



**United Nations Conference
on Trade and Development**

Distr.: General
16 December 2015

Original: English

Trade and Development Board
Investment, Enterprise and Development Commission
Intergovernmental Working Group of Experts on
International Standards of Accounting and Reporting
Thirty-second session
Geneva, 4–6 November 2015

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

Held at the Palais des Nations, Geneva, from 4 to 6 November 2015

GE.15-22285(E)



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Introduction

1. The thirty-second session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting¹ was held at the Palais des Nations in Geneva from 4 to 6 November 2015.

I. Agreed conclusions

A. Key foundations for high-quality reporting: International audit and assurance requirements and good practices in their implementation

(Agenda item 3)

2. Delegates at the thirty-second session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) welcomed the adoption of the 2030 Agenda for Sustainable Development and the commitment of the international community to achieving sustainable development in its three dimensions – economic, social and environmental – in a balanced and integrated manner. They highlighted the essential role that the private sector could play in achieving the Sustainable Development Goals and underscored the importance of high-quality financial and non-financial reporting for better transparency, accountability and good governance. They emphasized that high-quality reporting could also serve as an important part of the monitoring and review mechanism for Sustainable Development Goals by member States and as a means of assessing the impact of companies on sustainable development.

3. The Group of Experts reaffirmed its commitment to support member States in promoting high-quality reporting with a view to attaining the 2030 Agenda for Sustainable Development. In this respect, delegates noted the need for closer cooperation at all levels, especially among regulators, professional accountancy organizations and the private sector, as commitment to one agenda must be obvious to all.

4. The thirty-second session of ISAR underscored the essential role that auditing and assurance standards play in facilitating capital formation by fostering investor confidence that can lead to the mobilization of domestic and international resources. Delegates highlighted challenges pertaining to effective implementation of International Standards on Auditing, such as assurance of non-financial reporting, audit of small and medium-sized enterprises (SMEs), and financial reports prepared by public sector entities. In the course of its deliberations on this topic, the Group of Experts indicated a need for closer collaboration among standard-setters, various sectoral regulators and oversight authorities to gain synergies and achieve effective regulation. Issues such as audit quality, independence and professional scepticism were highlighted as areas to be addressed in order to enhance the positive contribution of auditing to high-quality reporting. The Group of Experts called on UNCTAD to continue to facilitate the sharing of good practices in the consistent implementation and enforcement of international auditing and assurance standards, including through the conducting of case studies and organizing capacity-building seminars and workshops.

¹ Presentations made at the meeting are available at <http://isar.unctad.org/isar32/isar-32-presentations/> (accessed 30 November 2015).

B. Review of good practices on enhancing the role of corporate reporting in attaining Sustainable Development Goals

(Agenda item 4)

5. In the course of deliberations on this agenda item, delegates reiterated the need for reliable and comparable reporting by enterprises of financial and non-financial aspects of their performance and integration of sustainability information into their reporting cycle. They highlighted the increased urgency of this demand in view of the recent adoption of the Sustainable Development Goals. Delegates expressed their appreciation to the members of the ad hoc consultative group for their contributions to progressing work on this agenda item during the intersessional period of ISAR and commended the UNCTAD secretariat for its background paper, which facilitated deliberations on the agenda item. The Group of Experts called on UNCTAD to conduct further work, in collaboration with the consultative group, with a view to identifying good corporate reporting practices on the Sustainable Development Goals and facilitation of harmonization of sustainability reporting.

C. Other business

(Agenda item 5)

Guidance on good practices in the area of monitoring of compliance and enforcement

6. The thirty-second session of ISAR reviewed progress made during the intersessional period on developing a guiding document on good practices in the area of monitoring of compliance and enforcement of globally recognized standards and codes with a view to achieving high-quality reporting in both financial and non-financial aspects of the performance of enterprises. It also conducted further deliberations and reviewed recent developments on the topic. The Group of Experts expressed its appreciation to members of the ad hoc consultative group on the monitoring of compliance and enforcement for their contributions to the development of the guiding document. The session underscored the complex nature of mechanisms relating to such monitoring and the growing need for guidance in this area to assist member States in establishing the necessary mechanisms. The Group of Experts requested UNCTAD, in cooperation with the ad hoc consultative group, to finalize work in progress on developing a guiding document. It was agreed that the UNCTAD secretariat should continue to review good practices and development in the monitoring of compliance and enforcement.

Online version of the Accounting Development Tool and updates on its implementations

7. Delegates at the thirty-second session of ISAR welcomed progress made by member States in applying the Accounting Development Tool (ADT) and in developing pertinent action plans towards capacity-building. The session commended the UNCTAD secretariat for the enhancements made on the electronic platform of the ADT and again encouraged member States to apply the ADT to facilitate their capacity-building efforts in financial and non-financial reporting. Furthermore, the session called on the UNCTAD secretariat to update the ADT, taking into account recent developments that have implications for the different indicators in the ADT and lessons learned from its practical application by member States.

