carrying out enforcement for listed companies, financial markets and pension funds. Regarding audit and assurance he mentioned that reviews were performed every three years for public-interest entities and every six years for others. He also highlighted the existence of MC&E challenges in relation to companies not listed in the European Union audited by non-European Union audit firms. He described the surveillance and disciplinary procedures and said that collaboration was critical. Concerning the profession, he detailed the requirements for

auditors and mentioned the importance of codes of professional conduct. Finally, he stressed the need for disclosure of non-financial information.

49. A professor from the University of Bamberg, presented the two-tier enforcement system for companies in Germany. She explained the grounds for initiating examinations and the related applicable procedures. She emphasized that the sanction for material errors consisted of publication of correction of the error. The panellist described the resources and financing mechanisms of the institutions and stressed that oversight on statutory auditors was performed by other institutions. She also described the enforcement measures and sanctions due to violations, which included fines, prohibition from certain activities and employment bans for up to five years, and exclusion from the profession. Finally, she also underscored the need for cooperation in cross-border investigations of foreign-listed companies.

50. A participant commented that speakers had not provided information on non-financial enforcement. One panellist commented that since most non-financial information was disclosed on a voluntary basis, regulators did not take enforcement action. Another participant enquired if, when the regulator in Germany made an error announcement, there was an effect in the market as a consequence. The panellist from the University of Bamberg commented that indeed there was a significant impact on the market, and in particular on the stock price.

51. Another panellist, a representative from the Institute of Chartered Accountants in England and Wales, explained that the United Kingdom had six major accountancy bodies to register auditors, monitor the quality of audit engagements and compliance with continuing education requirements, and conduct disciplinary arrangements for non-public cases. He commented that the Financial Reporting Council monitored and enforced accounting and auditing standards for public-interest entities, oversaw the accountancy bodies and operated disciplinary actions for public-interest cases. He also highlighted the relevance of international cooperation.

52. An associate professor from the University of Medellin, Colombia, described the legal and institutional frameworks present in his country. He commented that supervisory entities exercised inspection and control of the accounting and auditing firms. He commented on the national work plan for ensuring consistency in the implementation of IFRSs as of 2015 and emphasized the need for training to support this process.

53. The last speaker from this panel, a representative of the Securities and Exchange Commission in Peru, provided a detailed description of the structure of the financial system in her country. She highlighted the importance of auditing and corporate governance and also emphasized that the Securities and Exchange Commission could directly inform the market of any relevant event that a company had not yet made public. She explained that the Commission had an inspection plan for companies and audit firms. She observed that a representative sample from each sector was selected based on specific criteria and a range of sanctions were available depending on the type of infringement.

54. Finally a representative of the UNCTAD secretariat underlined that the case studies illustrated a number of ways to approach MC&E. He emphasized as the main point that MC&E was effective regardless of the structure of such a system.

## C. Other business

(Agenda item 4)

### 1. Follow-up on the Accounting Development Tool

55. The Chair invited the Head of the Enterprise Branch, Division on Investment and Enterprise, to present an introduction to the agenda item. She highlighted key aspects of the ADT, indicating that it was a quantitative benchmark of a country's position and progress at a point in time, a country-driven guided self-assessment for strengthening a country's reporting infrastructure, and was a guidance towards a consensus-based action plan conducive to capacity-building activities. She explained that the ADT was composed of a questionnaire, benchmark references, statistical model, and guidance on how to apply it. Furthermore, she elaborated on pillars and subpillars of the ADT and on the intergovernmental process that had resulted in the ADT as an outcome. She further discussed an illustrative spider graph depicting outcomes of ADT exercises. She also highlighted key aspects of the electronic platform – eADT – that the UNCTAD secretariat has made available to facilitate future ADT exercises.

56. This session consisted of presentations by countries that had applied the ADT in 2012–2013 and also by those that were considering applying it in the coming years – as a way to address challenges of building capacity for high-quality reporting and meeting international requirements in this area. It also featured a presentation concerning training materials on IPSASs developed recently.

