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Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its twenty-seventh session

Held at the Palais des Nations, Geneva, from 13 to 15 October 2010

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I. Agreed conclusions

Capacity-building framework for high-quality corporate reporting

(agenda item 3)

1. The twenty-seventh session of UNCTAD's Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) highlighted the critical importance of the private sector in enabling member States to realize their economic and social development goals, including the Millennium Development Goals. The Group of Experts further underscored the need for high-quality corporate reports to facilitate the mobilization of domestic and international financial resources and to foster investors' confidence. The Group of Experts noted the implementation challenges posed by the increasing pace of promulgation of international corporate reporting standards and codes, and emphasized the need for a coherent approach towards capacity-building in this area.

2. During their deliberations on this agenda item, delegates considered the key elements of a capacity-building framework for high-quality corporate financial and non-financial reporting, including the legal and regulatory framework, the institutional framework, human capacity, and the capacity-building process, as well as possible approaches to assessing and measuring corporate reporting capacity at the country level. Delegates expressed appreciation for the work of the consultative group dealing with the capacity-building framework, and to the UNCTAD secretariat for the comprehensiveness and commendable quality of the panel discussions and of the documentation that was prepared for consideration by the session.

3. In concluding their deliberations on this agenda item, the Group of Experts agreed that the document on developing a capacity-building framework for high-quality reporting provided useful guidance regarding the main elements of capacity in this area. It requested the UNCTAD secretariat to finalize the document based on the discussions of the twenty-seventh ISAR session, and to present it to the twenty-eighth ISAR session for its consideration. The Group of Experts also discussed the usefulness of developing tools to assess progress in capacity-building, as well as priorities for the capacity-building process. It requested the UNCTAD secretariat to further develop the measurement methodology, by means of continued consultations with the consultative group. It also agreed that case studies developed on a country basis, especially in developing countries, and the organization of roundtable discussions in different regions of the world, could be useful ways of raising awareness of the major challenges in building and assessing capacity and of how those challenges could be addressed. In this regard, ISAR requested the UNCTAD secretariat to start creating a database of good practices on capacity-building in the area of accounting and reporting.

Climate change-related corporate reporting

(agenda item 4)

4. In accordance with the agreed conclusions of its twenty-sixth session and with paragraph 156 of the Accra Accord, the Group of Experts engaged in focused deliberations on the opportunities and challenges in developing a globally harmonized approach to climate change-related disclosure. The Group of Experts recognized that a harmonized approach to greenhouse gas (GHG) emissions disclosure is necessary to improve high-quality corporate reporting to policymakers, investors and other stakeholders, and also to facilitate low-carbon policies such as, inter alia, "cap-and-trade" systems and carbon taxes.

Delegates commended the panellists involved for highlighting the key dimensions of the issue and for outlining practical options for further work in this area.

5. Recalling its own pioneering work in the area of environmental reporting – which had started as early as the end of the 1980s – the Group of Experts requested UNCTAD, as a unique neutral intergovernmental platform, to continue its contribution 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 climate change–related reporting and with private- and public-sector stakeholders, and should report back to the twenty-eighth session on progress in this area.

Corporate governance disclosure

(agenda item 4)

6. The Group of Experts reiterated the importance of corporate governance disclosure for attracting investment and promoting sustainable and stable economic growth. ISAR recognized that high-quality disclosure in this area adds value for policymakers, shareholders and other stakeholders.

7. In accordance with the agreed conclusions of its twenty-sixth session, ISAR, at its twenty-seventh session, considered the results of the annual review of corporate governance disclosure. ISAR commended this ongoing research for its quality and noted that it 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 focus on providing relevant information to policymakers, investors and other stakeholders, and to continue to conduct country case studies in partnership with local institutions, wherever possible.

II. Chair’s summary

A. Opening statements

1. The Secretary-General of UNCTAD welcomed all participants to the twenty-seventh session of ISAR. He indicated that reliable and comparable corporate reports contributed to the flow of financial resources over frontiers and were fundamental for a stable global economy. He noted that the Group of Twenty Finance Ministers and Central Bank Governors (G-20) had recognized the need for a single set of high-quality accounting standards. In addition, he spoke about the relationship between sound corporate reporting and the possibility of addressing potential economic threats more efficiently. He stressed that a robust capacity-building framework for corporate reporting represented a first step towards supporting countries around the world – particularly developing countries – in adopting and implementing corporate reporting standards in an efficient manner. On the subject of climate change–related corporate reporting, the Secretary-General commented on the need for harmonization of corporate gas emissions disclosure requirements. Moreover, he identified accurate corporate reporting on this topic as a critical factor in promoting green economies.

2. Information was provided by the secretariat on the work that UNCTAD had been carrying out in relation to ISAR. The speaker highlighted ISAR’s relevance as the focal

point on accounting and reporting topics within the United Nations system. He emphasized that the enhancement of accounting standards and disclosure requirements had become critical as a consequence of the financial crisis. He noted that, currently, many countries around the world were implementing International Financial Reporting Standards (IFRS) or undertaking actions leading towards convergence with them. Accordingly, the work on a capacity-building framework was essential in order to support developing countries in improving their institutions and technical capacities. He also elaborated on the growing attention that non-financial reporting had been receiving, and on the contribution of ISAR to that field through its guidance documents. Finally, he spoke of the importance of climate change-related corporate reporting, which was to be discussed at the current ISAR session.