II. Chair's summary

A. Opening statements

8. The Secretary-General of UNCTAD highlighted significant recent events in the international community, in particular the adoption of the 2030 Agenda for Sustainability Development. He said that throughout the implementation period of the Sustainable Development Goals it would be necessary to assess progress and take corrective actions when needed. High-quality reporting was essential in allocating scarce resources, fostering financial stability, promoting good governance and underpinning a vibrant private sector. However, gaps in certain areas persisted. He stressed that corporate reporting could provide the means to assess the impact of companies on sustainable development. In this regard, the role of corporate disclosure on environmental, social and governance issues was essential. However, ensuring coherence between existent reporting frameworks and practices, and comparability of information and data provided by companies posed a real challenge, and assurance of this information would be critical for its credibility.

9. In his presentation, the Chair of the Financial Accounting Standards Board stressed that relevant, representationally faithful, comparable and verifiable financial reporting played a critical role in the efficient and effective operation of capital markets worldwide. The principal goal of accounting standards should be to promote truth-telling in financial reporting. Setting those standards was key to promoting high-quality financial reporting but companies, auditors, and regulators also had an important role to play. Public debate, transparency and independent funding, as well as coordination at the national and international levels, were necessary to enable high-quality financial reporting. Ongoing projects included guidance on accounting for financial instruments and leases.

B. Key foundations for high-quality reporting: International audit and assurance requirements and good practices in their implementation

(Agenda item 3)

10. In her presentation, the panellist from the Organization for the Harmonization of Business Law in Africa said that the Organization had contributed to improving economic growth, reducing poverty and fostering investment at the international and national levels since its inception over 22 years ago. Member countries of the Organization had attracted increased foreign direct investment (FDI) in recent years, and the Organization would continue to help African countries by promoting a stable, efficient and harmonized legal business framework.

11. The representative of the European Commission provided an overview of the corporate reporting framework that existed at the European level. The European Union had started harmonizing financial reporting in the late 1970s to facilitate cross-border investment and speed up the integration of European capital markets. With a shared set of principles, financial statements in the European Union were not only of high quality but comparable to a great extent. Its Member States would have to incorporate the Directive on disclosure of non-financial information (Directive 2014/95/EU) into their national legislation by the end of 2016. Further, the Commission was looking at how to make it easier for smaller companies to enter into public markets; one possibility would be to develop a voluntary, tailor-made accounting solution.

12. The panellist from the Public Interest Oversight Board described the role of the Board. It had been established in 2005, when public authorities had decided to devote more attention to the audit function to safeguard the public interest in the standard-setting

process. Current trends in auditing included the increasing formalization of auditor independence requirements, the importance of education standards for auditors, the introduction of a specific regime for public interest entities and the impact of technology on the audit framework. Bodies such as the European Audit Inspection Group, the International Forum of Independent Audit Regulators and the Public Company Accountability Oversight Board of the United States of America had become increasingly important in ensuring enforcement of auditing standards. He also highlighted the importance of non-financial reporting.

13. One expert wondered why more progress had not been made in creating a central repository, similar to that of the United States Securities and Exchange Commission, to enable members of the European Union to facilitate access to financial statements. In reply, one panellist said that it was a difficult task. Another panellist noted that progress had been made through the Transparency Directive (Directive 2013/50/EU) and that work was under way to create an electronic database and a central access point through which financial statements filed in European Union member States would become accessible.

14. In her presentation, the panellist from the International Forum of Independent Audit Regulators focused on the important role of auditors in promoting consistency, comparability and high-quality financial reporting. In her view, there would be more post-2015 calls for listed companies to provide integrated reporting and demand from users for non-financial information. The Forum's annual survey reports (2011–2013) showed a lack of consistency and professional scepticism in the performance of audits. Therefore, the Forum and its members decided to increase pressure on the leadership of the largest audit network firms to improve action plans globally; they would also provide regular input to the international standard-setting process.

15. In reply to one expert's question about the growing trend of regulators using staff to conduct inspections, the panellist said that Forum members were conducting audit inspections by engaging experts who were independent from the audit profession. Responding to another query, she agreed that auditing standards should take into account developments in technology to enable auditors to do their work more efficiently. Indeed one of the key challenges in going forward was how to deal with emerging issues and trends and innovations in setting auditing standards.

16. In his presentation, the representative of the International Accounting Standards Board (IASB) focused on the importance of transparency, efficiency and accountability. Transparency allowed users to make informed economic decisions, and high-quality financial reporting was needed to ensure efficient capital allocation. Currently the Board was completing major projects related to lease accounting, insurance contracts, conceptual frameworks, the Directive on disclosure of non-financial information and post-implementation reviews. Its current challenge was to find the best approach so as to bring non-financial reporting within its scope.

