



In this issue

- ❑ Record attendance at ISAR's nineteenth session.....2
- ❑ Proposals on accounting by SMEs found acceptable.....3
- ❑ Discussion of transparency and disclosure in corporate governance.....3
- ❑ Participants updated regarding follow-up to previous sessions.....3
- ❑ Briefings by other international and regional organizations.....4
- ❑ Roundtable on corporate transparency and disclosure.....4
- ❑ News briefs.....5

World Congress of Accountants held in Hong Kong

New president of IFAC named

Task force on restoring credibility appointed IASB to hold public roundtables

New mutual recognition agreement under NAFTA

ISAR was established by a resolution of the Economic and Social Council of the United Nations in October 1982.



Record attendance at ISAR's nineteenth session

The ISAR meeting in Geneva last fall (25-27 September) was attended by a record number of participants. More than 180 experts from 52 member States took part in the meeting, and various national, regional and international accountancy bodies, development organizations and accounting firms were also represented. There was a 15 per cent increase in attendance from the previous session.



Delegates at the opening of the session

Unlike recent ISAR sessions that have dealt with only one agenda item, the nineteenth session focused on two items: (1) accounting by small and medium-sized enterprises (SMEs) and (2) transparency and disclosure requirements in corporate governance.

Opening the session, UNCTAD Deputy Secretary-General Carlos Fortin highlighted the importance of the two agenda items. He said that the SME sector played a significant role in the economies of almost all member States and that therefore it needed guidance in order to contribute to economic development in a sustainable manner.

Turning to issues of corporate governance and transparency and disclosure, the Deputy Secretary-General referred to the series of corporate failures that had occurred during the months preceding the ISAR session, and to the ensuing erosion of investor confidence. He also mentioned the serious doubts that had arisen regarding the integrity of corporate

executives, boards of directors, and independent accountants. ISAR's deliberations were thus very timely.



Carlos Fortin, Deputy Secretary-General of UNCTAD, opening the session

In concluding, the Deputy Secretary-General reminded the Group of Experts that the issues under consideration were of major significance in the context of the economic and social development agenda of the United Nations.

The session elected as its chairperson David Moore (Canada), Research Studies Director at the Canadian Institute of Chartered Accountants. It elected as its vice-chairperson-cum-rapporteur Abbas Mirza (United Arab Emirates), Partner, Deloitte & Touche.



(left to right) David Moore, chairperson of the session; Lisanne Losier, meeting secretary; Abbas Mirza, vice-chairperson

Proposals on accounting by SMEs found acceptable

ISAR has been working on the accounting needs of SMEs for three sessions now. When it first considered the agenda item at its seventeenth session, the Group of Experts identified a number of obstacles that SMEs face in maintaining proper accounting records and generating meaningful financial information. It called on an ad hoc consultative group to draft proposals on possible solutions to these obstacles. The eighteenth session considered proposals presented by the ad hoc consultative group. The proposals included a three-tiered approach to meeting the accounting needs of enterprises. The session requested the ad hoc consultative group to further develop these proposals.

Last fall's session considered the draft guidance presented by the consultative group and found it acceptable. It agreed that, in addition to comments received during deliberations, the draft guidance for Level 2 SMEs could benefit from wider consultations. It also agreed that feedback obtained through field-testing the guidance for Level 2 and particularly Level 3 SMEs could be useful for any eventual review of the guidelines. The draft guidance for Level 2 SMEs was made available for wider consultations in early 2003. To read the full text of the agreed conclusions, go to www.unctad.org and search for document TD/B/COM.2/ISAR/L.6.

Discussion of transparency and disclosure in corporate governance

Long before the corporate megafailures of 2002, at UNCTAD's tenth quadrennial conference in Bangkok in February 2000, member States requested UNCTAD to promote "increased transparency and disclosure by encouraging the use of internationally recognized accounting, reporting and auditing standards and improved corporate governance".

Accordingly, ISAR began preliminary

consideration of corporate governance issues at its eighteenth session (in Geneva in September 2001). It reviewed existing corporate governance practices and company, country and regional codes and principles.

In concluding its eighteenth session and adopting the provisional agenda for the nineteenth session, the Group of Experts proposed to work on corporate governance issues.

The nineteenth session of ISAR discussed a report on transparency and disclosure requirements for corporate governance. It welcomed the report's objective of helping developing countries and countries with economies in transition develop their own guidelines for applying global corporate governance principles. The session also recognized the report as a valuable illustration of the convergence of opinion on the content of corporate governance disclosures.

The session agreed that further work was needed in the area of transparency and disclosure requirements for corporate governance, including field case studies that could be useful as inputs for a practical tool kit for corporate governance. The session recognized the need to cooperate closely with other multilateral and regional initiatives in this area.

