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

## IASR held 20th anniversary session

The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) held its 20th anniversary session in Geneva from 29 September to 1 October 2003. The milestone event brought together over 200 participants from all regions of the world, representing about 65 countries. Delegates included regulators, policy-makers, and national, regional and international accountancy organizations. Some member States were represented at a ministerial level.

UNCTAD Secretary-General Mr. Rubens Ricupero opened the 20th session. In his opening remarks, the Secretary-General highlighted the significance of September 2003 as it marked 30 years since the United Nations became involved in the efforts to improve the transparency and accountability of transnational corporations.



(left to right) Mr. Karl Sauvant, Director Division on Investment, Technology and Enterprise Development and Mr. Rubens Ricupero, Secretary-General, UNCTAD, opening the 20th session.

He underscored the importance of transparency and disclosure for the efficient functioning of financial markets and the international economic system. He stated that the frequency and magnitude of recent corporate failures signalled to the international community that there were some lacunae in the international regulation of certain important aspects of the international economy. The Secretary-General stated that ISAR could continue to make an important contribution to the on-going global efforts to improve transparency and disclosure by remaining an open forum and being conscious and sensitive to the economic and other differences among member States.

## A standing ovation in tribute to Dr. Lorraine Ruffing

Participants at the 20th session of ISAR expressed their appreciation in a standing ovation for the dedication of Dr. Lorraine Ruffing, Head, Enterprise Branch, to the work of ISAR. Dr. Ruffing will be retiring in the coming months after serving the Group relentlessly for over two decades.



Dr. Lorraine Ruffing, Head Enterprise Development Branch and Professor Nelson Carvalho, ISAR Chairman, at the twentieth session of ISAR.

In his remarks on the special occasion, Mr. David Moore, Chairman of the nineteenth session of ISAR, who has been associated with the Group since 1983, expressed his gratitude to Dr. Ruffing for her remarkable service on behalf of the Group of experts.

During her tenure, the Group of experts conducted pioneering work in the areas of environmental accounting, qualification requirements for professional accountants, accounting by small and medium-sized enterprises and provided technical assistance in accounting reform in the Russian Federation and other countries with economies in transition. The Group issued an early warning to the international business community on deficiencies in accounting and disclosure during its analysis of the Asian financial crisis.

## A special panel commemorated 30 years of work of the UN on corporate transparency and accountability

A panel reflected on the work of the United Nations on promoting transparency and accountability by transnational corporations that has spanned three decades. The panel chaired by Professor Peter Walton, examined improvements in transparency and accountability over the past 30 years; the recent challenges and the options for stakeholders to meet these challenges in the current global context.



Members of the special panel, (from left to right) Mr. Robert Garnett, Board Member, International Accounting Standards Board, Professor Fred Choi, Dean, Stern School of Business, New York University, Professor Peter

Walton (Panel Chairperson), Professor Nelson Carvalho, University of Sao Paulo, Brazil and Mr. Igor Kostikov, Chairman, Federal Commission on Securities Market, Russian Federation.

The panel discussions underscored that while significant progress has been made over the last three decades, the series of corporate collapses that occurred over the last couple of years indicated the need for further work. Professor Fred Choi urged the Group of experts to return to its distinctive dual mandate of setting rules or guidelines for both financial and non-financial reporting.

## ISAR reviewed case studies on corporate governance disclosures

In accordance with the agreement it reached at its 19th session, as its main agenda item, ISAR reviewed five country case studies on corporate governance disclosures. The case studies were conducted on Brazil, France, Kenya, the Russian Federation and the United States of America. A panel chaired by Mr. André Baladi, co-founder of the International Corporate Governance Network, and Mr. Richard Frederick, ISAR resource person, presented the findings of the case studies. The panel discussion provided participants a good opportunity to learn from each others' experiences.



(left to right) Ms. Heloisa Belotti Bedicks, Managing Director, Brazillian Institute of Corporate Governance, Mr.

Richard Frederick, UNCTAD Resource Person, Mr. André Baladi, Panel Chairperson and co-founder, International Corporate Governance Network (ICGN), Dr. Lorraine Ruffing, Head, Enterprise Development Branch, UNCTAD, Professor Nelson Carvalho, Brazil, chaiperson of the 20th session of ISAR, Mr. Arkady Sarkissov, Conference Services, UNCTAD, Mr. Igor Belikov, Institute of Directors, Russian Federation, Mr. Ndungu Gathinji, Chief Executive, Eastern, Central and Southern African Federation of Accountants, Dr. Nancy Kamp-Roelands, Netherlands, Vice-Chaiperson-cum-Rapporteur.