17. The panellist from the International Federation of Accountants discussed the social benefits that the accountancy profession could bring to achieving the Sustainable Development Goals. A critical contribution of the profession was ensuring sound governance and management of organizations through the professional skills of accountants, high-quality corporate reporting, audit and assurance, underpinned by the professional conduct of ethics that they brought to their work. He noted that the Sustainable Development Goals would make new demands on corporations to report on their contributions to their attainment.

18. The Head of the Enterprise Branch of UNCTAD highlighted the significance of auditing and assurance standards in the context of the ADT.

19. During the discussions that followed, one expert said that there was a global momentum for change in both corporate and auditor reporting. The International Auditing and Assurance Standards Board had three strategic objectives for the period leading to 2019: to ensure that International Standards on Auditing continued to form the basis for high-quality audits conducted worldwide by responding on a timely basis to issues noted in practice and emerging developments, to make certain that the Board's standards evolved as necessary to address the emerging needs of stakeholders for services other than audits of financial statements and to strengthen outreach and collaboration with key stakeholders in the reporting supply chain on public interest issues relevant to audit, assurance and related services.

20. The revised auditor reporting standards issued by the Board covered issues including audit opinion, key audit matters that were required for listed entities, going concerns, and responsibilities such as independence and ethical obligations. A discussion of key audit matters was one of the main elements of the revised audit report. As part of this new requirement, matters that in the professional judgement of the auditor were of most significance in the audit of the financial statements would be included in the auditor's report. Priority projects of the Board for the 2015–2016 workplan dealt with quality control, group audits, professional scepticism and auditing of accounting estimates. In addition, the Board had formed working groups to deal with innovations, integrated reporting and audit data analytics.

21. One expert wished to know the scope of the key audit matter, whether there was a limit on the number of key audit matters for the auditor to discuss and how an auditor should respond when management did not wish to disclose key audit matters. One panellist said that it was the auditor's responsibility to disclose key audit matters rather than the management of the reporting entity. Further, the presentation of key audit matters in the audit report did not relieve the auditor from issuing an opinion as required by the auditing standards. For example, the presentation of key audit matters could not be a substitute for issuing a qualified opinion if the audit standards required it. In response to one expert's request, he provided further information on the Board's working groups on audit data analytics and innovations in information technology.

22. In her presentation, the panellist from the Basel Committee on Banking Supervision spoke on the importance and practical implementation of international audit and assurance standards. In the wake of the global financial crisis, questions had been raised on audit expectations and audit quality, as many banks that had clean audit opinions before the crisis faced serious difficulties. While the Committee had a supervisory focus on banks, it supported the International Standards on Auditing and had been making suggestions for improvements in areas such as audits of financial instruments and estimates, use of the work of other experts in relation to complex financial valuation models and issues regarding going concerns. There was a cyclical relationship among standard-setting, application by banks and auditors, supervisory review and enforcement. Further, there was a need for outreach and structural dialogue among the different elements in the cycle for effective implementation.

23. In the discussion that followed, one expert asked why audit fees for banks were often higher than those for highly complex businesses in other sectors. The panellist said that the Committee did not have a position regarding such fees. However, major banks with intentional operations had a significant impact on the global economy and were therefore required to meet the highest standards, including in the area of auditing.

24. Another panellist shared her country's experience in the preparation and audit of financial reporting in the public sector and the role of supreme audit institutions in this context. The presentation of a true and fair view in financial statements was a constitutional requirement in her country. The introduction of accrual accounting in her country had

enhanced the usefulness of financial statements, including from the budgeting perspective. Her country applied the International Standards for Supreme Audit Institutions issued by the International Organization of Supreme Audit Institutions.

25. In response to the queries of several experts, the panellist said that the court of auditors in her country was independent and established by law. Her institution was adequately staffed and did not make use of the services of private sector audit firms. The audit report on her country's consolidated financial statements for 2014 had 66 audit findings of varying significance.

26. In his presentation, the panellist from the International Accounting Standards Board underscored the importance of auditing standards for high-quality financial reporting and gaining trust of investors and other users. He discussed the interrelationship among accounting standards, the preparation of financial statements, corporate governance, auditing, investors and enforcement. Indeed, capacity-building was a foundation for developing competencies across the information supply chain. He discussed the nature of principles-based standards and the requirements for exercising significant degrees of judgement in preparing and auditing financial statements. In addition, the International Financial Reporting Standards (IFRS) Foundation had been promoting a framework-based education to support the consistent implementation of such standards.

27. In the discussion that followed, experts spoke to a number of issues, including the revision of the conceptual framework of the International Accounting Standards Board and its implications, the capacity of small accountancy firms to apply audit data analytics tools, user education of public sector financial statements and the role of standards in bank failures.

