

Trade and Development Board
Investment, Enterprise and Development Commission

Intergovernmental Working Group of Experts on
International Standards of Accounting and Reporting
Twenty-sixth session
Geneva, 7–9 October 2009
Agenda items 3 and 4(a–d)

Agreed conclusions of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting

Item 3. Review of practical implementation issues of International Financial Reporting Standards

1. At its twenty-sixth session, the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) continued its review of practical implementation issues regarding International Financial Reporting Standards (IFRS). The Group of Experts noted that the financial crisis had put an unprecedented focus on accounting and reporting standards. This topic had become so significant that it had been featuring on the agenda of the leaders of the G8 and G20 countries. The Group of Experts highlighted that accounting and reporting standards – although not particularly a cause of the financial crisis – played a critical role for international financial stability and for establishing a governance and transparency system that would help to restore investor confidence and prevent such financial shocks in the future. The Group of Experts reiterated the importance of a single set of high-quality global financial reporting standards for strengthening the international financial regulatory system, as was highlighted by the G20 leaders in their Pittsburgh Summit statement.

2. ISAR stressed the growing interconnectedness and interdependence of the international financial system. In this regard, experts underscored the growing importance of the open, neutral and all-inclusive forum that ISAR provides for member States, to enhance the involvement of various stakeholders and to take into account the views of developing countries and countries with economies in transition regarding the enhancement of the international accounting and reporting system.

3. In the course of their consideration of this agenda item, delegates exchanged views on a number of accounting and financial reporting issues that emerged during the financial crisis, especially on fair value, and on the ways they could be addressed. Experts noted that a new group of issues had emerged related to financial reporting in a distressed economic situation. These issues added to previously existing challenges for all countries, but particularly for those countries with less developed financial markets. Delegates therefore called upon the International Accounting Standards Board (IASB) to facilitate further its efforts to provide guidance on implementation of the IFRS in order to ensure their consistent application around the world. ISAR highlighted the critical need for institutional and technical capacity-building in the area of accounting and reporting that is faced by the developing countries and countries with economies in transition. Delegations expressed appreciation for the high quality of the panel discussants, which facilitated deliberations on this agenda item.

Item 4(a). Accounting and financial reporting needs of small and medium-sized enterprises (SMEs)

4. The Group of Experts welcomed with appreciation the publication of the *International Financial Reporting Standard for Small and Medium-sized Entities* by the IASB. Delegates noted the positive impact of ISAR's work on the IASB's project on IFRS for SMEs, which deals with accounting carried out by SMEs. In concluding their deliberations on this agenda item, delegates at the twenty-sixth session of ISAR agreed on the need to consider withdrawing SMEGA Level 2 as a result of the publication of the IFRS for SMEs by the IASB. They also requested the UNCTAD secretariat to continue compiling feedback on practical implementation of the revised SMEGA Level 3. ISAR further requested the UNCTAD secretariat to conduct studies on practical implementation of the IASB's IFRS for SMEs, with a view to facilitating the sharing of experiences gained in different regions of the world.

Item 4(b). Capacity-building in corporate accounting and reporting

5. At the twelfth session of the United Nations Conference on Trade and Development (UNCTAD XII), which took place in Accra, Ghana, in April 2008, member States requested the organization to assist developing countries and countries with economies in transition with implementing international accounting and reporting standards and codes. In this context, at the twenty-fifth session of ISAR, delegates deliberated on the growing demand for technical and institutional capacity-building in the areas of financial reporting, auditing, corporate governance disclosure and corporate responsibility reporting. The needs of small and medium-sized enterprises for technical assistance in the area of accounting and financial reporting were also discussed.

6. The twenty-sixth session of ISAR deliberated on the capacity-building needs of member States in the area of accounting and reporting. The Group of Experts agreed on the need for further work in this area, with a view to developing a capacity-building framework. It requested the UNCTAD secretariat to reconstitute a consultative group to work on this issue and to propose an approach for consideration by the twenty-seventh session of ISAR. Delegates also indicated increased interest in International Public Sector Accounting Standards (IPSAS) and in the accounting and reporting needs of non-profit organizations. They requested the UNCTAD secretariat to organize workshops and seminars on those topics and to further explore means of integrating discussions on these issues in future ISAR deliberations.

7. The Group of Experts recognized the potential role of quantitative measurement tools for assisting developing countries and countries with economies in transition to further strengthen their accounting infrastructure, assess the progress, and identify priorities in the area of accounting and reporting. It encouraged UNCTAD to conduct research in this area.

Item 4(c). Corporate governance disclosure

8. ISAR reiterated the importance of corporate governance disclosure for promoting investment, stability, and sustainable economic development. The Group of Experts recognized that high-quality reports in this area added value for policymakers, shareholders and other stakeholders, and promoted more stable economic development.

9. In accordance with the agreed conclusions of its twenty-fifth session, ISAR at its twenty-sixth session considered the results of the annual review of corporate governance disclosure. ISAR commended the studies for their quality and noted that they helped to build on ISAR's earlier work in this area, by providing important data and analysis to allow for international benchmarking and the sharing of country experiences. The Group of Experts requested UNCTAD to continue to

gather and disseminate data on corporate governance disclosure practices around the world, with a focus on providing relevant information to policymakers, investors and other stakeholders. The Group of Experts also considered the country case study of corporate governance disclosure in Pakistan. It welcomed the study and requested UNCTAD to conduct country case studies in partnership with local institutions wherever possible.

10. ISAR also discussed the regulatory developments in the wake of the financial crisis and the implications for corporate governance disclosure. The Group of Experts recognized that recent regulatory developments stemming from the financial crisis may have significant implications for corporate governance and disclosure.

Item 4(d). Corporate responsibility reporting

11. In accordance with the agreed conclusions of its twenty-fifth session, and in accordance with paragraph 156 of the Accra Accord, ISAR considered issues of corporate responsibility reporting and climate change–related disclosure. The Group of Experts recognized that environmental reporting was an important integral part of corporate responsibility reporting. The delegates commended the study for its usefulness, and noted in particular that international efforts to address climate change would benefit from the promotion of a harmonized approach to the use of environmental accounting and reporting. ISAR requested UNCTAD to continue to contribute to the field of environmental reporting frameworks, particularly those related to climate change issues, with a view to promoting a harmonized approach among member States. The Group of Experts agreed that UNCTAD should continue to coordinate this work with other international initiatives active in the area of corporate responsibility reporting, along with private and public sector stakeholders.

12. ISAR also considered a case study of Brazil on corporate responsibility indicators. It welcomed the study and recommended that the UNCTAD secretariat continue working with local partners to conduct country case studies wherever possible.

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