In concluding their deliberations, the experts requested UNCTAD to publish and disseminate as widely as possible its paper on transparency and disclosure requirements on corporate governance. The Group of experts will consider implementation of corporate governance disclosure requirements at its twenty-first session.

## Debate on disclosure of the impact of corporations on society

The 20th session of ISAR discussed a report prepared by the UNCTAD Secretariat with the title "Disclosure of the impact of corporations on society". Dr. Tatiana Krylova, Chief, Enterprise Internationalisation Section, presented the report at the session. Participants reviewed current trends and issues in the area of corporate social responsibility reporting. They also debated potential contributions that ISAR could make on the subject matter.

Participants recognized that corporations had widespread economic, environmental, and social impact on various stakeholders that were not always reflected in their annual reports.

In concluding their deliberations on future work in this area, the experts agreed that ISAR could begin examining existing indicators on corporate social responsibility performance so that corporate social responsibility reports would be comparable and would not impose unreasonable burdens on enterprises in developing countries. They proposed the topic as one of their two main agenda items for their twenty-first session.

## Model curriculum revised

A revised model curriculum for the education of professional accountants was discussed at the 20th session of ISAR. The model curriculum was first issued in February 1999 at the 16th session of ISAR. A number of developments that occurred in the business world since then, particularly in the area of information technology, made the updating of the model curriculum necessary.

Professor Mohamed Moustafa, UNCTAD resource person, presented the rationale and process of revising the model curriculum. Participants debated a number of issues including the input versus the output approach, training needs for technical level accountants, and accounting internships. Several suggestions were made to include additional topics on the model curriculum.

In concluding their deliberations, the experts requested UNCTAD to continue its efforts on national and international requirements for the qualification of professional accountants in coordination with the Steering Committee and the Education Committee of the International Federation of Accountants (IFAC). It also requested that the Secretariat finalize the Model Curriculum and disseminate it as widely as possible.

### Progress reported on follow-up work on previous sessions

Participants at the 20th session of ISAR were briefed on follow-up activities on the fifteenth and nineteenth sessions of the Group of experts that dealt with environmental accounting and accounting by Level 2<sup>i</sup> and Level 3<sup>ii</sup> small and medium-sized enterprises (SMEs) respectively. Dr. Andreas Sturm, Ellipson and Professor Alain Haurie, University of Geneva, presented developments on the work on eco-efficiency indicators and the project on distance learning, respectively. Mr. David Moore, Director of Research Studies (Canadian Institute of Chartered Accountants) and Chairman of the 19th session of ISAR, presented a brief report on progress made on finalizing the draft guidance on accounting for Level 2 and Level 3 SMEs.

Ms. Jane Scott Paul, Chief Executive, Association of Accounting Technicians, presented findings of a field-test that her association conducted in the United Kingdom on the draft ISAR guidance on accounting for Level 3 SMEs. The study found that over two-thirds of owner-managers and accountants who participated in the field-testing supported the guidance ISAR provided for Level 3 SMEs. Phase two of the field-testing will be conducted in 2004 in countries in the Eastern, Central and Southern African Federation of Accountants

(ECSAFA) region and in the United Kingdom.

### Regional organizations reported on their current activities at the 20th session

Several representatives of regional organizations actively working on transparency and disclosure issues reported on recent developments in their respective organizations.

*(Left) Mr. Mikael Lindroos, Principal Administrator, presenting developments at the European Commission to participants at the 20th session of ISAR.*

The updates helped participants to be aware of initiatives underway at various organizations and provided them with useful information for networking. Such updates were also useful for promoting cooperation and coordination amongst these organizations.

### Workshop held on corporate social responsibility reporting

The UNCTAD Secretariat organized a workshop on corporate social reporting on 2 October 2003 in Geneva. Around 130 participants, including most delegates who attended the 20th ISAR session during the previous three days attended the workshop.

The workshop was organized mainly to raise awareness among members of the ISAR network on current trends and initiatives and issues in the areas of reporting on corporate social responsibility and also assess the impact of these trends on investor confidence and their implications for accounting and reporting.

<sup>i</sup> Level 2 SMEs include significant business enterprises that do not issue public securities and in which there is no significant public interest.

<sup>ii</sup> Level 3 SMEs include the smallest entities that are often owner-managed and have few employees

The workshop turned out to be a great success. Given the fact that ISAR has proposed to work on corporate social responsibility reporting during its twenty-first session, the deliberations at the workshop were very useful in understanding the issue from the perspectives of various stakeholders and focusing further work in this area.

### **Task force on case studies on corporate governance disclosures met in Geneva**

The task force that was charged with preparing case studies on corporate governance disclosures met in Geneva on 9 June 2003. During its meeting the task force reviewed progress made on the project and exchanged views on further steps that were needed to complete the studies. In the weeks that followed, the team completed five country case studies that were finally discussed at the 20th ISAR session.