28. In another panel discussion, one expert shared his country's experience in applying national standards based on International Public Sector Accounting Standards (IPSAS) and related auditing issues that were encountered in the implementation process. He discussed the approaches his country had adopted in conducting revaluation of buildings and land, making use of transitional provisions on first-time application of those standards. There were challenges in introducing an accruals-based financial reporting system. His organization and the office of the controller-general, who was responsible for auditing such financial statements, did not share the same views. He suggested that the application of International Standards on Auditing to audit accruals-based public sector financial statements was an important consideration in making the transition to an accruals-based reporting framework such as IPSAS. Clearly, there was a need to conduct intensive consultations among different stakeholders, including preparers and auditors.

29. In his presentation, the panellist from the Financial Stability Board discussed priority areas of the Board, including climate-change-related disclosures and its interest in improving the role of external audits in providing information to prudential supervisors and reinforcing effectiveness of regulation of external audits. There was a need for best-quality audits for globally significant financial institutions. High-quality audits and relevant and reliable risk disclosures depended on challenging and professionally sceptical auditors who insisted on presentations and disclosures that promoted true and fair views. Concerns included the quality of audits relating to internal controls, loan impairments, mark-to-model valuations, and the underlying tendency of auditors not to challenge managements' estimates or exercise scepticism.

30. In the ensuing discussion, one expert said that the Board was not directly responsible for reviewing provisioning manuals of banks in its member countries. Another noted that the International Accounting Standards Board had published its requirements concerning accounting standards for loan loss provisioning in September 2015, and the Financial Accounting Standards Board would follow suit in the first quarter of 2016. The Financial

Stability Board intended to request the International Accounting Standards Board and the Financial Accounting Standards Board to consider converging their loan-loss provisioning requirements in the long run.

31. The panellist from the World Bank discussed the challenges faced by countries in implementing International Standards on Auditing. These included the complexity of financial reporting, the difficulty in applying the risk-based approach, maintaining an attitude of professional scepticism, documentation of audit work, communication with those charged with governance and the need for enhanced auditor reporting requirements.

32. His organization provided capacity-building support. In Europe and Central Asia, for example, the World Bank had issued a guide on the *Acquis Communautaire* of the European Union, organized a regional dialogue series, given policy advice on audit reform, provided support for the adoption of International Standards on Auditing, held a financial supervisors exchange forum on audit topics, developed benchmarking accounting curricula and conducted regional studies on public oversight systems. Fragmented regulation with regard to general purpose financial reporting, prudential regulation and audit oversight was an obstacle to achieving high-quality audits. There were a number of audit challenges relating to the public sector, SMEs and accountancy practice as well as non-financial reporting.

33. In response to one expert's question regarding the need to audit SMEs, the speaker noted that the burden was on those who required such audits to demonstrate the benefits of such requirements.

34. In another presentation, the panellist from the International Federation of Accountants shared the perspective of professional accountancy organizations. He said that 106 jurisdictions had already adopted the International Standards on Auditing or were in the process of doing so or aligning their national standards with them. Accounting firms faced technical challenges, as well as challenges relating to the marketplace and practice management. Recent regulations that raised the audit threshold for reporting entities had had an impact on the audit services, in particular where review and compliance engagements were concerned. Professional accountancy organizations played an important role in implementing the International Standards on Auditing by, for example disseminating such standards, providing implementation guidance, education and training. In response to one expert's request, the speaker provided examples of audit services other than reasonable assurance and their application in different member States. The regulatory threshold in the European Union requiring SMEs to prepare financial statements was different from that for requiring reasonable assurance audits, the latter being lower.

35. Another panellist shared the experience of a small international accountancy firm that applied International Standards on Auditing to raise audit quality and facilitate the integration of member firms in different locations. In the absence of common standards in a network consolidating group, audit engagements became more difficult. Conducting quality reviews was challenging, and it was difficult to facilitate staff mobility and hold regular training programmes because of the barriers encountered. His firm had overcome these barriers by implementing International Standards on Auditing and had become a member of the Forum of Firms. In response to one expert's question, the panellist said his firm employed a common audit software to facilitate the audit process within the firms in the network.

36. In his presentation, the panellist from the European Federation of Accountants and Auditors for Small and Medium-sized Enterprises underscored the importance of robust financial reporting and auditing standards for high-quality financial reporting. He highlighted several aspects of audit reform efforts and the recent audit regulation that had become applicable in the European Union. The persistent expectations gap, the complexity

of financial reporting standards and the perception of audits as an administrative burden for SMEs were challenges to be overcome. It was necessary to educate users to bridge the expectations gap. According to a recent study, SMEs that voluntarily subjected themselves to audits received better credit ratings. In response to some experts' queries, he provided examples from the European Union and Germany about the classification of SMEs and said there was a need for strong professional skills and sound ethics to deal with conflicts of interest that might arise when an auditor was being paid by an auditee.