3. The keynote speaker, a representative of the Basel Committee on Banking Supervision, and Head of Financial Stability, Bank of France, highlighted the need for sound and accurate financial reporting in order to strengthen the economy. She stated that as a result of the financial crisis, standard-setting activities had become a key component of financial stability. The speaker noted, for instance, that the G-20 had requested international standard-setters to work in close cooperation with prudential supervisors and other regulatory agencies. On the subject of capacity-building, she noted that in order for there to be effective and consistent implementation of accounting standards, it was necessary to have qualified accountants capable of producing high-quality reports. She also emphasized that there was a strong link between the financial entity level and the macroeconomic level. The speaker pointed to the need to reflect business models and the state of the economy within accounting standards. She said that financial reporting should be supplemented by enhanced corporate governance, particularly for financial institutions. She noted that the financial crisis had highlighted the interplay among the functions of accounting, risk management, and corporate governance. In that regard, she commented that henceforth, financial reporting needed to be considered within the broader scope of corporate reporting, in order to analyse financial data within the entity's environment.

4. The Chair opened the floor for questions. Participants shared views, and raised some questions on the use of fair value and on the role of international organizations in the standard-setting process. One delegate questioned whether the use of fair value was suitable for long-term assets such as property, plant and equipment, and intangible assets. The keynote speaker mentioned that, in her opinion, fair value should not be used in long-term assets, but rather for short-term liquid assets such as financial instruments.

5. Another delegate commented that there were many international organizations such as UNCTAD and the Basel Committee, but that international standards were issued by a private organization. He wondered whether it would be necessary to transfer the process to the intergovernmental sector; in this way, standards would become international at the time that they were established or drafted, and not at the time of implementation. The keynote speaker responded that this task was carried out by a private board because it involved standards that were highly technical. Adoption, on the other hand, was carried out at a more political level, and was therefore dealt with by national bodies and at a later stage.

B. Capacity-building framework for high-quality corporate reporting

(agenda item 3)

6. The secretariat introduced this agenda item, explaining that a consultative group had been set up to work on this issue during the intersessional period. The consultative group had held a meeting in May 2010 in Geneva to discuss a draft note prepared by the secretariat on the capacity-building framework for high-quality corporate reporting. After the meeting, UNCTAD had provided a revised version of the document, and the consultative group had added further comments to it. The final version of the document

(TD/C.II/ISAR/56) and the addendum to it (TB/C.II/ISAR/56/Add.1) were made available to all participants. These documents dealt with the main elements to be considered when building national capacity in corporate reporting. The secretariat drew participants' attention to the use of the term "corporate reporting", explaining that, in this case, the term included both financial and non-financial reporting.

7. The first high-level panel of experts then held a discussion about recent trends and developments in accounting and reporting, and the related capacity-building challenges. The first speaker, a representative of the Global Reporting Initiative, highlighted the urgent need for changes to financial corporate reporting. He commented that the major acquirers of listed companies in the world were pension funds, and therefore, now more than ever, investors were interested in the sustainability of business. He noted that financial reporting alone did not provide sufficient information for a full reflection of a company's position and performance, and that information on environmental, social and governance issues was needed too. He emphasized the importance of having a holistic picture of the sustainability of a business. The speaker also emphasized the relevance of good corporate governance to the achievement of high-quality corporate reporting.

8. The next speaker, a representative of the European Commission, provided background information on the adoption and implementation of IFRS in the European Union (EU). He commented that regulation EC/1606/2002, dealing with International Accounting Standards (IAS), required EU-listed companies to use endorsed IAS for consolidated financial statements. He observed that for non-EU companies listed in the EU, there was an equivalent process. He also discussed the endorsement process, and the criteria established for that purpose. The speaker elaborated on a study of financial statements for 2006 that had been carried out for the Commission, which showed that there had been an overall improvement in the quality of IFRS financial statements in 2006, compared to 2005. He commented that the financial crisis had increased the pressure on the International Accounting Standards Board (IASB) to change IAS 39, that IASB was consequently carrying out a general overhaul, in three phases, and that as a result of the first phase, IFRS 9 had been published. Furthermore, he stated that the EU had decided that no fast-track endorsement was possible for this standard, on account of three factors: (a) the complexity of the proposed changes; (b) a new EU Parliament and Commission; and (c) strong criticism on technical grounds. He also mentioned other key accounting topics that IASB was working on, such as IFRS 9 phase II and phase III, IAS 37 non-financial liabilities, revenue recognition, leasing, and emission trading schemes. In the international arena, he explained that the EU supported the creation of a single reporting framework for listed companies, promoting the convergence of other countries' standards with IFRS. Finally, he spoke about a public consultation on IFRS for small and medium-sized enterprises (SMEs), and about a legislative and impact assessment.