57. The Director General of SPF Economie, Belgium, highlighted that the ADT had already provided some key benefits in his country, including providing a clear picture of the status of corporate reporting in relation to key international requirements, and opening dialogue among key stakeholders in Belgium dealing with corporate reporting matters. He noted that since the application of the ADT in his country the previous year, some major legislative developments had occurred, including in the area of corporate reporting. He further noted that the ADT findings would be useful in implementing the legislative reforms. With respect to International Standards on Auditing (ISAs), he said that, going forward, ISAs would be applicable in his country not only for public-interest entities but also for SMEs. He also indicated forthcoming requirements in the area of non-financial reporting that his country would be implementing in the coming years.

58. The next speaker, the Secretary-General of the Permanent Council of Accounting of the Congo, indicated that his country intended to become an emerging economy by 2030 and needed to enhance the flow of foreign direct investment to achieve this goal. In this context, the speaker said the country was interested in applying the ADT in 2015. He elaborated on the status of implementation of international corporate reporting standards and codes in the Congo, including IPSASs. He also noted that applying the ADT in the country would be useful in implementing the recommendations of the ROSC 2009 study of the Democratic Republic of the Congo. He also indicated that his country would learn from the recent experience of Côte d'Ivoire in applying the ADT.

59. The next speaker, the Secretary-General of the National Council of the Order of Public Certified Accountants and Chartered Accountants of Côte d'Ivoire, representative of Côte d'Ivoire to the West African Accounting Council, underscored full commitment and support by the competent ministries, and adequate financing to support the entire ADT application process as being key factors contributing to successful implementation of the ADT in his country. He noted the conceptual, forward-looking and stakeholder-consensus-driven nature of the ADT as a factor leading towards concrete outcomes. He also indicated that the ADT and the World Bank ROSCs complement each other.

60. The next speaker, the Undersecretary of Governmental Accounting of Ecuador, provided an overview of the application process and main findings of the ADT in Ecuador. She emphasized that one of the important outcomes of the ADT exercise was the ongoing interaction among key regulators in the country. She indicated that the Ministry of Finance was in the process of establishing a technical committee to implement the recommendations of the ADT. She also noted that work was underway to harmonize national public-sector accounting standards with IPSASs, and to develop a curriculum for education and assessment of professional accountants at universities. The speaker highlighted the memorandum of understanding signed between UNCTAD and the Ministry with a view to fully realizing the benefits of the ADT.

61. The Head of the Subdepartment of Methodology of Accounting and Audit of the Ministry of Finance of Kazakhstan noted that her country was working on improving the investment climate and quality of corporate reporting. She indicated that the Ministry of Finance had been striving to raise the position of her country in the World Economic Forum ranking on matters of accounting and auditing. In this context, she expressed her country's interest in applying the ADT with a view to promoting high-quality corporate reporting. She provided an overview of the current state of corporate reporting in her country and an outline of the legislative, institutional and human-resources-related arrangements. Furthermore, she highlighted challenges in the areas of training and qualification of accountants and oversight of financial reporting quality.

62. The next speaker, the President of the Academy of Management under the Ministry of Finance of Ukraine provided background on the Ministry's participation in the work of ISAR and an overview of the application of the ADT in her country and scores obtained on the three pillars. She highlighted that her country was in the process of harmonizing applicable regulations with European Union requirements and further indicated that the ADT had been useful in facilitating the reform process in her country.

63. The Chair of the Sudanese Professional Accountants Society then provided an overview of the historical development and the institutional setting of the Society and outlined its achievements, in particular its adoption of international standards in the areas of accounting, auditing, insurance and education. He also elaborated on the engagements of the Society at the regional and international levels. Furthermore, he discussed the findings of the 2010 ROSC study of the Sudan.

64. The next speaker, the General Director of the Saigon Commercial Bank, Viet Nam, shared with participants important lessons learned in the application of the ADT. He underscored the importance of the support of key policymakers and other competent government authorities for successful application of the ADT. He indicated that application of the ADT in his country had provided additional drive for improving the quality of corporate reporting. He also noted that reporting entities and investors needed to be engaged in the application process of the ADT. He noted that as a result of the findings of the ADT, his country had developed an action plan to further improve corporate reporting, including sustainability reporting. The action plan was envisaged to be fully implemented by 2020.