37. Two representatives said that their respective organizations had worked in consultation with each other when the ADT was developed and that their collaboration would continue. One expert wished to know how the public sector could attract and retain talent. In reply, one panellist said that additional information could be obtained from the Federation's Global Knowledge Gateway. Another expert said that sustainability reporting had potential in facilitating an equilibrium between the regulatory power of member States and the economic power of enterprises.

C. Review of good practices on enhancing the role of corporate reporting in attaining Sustainable Development Goals

(Agenda item 4)

38. Introducing the agenda item, a representative of the UNCTAD secretariat said that corporate reporting could contribute significantly to successful implementation and monitoring of the Sustainable Development Goals. Earlier work on sustainability reporting by the Group of Experts had focused on accounting and reporting for environmental costs and liabilities, and indicators relating to eco-efficiency and corporate responsibility in annual reports.

39. The representative of the ISAR consultative group on corporate reporting and Sustainable Development Goals explained that the activities of companies would influence the outcome of the Goals. The Intergovernmental Working Group of Experts should aim to obtain feedback from companies and encourage them to adopt sustainable practices. Given that high-profile reporting could affect corporate behaviour, it might be useful to align corporate behaviour with the Goals.

40. The representative of the United Nations Environment Programme said there was a need to enhance quality in corporate social responsibility reporting. Further, corporate social responsibility should be an instrument for measuring progress towards achieving the Sustainable Development Goals. Additional work was needed in the areas of guidance, coherence and methodologies for water consumption, quality, chemicals, waste and natural resources consumption. She recommended associating disclosure practices with a company's strategic intent to be an active contributor towards sustainable development as well as understanding of context in which the impact of the businesses was occurring. Collaboration across sectors and along value chains, stakeholders and users of information was key. Assurance built credibility of the reports. Her organization had issued a pertinent publication for business in 2012 entitled "Global Environment Outlook 5: Environment for the future we want".

41. In response to one expert's question, the speaker said that a number of SMEs were interested in financial and non-financial reports and that there was a growing interest in promoting initiatives for sustainable performance of the private sector.

42. In his presentation, the panellist from the International Integrated Reporting Council said that the Council wished to align corporate behaviour with investment decisions. Adopting integrated reporting could shift the focus in several areas: from a system of financial capital markets to an inclusive system, from silo reporting to integrated reporting

and from short-term capital markets to sustainable markets with a long-term view. Corporate reporting was linked to Sustainable Development Goal 12.6 but it was also relevant to Goal 17 relating to the Global Partnership for Sustainable Development. UNCTAD could play a key role in coordination along with other agencies involved in corporate reporting. The Council played a part in the Corporate Reporting Dialogue, which had produced a corporate reporting landscape map showing how standards and frameworks fit together from the perspective of integrated reporting.

43. The panellist from the Group of Friends of Paragraph 47 said that all stakeholders should play a positive role in promoting sustainability reporting. Governments, for example, should encourage companies to incorporate sustainability information into their reporting cycle. His organization had issued a document on the role of public agencies in promoting sustainability reporting, and two publications were forthcoming: one on public policy concerning corporate sustainability reporting in five countries and one on the financial sector. Some key challenges in promoting consistency in sustainability reporting included the definition of materiality and the convergence of existing divergent initiatives. He emphasized the need for a public-private partnership to strengthen convergence of initiatives and stakeholder coordination.

44. A representative of the International Federation of Accountants stressed the importance of corporate governance and transparency in achieving the Goals and the critical role of the private sector in this respect. Engaging a company's senior managers and the board of directors to promote sustainability reporting was indispensable. Achieving a long-term view was a daunting challenge, and transparency was critical to demonstrate this. He noted with concern the declining commitment of chief executive officers to sustainability, highlighted the relevance of integrated thinking and said that companies needed to show a strategic intent and reflect on their material risks and opportunities. Professional accountants could contribute to business resilience and influence organizations to integrate sustainability matters into organizational strategy, finance, operations and communications.

45. In her presentation, the panellist from the Climate Disclosure Standards Board said that findings on initiatives mapped by the Board showed that the objectives were aligned and that there was consensus on much of the content. Nonetheless, several challenges remained, such as the co-existence of multiple metrics and definitions, as well as operational, organizational and technical challenges. For example, the determination of reporting boundaries for reporting entities was a technical challenge. Also, should the scope of reporting cover the parent company only or should it also include the impact of other entities involved throughout the value chain? In this regard, further work was needed to coordinate the work of different organizations involved in this area. Sustainable Development Goals were based on the needs of society and the planet, and they added reporting requirements to the already existing legal requirements. It would be worthwhile to consider relevant historical precedents for broader cooperation between the public and private sectors in order to spur progress and further involve the finance community. Importantly, there was a lack of an institutional home to debate key topics in corporate social responsibility.