9. The next speaker, a representative of the International Federation of Accountants, highlighted the key role played by professional accountancy organizations (PAOs) in supporting the adoption and implementation of international accounting standards, in promoting ethical standards and overseeing compliance with them, and in educating, certifying and training professional accountants. He also emphasized the positive effects that high-quality accounting and financial reporting had on improving financial stability, increasing transparency and the level of foreign direct investment, fostering economic growth, and reducing poverty. He also commented that governments should adopt accrual-based accounting, instead of cash-based accounting. He noted that the translation of standards to be adopted was a critical element in capacity-building. With regard to recent developments designed to further improve the financial architecture, he discussed the work being carried out on the convergence of standards and on the governance of standard-setting, as well as the progress that had been made on the adoption of International Standards on Auditing.

10. Another delegate reiterated the importance of using accrual-based accounting in government accounting, stressing that without that approach, governments did not recognize liabilities and financial reporting was misleading for investors.

11. Another participant spoke of the need for an integrated reporting approach in which both financial and non-financial issues would be considered. The speaker commented that nowadays the majority of companies were multinational, and that the traceability of products was becoming important. For instance, buyers were demanding information on the use of resources. Therefore, there was increasing pressure on companies to comply with integrated reporting. Another speaker noted that the purpose of corporate social reporting was to ensure that companies were acting in a socially responsible manner. He also explained that 98 per cent of listed companies carried out corporate social responsibility reports, but that there was a lack of comparability. Accordingly, there was a need to inject coherence and consistency into future corporate social responsibility reports.

12. One delegate noted that, in his country, most of the enterprises were very small, few of them were listed on the stock market, and very little financial data was available. He asked what the approach to harmonizing international reporting would be in such cases. He also enquired whether any experiences could be shared by countries that had had similar difficulties, as this may help to shed light on the challenges. One of the panellists commented on the twinning process that the International Federation of Accountants (IFAC) had been putting into operation, whereby a large PAO from a developed country supported a developing country to build the latter's capacity in corporate reporting.

13. Another expert commented that since 2004 in his country there had been a law on implementation of accounting standards for enterprises of public interest. He indicated that there were major differences between national and international standards. In addition, he elaborated on the difficulties experienced by SMEs in his country in applying IFRS. One of the panellists explained that IFRS were designed for listed companies but a version of IFRS did exist for SMEs; however, he made it clear that it was not useful for very small companies, and that these enterprises should be covered by local accounting standards.

14. One participant asked whether a model existed for the auditing of environmental and social reports. He also enquired whether such auditing should be voluntary or mandatory. In response, one of the panel members stated that the requirements for the auditing of environmental and social reports were being addressed by IFAC and by several universities around the world. The panel member went on to say that the aim was to improve auditors' knowledge of social and environmental issues, in order for them to develop the necessary skills to carry out auditing of integrated reporting. He also commented that a debate was going on about whether environmentalists should be trained in auditing and whether they should work with accounting firms. Another speaker noted that the International Auditing and Assurance Standards Board (part of IFAC) was currently involved in developing a standard for providing assurance on carbon emissions, and that currently there were no existing global standards for auditing for environmental and social reporting.

15. The Chair introduced a second panel of experts who discussed the regulatory and institutional aspects of the capacity-building framework (CBF). The first speaker was the Chair of the UNCTAD-ISAR consultative group¹ on the capacity-building framework. He discussed the matrix components of the capacity-building framework, including the pillars, the different stages (checklist), the elements, the international standards, reference/guidance materials, and milestones and indicators. The second panellist, a director at his country's finance ministry, discussed the capacity-building framework from the perspective of

¹ Please refer to appendix V of TD/B/C.II/ISAR/56/Add.1 for a list of the members of the consultative group.

government. He noted that due to its technical nature, policymakers often found this subject difficult to comprehend. He presented a strategic actions framework for accounting and audit that had been implemented in his country in 2007. He stated that its strategic action plan was similar to the matrix of the CBF. He stressed that an action plan needed to be of a pragmatic and practical nature. The logical steps of the action plan included establishing applicable laws, setting up institutions, and developing human capacity. The legal aspects comprised black-letter law, legislation at the statutory level, procedures, functions, and transfer of authority from government to relevant institutions where applicable. The speaker was of the view that an efficient regulatory system would have elements of both public and private institutions. He advised against implementing regulatory systems that would be alien to the established legal order of a given country. For example, introducing common law-oriented regulation into a civil law legal environment would lead to implementation problems. He was also of the view that it would be better to allow a longer time for implementation than to attempt to introduce new laws where institutional or human capacity did not exist. The speaker concluded his presentation by emphasizing the need for support from the highest level of leadership of a country to ensure the successful implementation of a regulatory system.