65. The final speaker, the Technical Director of the International Public Sector Accounting Standards Board highlighted the importance of high-quality government accounting and noted initiatives such as "Accountability Now" as additional drivers in this direction. She provided an overview of the work of the Board, including the full suite of 32 accruals-based IPSASs covering all main areas of government activity. She underscored the momentum in the adoption of IPSASs, including by the entire United Nations system, and within the Organization for Economic Cooperation and Development and the North Atlantic Treaty Organization. She then provided an overview of the recently released training materials on IPSASs that had been developed under the auspices of the

International Public Sector Accounting Standards Board. She indicated that a test run of the training materials had been conducted in Jamaica earlier in the year and that this had been well received.

66. During the plenary discussion, delegates exchanged views on the interrelationship between regional organizations such as the Organisation pour l'Harmonisation en Afrique du Droit des Affaires, the Fédération Internationale des Experts-comptables Francophones and the Pan African Federation of Accountants, and on how such institutions could further coordinate their activities with a view to promoting high-quality corporate reporting among their constituencies. A delegate noted the usefulness of application of the ADT by developed countries as a means of identifying good practices and suggested that this approach should continue in future applications of the ADT.

67. Some participants suggested that the ADT could be applied on a regional basis to facilitate the transfer of best practices. However, other participants were of the view that such an approach would not be practical. The view was expressed that sharing findings of the ADT at a regional level could be one way of promoting high-quality corporate reporting on a regional basis. A suggestion was made to link the ADT with the Education Initiative of the IFRSs Foundation.

68. The secretariat clarified the relationship between the ROSCs and the ADT, explaining that when the ADT had been developed, it had benefited from an extensive contribution from the World Bank – since it complemented the ROSCs with a quantitative benchmark – and that UNCTAD was discussing the possibility of conducting joint assessments with the World Bank.

## **2. Updates by other international and regional organizations**

69. The panel presentation started with a representative of IASB, who provided the audience with updates on major activities of IASB that had occurred during the intersessional period of ISAR. The speaker highlighted the release of IFRS 15 “Revenue from contracts with customers”, which was a fully converged IFRS and United States GAAP. The standard had been released in May 2014 and would take effect in 2017. Furthermore, he stressed that the complete IFRS 9 “Financial instruments” had been issued in July 2014 and would be effective from 2018. He recognized that this standard was a significant step forward in the development of accounting and reporting on financial instruments. Next, the speaker elaborated on the projects that were still in process, such as the accounting of leases, insurance contracts, rate-regulated activities and disclosure initiatives. Finally, he commented on the post-implementation review on IFRS 3 “Business combinations”.

70. The next speaker, a representative of IFAC, provided an overview on the role of the Federation and explained two main operating lines it was working on. Firstly, he stressed that “global accountancy development support” promoted awareness of how professional accountants facilitated sustainable success, and enhanced the competence of accountants through sharing and developing knowledge, ideas, and resources. He then commented on the second operating line, “improving quality and capacity”. The speaker explained that this line was comprised of the Global Accountancy Profession Development and Compliance programmes. The speaker explained the purpose of the publication *Good Governance in the Public Sector*. He also provided highlights on the respective activities of the International Ethics Standards Board for Accountants and the International Auditing and Assurance Standards Board.

71. A representative of GRI reminded participants that ISAR had been addressing corporate social transparency and reporting matters for over 15 years. She highlighted that GRI found collaboration with ISAR to be very useful and important. She highlighted that

GRI was undergoing an important governance transition. Concerning GRI activity relating to outreach and capacity-building, the speaker mentioned the certified training partners in more than 100 countries and the importance of increasing focus on reaching out to SMEs.

72. A representative of FEE explained that the Federation was a regional organization of IFAC that focused its activity on (a) representation towards stakeholders, (b) analysing and influencing public policy developments, and (c) promoting cooperation among its members. The speaker emphasized that FEE had four strategic priorities: corporate reporting, auditing, taxation and the public sector. The representative mentioned that it had been almost 10 years since IFRSs had been established in Europe and it was only now that the European Commission was evaluating whether the initial objectives had been reached.