46. To the query of one expert, one panellist replied that the Group of Friends of Paragraph 47 was funded by its members. Although each country paid its own travel expenses, and financing was provided by some countries on an ad hoc basis, funding remained an issue. Attracting new members was also challenging.

D. Other business

(Agenda item 5)

1. Guidance on good practices in the area of monitoring of compliance and enforcement

47. Introducing the agenda item, the Head of the Enterprise Branch of UNCTAD said that the secretariat has produced a draft guidance document on compliance monitoring and enforcement. Challenges relating to those tasks were the novelty of the topic, significant interdependence with the different institutional and legal settings, insufficient human capital and competence, and lack of mandates, methodologies and technical capacity. An efficient compliance monitoring and enforcement system was characterized by benchmarks and key references such as good practices and examples, and activities and methodologies such as the selection of entities for inspection and impact assessment. Such a system should also have a strong institutional foundation and be implemented by competent administrative authorities with clear responsibilities, and broad investigative and enforcement powers.

48. In her presentation, the representative of the Ministry of Finance of Ukraine said that such a system was especially important for emerging market economies such as Ukraine. The following institutional functions were essential for promoting high quality of financial reporting: the rule of law, regulatory quality, control of corruption, sound governance, political stability and accountability. She proposed that the public sector take part in compliance monitoring and enforcement, as it was important to strengthen public sector accountability, transparency and performance risk assessment.

49. The panellist from the Financial Reporting Council of Nigeria said that the International Federation of Accountants considered it the responsibility of the member body of the Federation to demonstrate strong national compliance monitoring and enforcement, which served to protect the interests of investors and other stakeholders, and to ensure good corporate governance practices, accuracy and reliability of financial reports and corporate disclosures. Some challenges would prevent regulation from being effective: weak enforcement and regulatory forbearance owing to political pressure, and inadequate professional standards. The Council encouraged a regime of self-regulation and self-enforcement by companies. An effective compliance monitoring and enforcement system should help prevent litigation by settling disputes long before there was a need for legal action.

50. On expert wished to learn more about the Council practice of selecting audit committee members and enforcement of compliance with requirements by public interest companies. The panellist explained that audit committees in Nigeria were composed of three stakeholder members and three director members and were expected to apply for a financial council registration number. He said that the Council was working on building a team for public sector reporting enforcement and making plans to use IPSAS to review financial reporting public sector entities.

51. Another expert asked whether a company's obligation to have audit committees applied to all entities in Nigeria. The panellist said that the regulator dealt mainly with public interest entities, while micro-entities would not be required to report to the Financial Reporting Council. The panellist said that in his country, private companies, State-owned enterprises, fiduciary institutions, and government funds and ministries, were required to have audit committees.

52. One expert wished to know how opposition to the new measures could be minimized. In his country, a large silent group was unwilling to accept regulatory measures, while a minority group was actively demonstrating in opposition to such measures. The panellist stated that it was important to test the legislation, create awareness among some

stakeholder groups and set up technical partnerships to facilitate discussions among professional auditors.

53. One expert wished to know how the Council supervised the accountability of auditors' staff in Nigeria and where the dividing line lay between Council work and oversight of the quality control over supervisors and professionals. In reply, one panellist said that the Council was a government agency that did not normally interfere with the work of auditors except for quality-control purposes. If the auditors did their work well, the Council was involved only after financial statements were finalized and approved by the company's board.

54. The panellist from the Institute of Singapore Chartered Accountants shared with participants a framework that had been adopted to monitor compliance and enforcement in Singapore. Key stakeholders involved in that task included the Singapore Exchange, the Accounting and Corporate Regulatory Authority and the Institute of Singapore Chartered Accountants, the Singapore Institute of Directors and the Securities Investors Association of Singapore. Three independent listing committees had been organized by the Singapore Exchange to strengthen listing policymaking and enforce listing rules. The Financial Reporting Surveillance Programme helped inspect audits performed by public accountants and enabled regulators to combine efforts to improve the financial reporting regime in Singapore. The Institute of Singapore Chartered Accountants worked closely with regulators and had programmes of a mandatory, voluntary or disciplinary nature.

55. The panellist from the International Federation of Accountants explained the role and initiatives of the Federation in the area of the compliance monitoring and enforcement. Members were required to follow seven Statements of Membership Obligations (SMOs) to achieve full compliance, but still needed a governance framework. Various types of SMOs served as building blocks that consisted of e-education as the fundamental basis, three pillars of international standards (IFRS, IPSAS and International Standards on Auditing), with ethics, quality and assurance, and investigation and discipline at the apex of the framework. With regard to their applicability, SMOs were flexible to accommodate stakeholder diversity and different degrees of responsibility. They also served as diagnostic tools for identifying areas where members of the Federation had most difficulties. The dashboard report was a recent initiative of the Federation that presented the status of adoption of international standards in jurisdictions as well as that of SMO fulfilment by professional accountancy organizations.