16. The next speaker was the Deputy Chair of the Developing Nations Committee of IFAC. Her presentation focused on the institutional aspects of the regulatory framework, from the perspective of professional accountancy organizations. She noted that PAOs could play a key role in capacity-building by (a) acting as “centres of excellence” on a variety of accountancy policy issues and questions; (b) facilitating the adoption and implementation of international accounting standards; (c) educating, certifying and training professional accountants; and (d) promoting the highest ethical standards, and overseeing member compliance with the professional ethical standards. The speaker identified various challenges to advancing the capacity of PAOs. These were (a) lack of awareness of the value of accountancy; (b) weaknesses in PAOs; and (c) lack of capacity to provide vital activities. She added that these challenges were of a mutually reinforcing nature. In her discussion of potential solutions, she highlighted the IFAC guidance material on establishing and strengthening PAOs, which was currently in the process of being republished. Another potential solution was the country action plans that resulted from the self-assessment-based IFAC compliance programme, with its Statements of Membership Obligations. The action plan, which was agreed between IFAC and a member body, provided opportunities for identifying compliance gaps, as well as ways and means of addressing them. Another potential solution was the promotion of mentoring relationships between PAOs from developed and developing countries. The speaker also noted the important role that regional accountancy organizations played, by supporting and assisting PAOs and promoting peer knowledge-sharing.

17. During the discussions that followed, one of the panellists commented that it would be useful to understand why there were no PAOs in some jurisdictions, and added that a country would benefit more by building local capacity in a sustainable manner than by bringing in expertise from other countries on a temporary basis. Another delegate stated that it was important to bear in mind that bringing about solutions by making changes to a country’s regulatory framework was a long-term process. Delegates then exchanged views about what was more important to have in place first – good leadership or a legal framework. The general view was that while it was important for there to be good leadership in the first place, it would not be possible to achieve the objective of high-quality corporate reporting without a proper legal framework in place. A question was then raised about whether it was important to harmonize national laws and accounting standards. One of the panellists responded that there was no model law, and that jurisdictions would have to determine individually what was appropriate for them. Delegates also exchanged views

on the importance and on ways of engaging stakeholders in the process of developing a regulatory framework, for example by means of steering committees.

18. Another speaker, who represented his country's Federal Council of Accounting, described the institutional developments that had taken place following a decision to implement a number of international standards in the areas of financial reporting, auditing, and public sector reporting. He pointed out that, in his country, the process of convergence towards international standards had reached an irreversible stage. He also emphasized that a single set of international accounting standards would better serve the needs of users worldwide. He indicated that, in 2005, a new institution had been established under the auspices of the Federal Council of Accounting to engage in research and issue technical pronouncements, with a view to facilitating their subsequent endorsement and issuance by regulatory entities in the country, thereby promoting the convergence of national standards with international standards.

19. The next speaker, representing a national PAO, discussed regulatory arrangements in relation to financial reporting and auditing. He elaborated on the need for standards on accounting and auditing, and for a code of ethics. The options for producing standards included setting one's own standards or – alternatively – adopting, endorsing or adapting standards set by others. The speaker mentioned lack of comparability with other jurisdictions as a disadvantage of setting one's own standards or adapting standards set by others. He cautioned against requiring all entities regardless of their size to implement international standards such as IFRS or IFRS for SMEs. He emphasized the need to establish statutory requirements with respect to the preparation of financial statements. He noted the importance of establishing coordination mechanisms among regulators, particularly during times of reform of the regulatory system. He also discussed the different roles that professional accountancy bodies played in the regulatory framework.

20. During the discussions, one delegate expressed the view that the existence of a framework would not automatically result in the production of high-quality financial reports. The delegate added that the framework, as a system, had components that interacted with one another, and that the quality of the output depended on the interaction. Another delegate stated that the CBF was comprehensive, and he shared his country's experience with regard to the early involvement of stakeholders. He cited, as an example, the discussions held with real estate developers in his country following the publication by IASB of the revenue-recognition Exposure Draft. Another delegate raised the issue of the extraterritorial impact of regulations enacted in some major markets, and the compliance challenges they posed for other countries. A different delegate raised questions regarding the governance and financing of the Federal Council of Accounting that one of the panellists had discussed. In response, the panellist elaborated on the governance arrangements, and clarified that the institution did not receive financial subsidies from the government of his country. Some delegates noted the importance of involving securities regulators, insurance commissioners, investors and financial analysts when discussing reform of the regulatory framework. Delegates exchanged views on the usefulness of establishing public oversight bodies. The general consensus was that countries take a variety of regulatory approaches in order to achieve high-quality corporate reporting, and that public oversight bodies were not the only model in this respect.

21. The next panel discussed human capacity aspects of the capacity-building framework. The first panellist, from IASB, described the complexity of the corporate reporting framework, and emphasized that a rigorous framework benefited both capital markets and economic development. He emphasized the importance of having a qualified accounting profession in order to properly implement standards. He also underscored the relevance of oversight processes, and suggested the level of participation that enforcement authorities should have in this regard. He commented on the status of IFRS in the world,

and noted that since 2001, over 120 countries had required or permitted the use of IFRS. The speaker elaborated on the progress being made in the major projects that IASB was executing. He commented on IFRS for SMEs, and pointed out that 60 jurisdictions had decided to adopt the standard, or had stated their intention to do so. He stressed the importance of the year 2011, commenting that many countries would adopt or converge at around that time, and noted that 2010 marked a target date for the G-20's plans on convergence. He emphasized the relevance of using a principles-based approach to developing accounting standards. Finally, he noted that in order to have a proper implementation process, a high level of education was required in all facets of accounting.