Participants updated regarding follow-up to previous sessions

Under the "other business" segment of its agenda, the meeting discussed follow-up work on issues that had been taken up at ISAR's fifteenth and sixteenth sessions. As a follow-up to the fifteenth session of ISAR, which considered environmental accounting and reporting issues, a manual on eco-efficiency indicators is being prepared. Andreas Strum, a co-author of the manual, gave participants a progress report. Prof. Alain Haurie from the

University of Geneva reported on a distance-learning project on environmental accounting and reporting that was being developed jointly by the University of Geneva and UNCTAD.

The meeting also heard an update on follow-up work on professional qualification requirements, a topic the Group had initially considered at its sixteenth session. The UNCTAD secretariat provided preliminary results of a survey being conducted on awareness and use of the guideline on professional qualification requirements and the model curriculum adopted by ISAR in 1999. The secretariat also briefed attendees on the meeting of the Steering Committee on Professional Qualifications in Geneva in June 2002.

Prof. Mohamed Moustafa, a resource person for UNCTAD, presented the results of his study on the need to update the above-mentioned ISAR model curriculum. He presented various options for how the revision might proceed. Several delegates gave useful comments on the proposals, and many others expressed strong interest in further work in this area.

Briefings by other international and regional organizations

The nineteenth session heard updates on developments in other international and regional organizations. Representatives of the European Commission, the Asian Development Bank, the International Accounting Standards Board (IASB), the Eastern Central and Southern African Federation of Accountants (ECSAFA), the European Federation of Accountants (FEE), the Fédération internationale des experts comptables francophones (FIDEF) and the South Asian Federation of Accountants (SAFA) discussed various developments in their respective organizations.

Roundtable on corporate transparency and disclosure

In cooperation with the Global Corporate Governance Forum and the United Kingdom Department for International Development (DFID), the UNCTAD secretariat organized a two-day roundtable on corporate transparency and disclosure and its role in restoring investor confidence. The workshop, held in Geneva on 23 and 24 September of last year, was attended by more than 80 participants.

Several panels discussed the issue from a number of perspectives. Representatives of international development organizations, regulators, standard-setters, investors, companies, professional accountancy organizations and civil society participated in the discussion. Financial support from DFID enabled the participation of experts from developing countries.

News briefs

World Congress of Accountants held in Hong Kong

The sixteenth World Congress of Accountants, held in Hong Kong (China) from 18 to 21 November 2002, underscored the role of building public confidence as the key to the industry's future. Addressing the gathering, Paul A. Volcker, the Chairman of the Trustees of the International Accounting Standards Committee Foundation, stressed that at stake was "the credibility of a profession that in fact relies on that credibility as the bedrock of all it does".

Many prominent leaders in the field also emphasized the need to restore public confidence and mentioned issues that the profession needed to address in order to regain and sustain credibility.

<http://www.wcoa2002.com>

New president of IFAC named

The Council of the International Federation of Accountants (IFAC) appointed René Ricol (France) president of the organization for a two-year term that began in November 2002. Mr. Ricol has been a board member of IFAC since 1997.

<http://www.ifac.org>

Task force on restoring credibility appointed

In October, IFAC formed a task force on rebuilding investor confidence in financial reporting. The task force will provide an international perspective on the problem of the loss of credibility of financial statements. It will "identify and analyse the causes of the loss of credibility [and] consider alternative courses of action to restore credibility".

<http://www.ifac.org>

IASB to hold public roundtables

The International Accounting Standards Board (IASB) announced that it would hold roundtable forums to discuss improvements to existing International Accounting Standards on financial instruments (IASs 32 and 39). The IASB had received more than 150 comment letters on an exposure draft on these standards. The roundtables will give respondents an opportunity to discuss their input with members of the IASB.

<http://www.iasb.org.uk>

New mutual recognition agreement under NAFTA

A new Professional Mutual Recognition Agreement (PMRA) was concluded among Canada, Mexico and the United States in September. This agreement is in the framework of the North American Free Trade Agreement (NAFTA) and will come into effect after ratification by the NAFTA Free Trade Commission. Under the agreement, the three countries recognize the substantial equivalency of one another's professional accounting designations. Professionals who have qualified in one of the countries and wish to practice in the other two will be able to do so by passing an examination that tests their knowledge of differences in taxation and law between their country and the country where they intend to qualify to practice. In addition to ratification by the NAFTA Free Trade Commission, the agreement has to be adopted by each State accountancy board in the United States. An agreement of this kind was concluded between Canada and the United States in 1991.

(Journal of Accountancy, November 2002)

Delegates at the nineteenth session of ISAR and at the roundtable on corporate transparency



Your comments are welcome!

We would like to hear from you so that we can improve the newsletter as needed.

Please send your comments to:

UNCTAD-ISAR
Room E-9082
Palais des Nations
CH-1211 Geneva 10
Switzerland

Email: isar@unctad.org
Tel.: +41 22 917 4446/5601/5495/5802
Fax: + 41 22 917 0122

ISAR Update is published twice a year by the UNCTAD Secretariat on behalf of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) to provide news and updates to the global network of experts and other participants.