56. The panellist from the Association of Chartered Certified Accountants stressed the need to improve the standards of audit work and to have a globally accepted basis for assessment. Audit regulators applied different bases of assessment such as points (marks) for audit components, number of audit deficiencies and reviewers' judgement. He suggested that audit regulators provide conclusions on their inspections and guidance on how to improve quality of audit. There was a problem not only in the number of deficiencies, but in their impact on an auditor's objective. Deficiencies usually stemmed from the lack of competence, supervision and independence. He also suggested that indicators of audit quality and consideration of the links between quality indicators and root-cause analysis could facilitate the determination of factors contributing to audit failures.

57. The panellist from KPR Associates stated that the development of auditing standards and practice in different countries was influenced by factors such as the nature of financing, the size and complexity of businesses and capital markets, tax laws and the legal environment. He made a presentation on the 3P model (products, people and physical infrastructure) and concluded that technology and paradigm shifts were needed to consider the impact of technology on the corporate reporting supply chain.

58. In the ensuing discussion, one expert wished to know how small SMEs needed to be to follow the proposed 3P model and how to induce smaller companies to use better accounting standards. One panellist said that the size of the organization did not matter if it had people, products and infrastructure.

2. Online version of the Accounting Development Tool and updates on its implementation

59. The representative of the UNCTAD secretariat outlined the main features of the ADT. It was a quantitative benchmark of a country's position and its progress in corporate reporting. It was also a self-assessment and guidance tool for use in strengthening a country's reporting infrastructure, developing a consensus-based action plan and meeting capacity-building needs. The ADT featured a questionnaire, benchmark references, a statistical model and guidance on how to apply it. The public could access the tool through the electronic platform, e-ADT, in English, French, Spanish and Russian.

60. In her presentation, the panellist from the Kazakh Ministry of Finance outlined her country's progress in applying the ADT. Kazakhstan was taking steps towards convergence and standardization in corporate reporting, including the establishment of an oversight body and requirements for professional bodies. In order to attain these goals, the Government of Kazakhstan had adopted the ADT in the expectation that it would help pinpoint problem areas and develop a road map for improving the infrastructure of corporate reporting. After consultations with UNCTAD, the Government had selected a national consultant for the project.

61. Some experts asked about measures taken by the Kazakh Government on the adoption of IFRS and the current status of ADT implementation in the country. One panellist said that Kazakhstan had improved accountability and issued compulsory legislation; and that the ADT application was at the inception stage. One expert requested more information on the role of the national consultant in managing the assessment, given the large number of stakeholders involved. The representative of the UNCTAD secretariat said that experience gained from the application of the tool in many countries showed that the coordination of numerous stakeholders was indeed a challenging process, but that the ADT had proven to be an efficient mechanism to facilitate national stakeholder dialogue.

3. Updates by other international and regional organizations

62. In her presentation, the representative of the Federation of Mediterranean Certified Accountants outlined the main activities of the Federation during the intersessional period of ISAR. The Federation was a non-profit association of 14 professional institutes and 11 Mediterranean countries working towards the implementation of a more integrated market. It aimed to raise awareness, create sound financial reporting and increase capacity-building. The Federation's fourteenth annual conference would be held in Oporto, Portugal, in April 2016. Current initiatives included the Trainex programme, which aimed to harmonize work practices through the exchange of young graduates.

63. The panellist from the International Accounting Standards Board gave an overview of the Board's role and of the progress in implementing IFRS. With respect to the review of *IFRS for SMEs* (2009), the Board found that many of the issues concerning the standard dealt with its application rather than its requirements. As a result, amendments to the standard were limited. The implementation date of the 2015 Revenue Standard of IFRS had been delayed by one year. Decision-making for the standard on leases had been completed, and the Board expected the standard on insurance contracts to be issued in 2016. Other updates, such as the draft practice statement on materiality, offered guidance on the application of the concept and encouraged critical analysis. The disclosure initiative considered the connectivity of information between primary statements and notes, and the

draft interpretation of the IFRS Interpretations Committee, Accounting for Uncertainties in Income Taxes dealt with tax liabilities or assets in cases of uncertainty over income tax treatments. A discussion paper on the disclosure framework was expected in the first quarter of 2016.