22. The next speaker, a representative of a financial reporting standards board, described human capacity development in her country. She provided background information on the activities of the board, and emphasized the criteria being used to attain convergence with IFRS. She noted the existence of a transition committee, which was leading the process of adopting IFRS for listed companies starting from 2012. She highlighted the key role played by dissemination and training in the process of effectively applying accounting standards. She further commented on the use of a train the trainers system and certification programme in her country. She noted a lack of financial resources for participants to attend workshops, and commented that a possible solution would be to create sponsorships. She explained that another barrier was that universities were slow to introduce changes into their programmes. Finally, she observed that the most significant problem was that many users of financial statements did not demand the comprehensive application of accounting standards.

23. The next speaker, a representative of a finance ministry, elaborated on the training programmes that the government of her country had in place. She provided data on the numbers and different levels of professional accountants in the country. She further explained the examination processes required for accounting personnel and for registered accountants.

24. The next speaker, from the International Accounting Education Standards Board, identified the lack of awareness of the value of accountancy and the weaknesses of PAOs as being among the main challenges to achieving high-quality financial reporting. He further commented that PAOs carried out a sound technical function, and required strong relationships with regulators and with education and examination experts. He observed that, in some countries, the PAO was also the regulator, and noted the importance of establishing a different institution to carry out this activity. He stressed the critical role of PAOs in developing and in maintaining competencies, through programmes of continuing professional development. He also spoke of the need for continuous quality assessments of accountancy programmes. He elaborated on the existing pronouncements of the International Accounting Education Standards Board. He discussed the use of twinning programmes as a useful tool to support developing countries in improving capacity in corporate reporting. He also noted that the major challenge for the implementation of standards was in the area of translation.

25. The last speaker on this panel, a representative of Royal NIVRA, presented an overview of the mentoring activities carried out by this body in order to develop capacity. The speaker explained that NIVRA entered into agreements with organizations to assist IFAC's members to make progress in the area of capacity-building and in the implementation of international standards. He noted that NIVRA followed a long-term strategy taking from 5 to 10 years. He stated that the mentoring process included all stakeholders involved in the process of implementing IFRS. With respect to mentoring challenges and lessons learned, he stressed that local circumstances needed to be considered, and therefore, the implementation process in different countries could not be identical but it should attain the same results.

26. During further discussions, one participant raised a question about the possibility of applying standards in a selective manner. He also made the point that the translation of these standards into other languages took a long time. In response, one of the panellists explained that adoption of IFRS could not be made in a selective manner; nonetheless, he noted that in some cases, temporary exemptions were needed. He recommended making use of the translations prepared by other countries with the same language.

27. The next panel discussed possible measurement approaches in relation to the capacity-building process. The first panellist highlighted a number of the benefits provided by such measurement. Government agencies could use measurement to identify areas for reform, and for allocating resources. Regulators used measurement tools to help with the adoption, implementation and enforcement of standards. The other beneficiaries of measurement included donors, for assessing a country's current position as well as its progress over time; professional associations, for closing gaps in compliance with standards; educators, for curriculum development based on standards and best practices; and investors, for input related to investment analysis. The panellist noted that the CBF was designed to be suitable for measurement. In terms of data structure for measurement, he explained the logic of proceeding from pillars to milestones and then to indicators, followed by questions for assessment. He illustrated the data structure and relationship using pillar 3 of the CBF (human capacity) and the sub-pillar on professional education, training and continuing professional development. He discussed the results of a pilot study of the Accountancy Development Index, which had been developed by international experts with financial support from the United States Agency for International Development. He concluded his presentation by outlining the way forward for developing a measurement tool to support the UNCTAD-ISAR CBF, including considering key questions on the adoption and implementation of international standards and best practices, selecting measurement methodologies based on existing experience, conducting further testing of the practical application of the tool, and considering the results of regional discussions.

28. The next speaker shared his country's experience with implementing financial reporting requirements in the private and public sectors and the related capacity-building challenges. He indicated that reform of the financial reporting regime had begun in 2003, with support from the World Bank. A financial reporting law had been adopted in 2004. The financial reporting regime included five different types of entities, namely (a) large public interest entities that apply IFRS; (b) medium-sized enterprises that apply national accounting standards; and (c) small entities that apply special rules based on tax accounting. The other two types of entities were non-commercial organizations that apply International Public Sector Accounting Standards (IPSAS), and non-governmental organizations that implement basic IPSAS. The speaker highlighted a number of challenges that his country faced in implementing financial reporting reform. One of the problems was related to human resources development. Another challenge related to the regulation and quality control of audit firms. Translation of the IFRS and IPSAS volumes for 2010 into the national language was another challenge. The speaker elaborated on the governance and financing of the Council of National Standards of his country.

29. The next speaker was the representative of the Public Expenditure and Financial Accountability (PEFA) programme, and he provided background information on the establishment of the PEFA programme. He elaborated on the measurement framework that the programme had developed to determine whether a country had the tools to help deliver budgetary outcomes. The framework consisted of 32 performance indicators, covering all main aspects of the public finance management system. Each indicator consisted of 2 to 4 sub-indicators. Each dimension was to be rated separately, and when there was insufficient evidence, no rating should be carried out. In total, 74 dimensions needed to be rated, using a cardinal scale of A, B, C and D. The other component of the framework was a standard report format providing country background, evidence of indicators, and an integrated

summary. The speaker indicated that application of the PEFA framework was for each country to decide. Since 2005, over 200 assessments covering 115 countries had been carried out. The PEFA assessment results were being used to inform public finance management reform, to monitor the results of reforms, to harmonize the information needs of external agencies that support reforms or channel aid through country systems, to share experiences among countries and regional groups, and for global research.