73. During the discussions that followed a participant requested more clarification on the definition of the business model for managing financial assets, which was provided neither in the IASB's conceptual framework, nor in IFRS 9. The speaker from IASB commented that the standard was focused on guiding when the particular instrument should be qualified for amortized accounting rather than on defining business models.

74. Another participant requested more information on the new requirements relating to the auditors' opinion, terms of engagement of audit partners to companies, and the timing of the adoption of the requirements. The panellist from IFAC clarified that requirements related to listed companies.

75. A participant also commented on phase two of IFRS 4 "Insurance contracts", indicating that there were still difficulties on standardization of models concerning observable market interest rate, contractual service components and risk margins. The speaker from IASB stated that there were challenges in reaching agreement on a specific model due to the existence of various approaches to accounting for insurance contracts around the world.

### III. Organizational matters

#### A. Election of officers

(Agenda item 1)

76. At its opening plenary meeting, the Intergovernmental Working Group of Experts elected the following officers:

<b>Chair:</b>	Mr. Ewald Müller (Qatar)
<b>Vice-Chair-cum-Rapporteur:</b>	Ms. Lilian Rocca (Peru)

#### B. Adoption of the agenda and organization of work

(Agenda item 2)

77. Also at its opening plenary meeting, the Intergovernmental Working Group of Experts adopted the provisional agenda for the session, as contained in document TD/B/C.II/ISAR/69. The agenda was thus as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. Key foundations for high-quality reporting: Good practices of monitoring and enforcement, and compliance mechanisms

4. Other business
5. Provisional agenda for the thirty-second session
6. Adoption of the report

### **C. Outcome of the session**

78. At its closing plenary meeting on Friday, 17 October 2014, the Intergovernmental Working Group of Experts adopted its agreed conclusions (see chapter I) and agreed that the Chair would summarize the informal discussions (see chapter II). It also approved the provisional agenda for the thirty-second session of ISAR (see annex I).

### **D. Adoption of the report**

(Agenda item 6)

79. The Intergovernmental Working Group of Experts authorized the Vice-Chair-cum-Rapporteur, under the authority of the Chair, to finalize the report after the conclusion of the meeting.



## **Annex I**

### **Provisional agenda for the thirty-second session**

1. Election of officers
2. Adoption of the agenda and organization of work
3. Key foundations of high-quality reporting: International audit and assurance requirements and good practices on their implementation
4. Review of good practices on enhancing the role of corporate reporting in attaining sustainable development goals
5. Other business
6. Provisional agenda for the thirty-third session
7. Adoption of the report

## Annex II

### Attendance<sup>\*</sup>

1. Representatives of the following States members of UNCTAD attended the meeting:

Algeria	Kuwait
Angola	Kyrgyzstan
Azerbaijan	Latvia
Barbados	Lebanon
Belarus	Lithuania
Belgium	Malta
Benin	Morocco
Brazil	Nigeria
Burundi	Peru
Cambodia	Philippines
Cameroon	Qatar
Chile	Russian Federation
China	Rwanda
Côte d'Ivoire	Saudi Arabia
Democratic Republic of the Congo	Spain
Denmark	Sri Lanka
Ecuador	Sudan
Gabon	Tajikistan
Gambia	Thailand
Germany	Tunisia
Ghana	Turkey
Haiti	Ukraine
Hungary	United Republic of Tanzania
India	Venezuela (Bolivarian Republic of)
Iraq	Viet Nam
Kazakhstan	Zambia
	Zimbabwe
2. The following intergovernmental organizations were represented at the session:
  - European Union
  - Islamic Development Bank
  - Organization of Islamic Cooperation
3. The following United Nations programme was represented at the session:
  - United Nations Environment Programme
4. The following specialized agencies were represented at the session:
  - World Bank Group
  - World Intellectual Property Organization
5. The following non-governmental organizations were represented at the session:

---

<sup>\*</sup> This attendance list contains registered participants. For the list of participants, see TD/B/C.II/ISAR/INF.7.

*General category*

Ingénieurs du Monde  
International Organization for Standardization

---