64. A representative of the World Bank discussed the recent reorganization of the institution around 14 global practices. Governance had emerged as one of the core practice areas of assistance to the Bank's client countries. She provided updates on Reports on the Observance of Standards and Codes, including the forthcoming report, AA 2.0 on accounting and auditing; the Public Expenditure and Financial Accountability initiative, and regional and country-level programmes. For example, some 160 leaders of professional accountancy organizations from 60 countries had gathered in Rome in November 2014 for an event on the Accountancy Development for Results programme.

65. The representative of the International Federation of Accountants discussed the findings of a recent global survey conducted by his organization on the impact of regulation on business. The survey was distributed through major international accountancy, financial services and business networks, and completed by 313 respondents working in accounting, financial services and a wide range of other industry and commercial sectors during July and August 2015. These findings revealed a need for consistency in business regulation to enhance growth. The Federation's policy response to the United Nations Framework Convention on Climate Change emphasized the importance of achieving global consistency on relevant climate change regulation and reporting. In this connection, supreme audit institutions could play a major role by carrying out performance audits of national governments on the implementation of their commitments to and programmes on the mitigation of and adaption to climate change. Two important Federation products were the Global Knowledge Gateway, which had over 35,000 visitors a month, and the Global SMP Survey 2015, which had been recently opened for comments in 22 languages.

66. The panellist from the International Integrated Reporting Council said that the importance of integrated reporting was no longer questioned, but the debate focused on how it could be adopted and why. The Council was a market-led organization that provided best practices, case studies and implementation guides. Non-financial reporting mattered financially, but was more difficult. Nonetheless over 1,000 organizations were doing some form of integrated reporting, and investors wished to see more of that practice.

67. During the discussion that followed, one expert wondered why many European Union countries did not implement IFRS for SMEs although they were well represented in the standard-setting process of the International Accounting Standards Board when compared with other countries. In response, one panellist said that a structure and effectiveness review of the Board was under way and emphasized the IFRS Foundation's attempts to achieve broader and more geographically balanced representation. Many countries used IFRS for SMEs either directly or as a base for national standards.

68. Another expert said that the recent adoption of those standards in Norway showed a new direction in the implementation of the standard in developed countries, while in the past it had been implemented more often by developing countries. One panellist suggested that there was a potential for more countries in Europe to implement the standards. In the view of another expert, given that some definitions of IFRS were cumbersome and difficult to translate, especially for use by students, it would be worthwhile to simplify the standards.

III. Organizational matters

A. Election of officers

(Agenda item 1)

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

| | |
|----------------------------|--------------------------------------|
| Chair: | Ms. Vania da Costa Borgerth (Brazil) |
| Vice-Chair-cum-Rapporteur: | Mr. Gerard Ee (Singapore) |

B. Adoption of the agenda and organization of work

(Agenda item 2)

70. 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/72. 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: International audit and assurance requirements and good practices in 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

C. Outcome of the session

71. At its closing plenary meeting on Friday, 6 November 2015, the Intergovernmental Working Group of Experts adopted its agreed conclusions and agreed that the Chair would summarize the informal discussions. It also approved the provisional agenda for its thirty-third session (annex I).

D. Adoption of the report

(Agenda item 6)

72. 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-third session

1. Election of officers
2. Adoption of the agenda and organization of work
3. Practical implementation of the monitoring of compliance and enforcement of accounting and audit requirements for high-quality reporting
4. Enhancing the role of reporting in attaining the Sustainable Development Goals: Integration of the environmental, social and governance information into companies' reporting
5. Other business
6. Provisional agenda for the thirty-fourth session
7. Adoption of the report

Annex II

Attendance²

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

| | |
|-------------------------------------|--------------------------|
| Algeria | Morocco |
| Antigua and Barbuda | Namibia |
| Argentina | Netherlands |
| Austria | Nigeria |
| Belarus | Pakistan |
| Belgium | Peru |
| Brazil | Philippines |
| Burundi | Portugal |
| Cambodia | Romania |
| China | Russian Federation |
| Côte d'Ivoire | South Africa |
| Democratic Republic of the Congo | Spain |
| France | Sri Lanka |
| Gabon | Swaziland |
| Ghana | Switzerland |
| Greece | Trinidad and Tobago |
| Haiti | Tunisia |
| Kazakhstan | Turkey |
| Kuwait | Uganda |
| Latvia | Ukraine |
| Lithuania | United States of America |
| Mali | Viet Nam |
| Malta | Zambia |
| | Zimbabwe |

2. The following intergovernmental organizations were represented at the session:

European Union
Organization of Islamic Cooperation

3. The following United Nations organs, bodies or programmes were represented at the session:

United Nations Environment Programme

4. The following specialized agencies and related organizations were represented at the session:

World Bank Group
World Trade Organization

² This list contains registered participants only. For the final list of participants, see TD/B/C.II/ISAR/INF.8.

5. The following non-governmental organizations were represented at the session:

General category

Ingénieurs du monde

Organisation camerounaise de promotion de la coopération économique
internationale