30. The next speaker, from the Asian Development Bank, shared his views on capacity-development measurement approaches from the perspective of a development bank. In relation to the UNCTAD-ISAR CBF, he suggested that it would be useful to add clear objectives or defined targets as a first pillar. The capacity-building activities that his organization funded were often related to human capacity-building. The process started by conducting diagnostic assessments of needs, and was followed by project or programme design. The size of the project depended on the funds available to the recipient. This would then be followed by implementation, monitoring, completion and evaluation. The measurement of progress or achievements would then be informed by the objectives set when designing the framework, by quantifiable or qualitative indicators, by responses from beneficiaries, by related stakeholder reviews (such as PAOs), by independent evaluation, and by benchmarking on a regional basis. The speaker emphasized the importance of keeping the macro-level context in mind in the capacity-building process.

31. The next speaker, from academia, indicated that the technical measurement attributes of human capacity-building were of an objective (factual) or normative (subjective) nature. For example, in relation to the components of International Accounting Education Standards, entry requirements and knowledge content would be of a factual nature, while professional skills would be normative. Assessment and practical skills had both factual and normative elements. Capabilities, based on input measures, contained factual and normative elements, while competence, based on outputs, was normative. He emphasized that there was no single preferred method. However, the method used needed to meet criteria such as reliability – producing consistent and objective results over time; validity – assessing the desired outcomes through quantitative and qualitative measures; and credibility – acceptable to stakeholders and the public. He identified the following principles for measurement of technical attributes: performance must be measured against benchmarks, and benchmarks must be considered across cultures and regulatory environments.

32. During the discussions, delegates and panellists exchanged views on input versus output measures, and how these related to other aspects of the CBF in addition to human capacity. Delegates also raised questions on how one could build flexibility in a measurement system without limiting comparability. One delegate noted that, in a broad sense, the CBF could be taken as the input and high-quality corporate reporting could be taken as the output of the system. The delegate then asked how the quality of corporate reporting could be measured. One of the speakers expressed the view that boiling down measurement to a single number diminished the usefulness of the measurement exercise. He also noted that it would be helpful to make use of alternative indicators or proxies when it is impossible to find certain indicators specified by the measurement tool. There was general understanding that the measurement aspect of the CBF was still in development, and that further discussion would be needed to address measurement-related issues.

C. Climate change-related corporate reporting issues

(agenda item 4)

33. The Group of Experts also considered issues of climate change-related corporate reporting, as part of its follow-up on its earlier work in this area, and to get an update on

recent developments. The secretariat introduced the item and provided a background summary, including an overview of recent UNCTAD research in that area which demonstrated that while many TNCs were reporting climate-change issues, the reporting lacked comparability and, therefore, usefulness. Speakers highlighted the current work of the Global Reporting Initiative, including its training programmes in developing countries, and the forthcoming revision to its guidance on sustainability reporting. A representative of the Carbon Disclosure Standards Board (an initiative launched by the World Economic Forum) discussed the Board's ongoing efforts to develop and promote standardized GHG emissions reporting. A representative of the private sector spoke about the practical challenges of preparing reporting in this area. An update on regulatory initiatives was provided by a member of the accounting profession who monitors new government actions on climate change-related reporting. Following this, an expert on auditing and assurance issues as they relate to GHG emissions reporting explained the current state of practice in that field, as well as advances in providing standardized approaches to assurance. The panel also addressed broader international developments in this field, particularly the United Nations Framework Convention on Climate Change, and its forthcoming Conference of the Parties meeting in Mexico, scheduled for the fourth quarter of 2010. The panel underscored the importance of the work of ISAR in this area, also recalling the request in the Accra Accord for UNCTAD to further promote a harmonized approach to such reporting among member States. The discussions were followed by a question-and-answer session, where delegates requested additional information on training opportunities, provided updates on activities in their regions, and further engaged the panel in discussion on specific technical issues.

D. Corporate governance disclosure

(agenda item 4)

34. The UNCTAD secretariat presented its 2010 corporate governance disclosure review, which this year provided an assessment of the status of disclosure requirements of enterprises listed on stock exchanges in 22 frontier markets. The paper pointed out that in frontier markets, there were fewer disclosure requirements in place than in larger emerging markets or developed countries. During the discussions, one delegate requested additional information on the research conducted on regulatory requirements in his country; the secretariat highlighted the sources of references, and also proposed to all delegates the option of conducting individual country case studies, wherever possible. Several delegates commented on the useful findings that the report provided and the relevance of the topic. A delegate from an institute of directors noted that research on this subject had been carried out in his country too, and he shared some findings of this research with the group.

E. Updates by other organizations

(agenda item 4)

35. Representatives of international and regional organizations involved in the area of corporate reporting presented an update of their activities since the twenty-sixth session of ISAR. The first speaker, a representative of the International Federation of Accountants (IFAC), began by providing an overview of the activities of IFAC and its different boards, initiatives and committees. She commented that the International Accounting Education Standards Board had recently revised the International Accounting Education Standards, to improve clarity. She noted that the International Ethics Standards Board for Accountants had issued a revised Code of Ethics for Professional Accountants, which would come into effect on 1 January 2011. The speaker indicated that the International Public Sector Accounting Standards Board had been working on service performance reporting and narrative reporting. She discussed several initiatives undertaken by IFAC's committees to

support the adoption and implementation processes and to strengthen member bodies' activities.

36. The next speaker, from the International Integrated Reporting Committee (IIRC), highlighted the urgent need for integrated corporate reporting that included environmental, social, governance and financial aspects. He commented that IIRC had been established with the objective of bringing together all stakeholders, in order to develop and implement such an integrated reporting model. He noted that IIRC aimed to create a globally accepted framework for accounting for sustainability that would improve the information available to make informed investment decisions, and noted UNCTAD's participation in this initiative.

37. The next speaker, a representative of the Africa Sustainable Investment Forum (AfricaSIF), indicated that his organization was a not-for-profit pan-African network launched in June 2010 with the aim of promoting sustainable investment. He pointed out that AfricaSIF advocated for investment guidelines integrating environmental, social and governance elements in Africa. He described environmental, social and governance efforts and activities that were already in place in Africa. For instance, he mentioned the 33 African signatories to the Principles for Responsible Investment, and the fact that companies listed on the Johannesburg Stock Exchange would have to adopt the requirements of the King III Code in 2011. In addition, he commented on the establishment of the Integrated Reporting Committee by five major South African organizations.

38. A representative of the Confederation of Asian and Pacific Accountants (CAPA) elaborated on the capacity-building activities that this organization was accomplishing. He noted that it was necessary to build relationships among member bodies. He also mentioned that knowledge-sharing and mentoring programmes were useful tools for effective capacity-enhancement in the region. He commented that CAPA had been carrying out train the trainer workshops in IFRS for SMEs, and providing assistance to member bodies to comply with Statements of Membership Obligations. With regard to future events, he indicated that in May 2011, a public sector accounting conference would be held in Seoul, Republic of Korea, to promote the adoption and implementation of IPSAS. He also told delegates that the eighteenth CAPA conference would be held in Australia on 7–9 September 2011.

39. This was followed by a presentation by a representative of the Eastern, Central and Southern African Federation of Accountants (ECSAFA). The representative commented that as a result of a revision to its strategy, ECSAFA would concentrate its efforts on promoting the free movement of accountancy professionals within the region, supporting cooperation between PAOs and the public sector, facilitating the establishment of a PAO, and promoting linkages with international organizations. He noted that ECSAFA had been working with the World Bank, the African Development Bank, IFAC and other stakeholders to create a pan-African accountants' federation. Regarding capacity-building activities, he spoke of the creation of mentoring institutes in several countries, and the train the trainers programme for IFRS for SMEs carried out in the United Republic of Tanzania. Finally, he pointed out ECSAFA's work on the development of a micro-GAAP (Generally Accepted Accounting Principles).

40. The last speaker, a representative of the Federation of European Accountants (FEE), presented an overview of recent actions by that organization, and of developments that had taken place recently in the European Union. He stressed that FEE strongly supported having one set of global standards. He highlighted the key role played by the European Financial Advisory Group within the corporate financial reporting structure in Europe. He mentioned the papers that FEE had issued on bank provisioning and reserving, and on impairment of financial assets. He also noted that FEE had contributed to the debate led by the European Commission on IFRS for SMEs. The speaker emphasized that the requirements placed on micro-entities should be simplified, to reduce the burden on these

enterprises. On the subject of corporate governance and ethics, the representative explained that FEE had issued three papers during 2009. One had dealt with the role of the auditor with regard to assurance, another had dealt with integrity in professional ethics, and the third was a survey on legislation and guidance. With regard to sustainability, the speaker noted that FEE issued policy statements and organized key events. He also elaborated on auditing and assurance, and explained that his organization had focused its efforts on promoting implementation of International Accounting Standards in EU countries; however, a decision by the EC to make them mandatory was still pending. The speaker also noted that the EU had issued a green paper on auditing on 13 October 2010 to initiate a debate on the role and governance of auditors.

III. Organizational matters

A. Election of officers

(agenda item 1)

1. At its opening plenary meeting, the Intergovernmental Working Group elected the following officers:

Chair:	Ms. Nancy Kamp-Roelands (Netherlands)
Vice-Chair-cum-Rapporteur:	Mr. Damir Kaufman (Croatia)

B. Adoption of the agenda and organization of work

(agenda item 2)

2. 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/55. The agenda was thus as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. Capacity-building framework for high-quality corporate reporting
4. Other business
5. Provisional agenda for the twenty-eighth session
6. Adoption of the report

C. Outcome of the session

3. At its closing plenary meeting on Friday, 15 October 2010, 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 twenty-eighth session of ISAR (see annex I).

D. Adoption of the report

(agenda item 6)

4. 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 twenty-eighth session

1. Election of officers
2. Adoption of the agenda and organization of work
3. Capacity-building framework for high-quality corporate reporting
4. Other business
5. Provisional agenda for the twenty-ninth session
6. Adoption of the report

Annex II

Attendance*

1. Representatives of the following States members attended the session:

Albania	Kuwait
Algeria	Kyrgyzstan
Angola	Lithuania
Argentina	Madagascar
Australia	Malaysia
Azerbaijan	Malta
Bahrain	Mexico
Bangladesh	Morocco
Belarus	Namibia
Belgium	Netherlands
Benin	Nigeria
Bosnia and Herzegovina	Oman
Brazil	Pakistan
Burkina Faso	Panama
Cambodia	Peru
Chile	Philippines
China	Poland
Colombia	Portugal
Congo	Qatar
Côte d'Ivoire	Romania
Croatia	Russian Federation
Cyprus	Senegal
Czech Republic	Serbia
Democratic Republic of the Congo	Singapore
Denmark	Slovakia
Dominican Republic	Solomon Islands
Egypt	South Africa
Eritrea	Spain
Ethiopia	Sudan
France	Switzerland
Gambia	Thailand
Georgia	Tunisia
Germany	Turkey
Greece	United Kingdom of Great Britain and Northern Ireland
Haiti	United States of America
Hungary	Uzbekistan
Iraq	Venezuela (Bolivarian Republic of)
Italy	Viet Nam
Japan	Zambia
Kazakhstan	Zimbabwe
Kenya	

* For the list of participants, see TD/B/C.II/ISAR/Inf.3.

2. The following intergovernmental organizations were represented at the session:
 - African Development Bank
 - Asian Development Bank
 - Economic Community of West African States
 - International Fund for Agricultural Development

3. The following specialized agencies attended the session:
 - International Labour Organization
 - International Telecommunication Union
 - World Bank
 - World Trade Organization

4. The following non-governmental organization was represented at the meeting:
 - General category*
 - Ingénieurs du monde

5. The following panellists made contributions to the meeting:
 - Mr. Syed Asad Ali **Shah**, Pakistan, Chair, Twenty-sixth session of ISAR
 - Ms. Nancy **Kamp-Roelands**, Chair, Netherlands
 - Mr. Damir **Kaufman**, Vice-Chair-cum-Rapporteur, Croatia
 - Ms. Sylvie **Matherat**, Chair, Accounting Task Force, Basel Committee on Banking Supervision; Director, Financial Stability, Bank of France
 - Mr. Mervyn **King**, Chair, Global Reporting Initiative
 - Mr. Jeroen **Hooijer**, Head, Accounting Unit, European Commission
 - Mr. Robert **Bunting**, President, International Federation of Accountants
 - Mr. Nelson **Carvalho**, Professor, University of São Paulo, Brazil (Chair of UNCTAD-ISAR Consultative Group on Capacity-building Framework)
 - Ms. Deborah **Williams**, Deputy Chair, Developing Nations Committee, IFAC
 - Mr. Juarez D. **Carneiro**, Federal Council of Accounting, Brasília
 - Mr. Mike **Walsh**, Association of Chartered and Certified Accountants
 - Mr. Philippe **Danjou**, Board Member, International Accounting Standards Board
 - Mr. Lin **Zhu**, Deputy Director, Accounting Regulatory Department, Ministry of Finance, China
 - Ms. Elsa Beatriz **García**, Board Member, Mexican Financial Reporting Standards Board
 - Mr. Mark **Allison**, Chair, International Accounting Education Standards Board
 - Mr. Paul **Hurks**, Director, International Accountancy Education and Development, Royal NIVRA
 - Mr. Gert **Karreman**, Professor, Leiden University
 - Mr. Fuad **Nasirov**, Director, Corporate and Public Sector Accountability Project, Ministry of Finance, Azerbaijan
 - Mr. Frans E. **Ronsholt**, Head, Public Expenditure and Financial Accountability Secretariat
 - Mr. Samiuela **Tukuafu**, Principal Financial Sector Specialist, Asian Development Bank
 - Mr. Belverd **Needles**, Professor, DePaul University, United States
 - Mr. Rick **Samans**, Managing Director, World Economic Forum, Chairman of Climate Disclosure Standards Board

Ms. Teresa **Fogelberg**, Deputy Chief Executive, Global Reporting Initiative,
Netherlands
Mr. Roger **Simnett**, Professor, School of Accounting, University of New South
Wales, Australia
Mr. Gordon **Wilson**, Senior Manager, KPMG, United Kingdom
Ms. Anne **Gadegaard**, Director of Sustainability Management, Novo Nordisk A/S,
Denmark
Ms. Gabriella **Kusz**, Technical Manager, Member Body Development, International
Federation of Accountants
Mr. Graham **Sinclair**, President, Africa Sustainable Investment Forum
Mr. William **Palmer**, Confederation of Asia-Pacific Accountants
Mr. Vickson **Ncube**, Chief Executive, Eastern, Central, and Southern African
Federation of Accountants
Mr. Henri **Olivier**, Secretary-General, European Federation of Accountants