### **Consultative Group on Accounting by SMEs held meeting in Geneva**

Members of the Consultative Group on Accounting by SMEs gathered in Geneva on 10 June 2003 to review and consider comments received on the draft guidance on accounting (SMEGA) for Level 2 SMEs. The draft guidelines were circulated for wider consultations for three months during the earlier part of 2003, in accordance with the agreement reached at the nineteenth session of ISAR.

### **Workshop held on the revised ISAR model curriculum**

A workshop was held in Geneva on 11 June 2003 to discuss the revised ISAR model curriculum. Several national, regional and international professional accountancy bodies and experts on accounting education participated in the workshop. The revised model curriculum was further discussed at the 20th session of ISAR.

### **UNCTAD to be represented at the Standards Advisory Council of the IASB**

The International Accounting Standards Committee Foundation has invited Dr. Tatiana Krylova, Chief, Enterprise Internationalisation Section, of the Division on Investment, Technology and Related Financial Issues of UNCTAD to become a member of the Standards Advisory Council (SAC). UNCTAD is well positioned to bring the views of developing countries and countries with economies in transition in the deliberations of the SAC. UNCTAD is also represented in the Advisory Panel on Small and Medium-sized Entities of the IASB. UNCTAD had an observer status in the IASC (predecessor of the IASB).

### **UNCTAD leading work on official translation of IASs into Russian**

The International Accounting Standards Board and the Institute of Professional Accountants of the Russian Federation (IPA) have requested UNCTAD to chair a group of 14 experts that has been translating International Accounting Standards into Russian. It is envisaged that in addition to Russia, those in member countries of the Commonwealth of Independent States (CIS) would be able to use the outcome of the project in order to facilitate their adoption of the IASs for harmonization of their reporting requirements with the international standards.

### **Eleventh quadrennial conference of UNCTAD to take place in June 2004 in Sao Paulo, Brazil**

The United Nations Conference on Trade and Development (UNCTAD) will hold its eleventh quadrennial conference in Sao Paulo, Brazil from 13 to 18 June 2004. The main theme of the conference is "enhancing coherence between national development strategies and global economic growth and development, particularly of developing countries". The Secretariat has begun working on organizing two Round-tables that will discuss transparency and disclosure in the corporate sector and the role of the accounting profession in this respect. Further information on these events will be posted on the ISAR web site in due course.

## Twenty-first session of ISAR to take place in Autumn 2004

The twenty-first session of ISAR is scheduled to take place from 27 to 29 October 2004 in Geneva. As stated above, the Group of experts has proposed to work on corporate social responsibility indicators and the implementation status of corporate governance disclosures.

## ECOSOC elected members to ISAR

At its meeting that took place in New York on 31 October 2003, the United Nations Economic and Social Council elected members to fill vacancies on ISAR. The countries that were elected at the meeting are Benin, Brazil, Cyprus, Ethiopia, Italy, Malta, Poland, Portugal and Thailand. There are some more vacant seats in all regional groups other than Africa. If you would like to receive information on how your country can be elected to ISAR or renew its membership, please contact the Secretariat.

## News Briefs

### ASC Foundation Trustees to review Constitution

The Trustees of the International Accounting Standards Committee (IASC) Foundation announced on 12 November that they have initiated an intensive review of the IASC Foundation's Constitutional arrangements. The Trustees formed the IASC Foundation on 6 February 2001. The current broad review of the constitution is being initiated consistent with Section 18 of the current Constitution that calls for such a review three years after coming into force of the existing IASC Constitution. Any changes agreed as a result of the consultations are expected to be implemented five years after the coming to force of the current Constitution (6 February 2006).

A Constitution Committee has been established and is chaired by Mr. Paul Volcker, former chairman of the Federal Reserve Board of Governors of the United States. The Committee has begun to identify organizations that it will be consulting with. These include; international and regional organizations, securities regulators, other international regulatory organizations,

accounting standard-setters, organizations representing the accountancy profession, organizations representing business groups, analyst groups and other investment organizations, and academic groups.

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

### Reforms on IFAC proposed

The International Federation of Accountants (IFAC) and several international regulators proposed reforms to improve the quality of standards and practices in auditing and assurance. Some key aspects of the reform include the development of a more transparent standard-setting process and the establishment of a Public Interest Oversight Board (PIOB) to oversee IFAC's public-interest activities. The PIOB is expected to consist of 10 members and will focus on IFAC's standard-setting activities related to audit and assurance services, independence and other ethics standards. The PIOB will also oversee the education standard-setting process and compliance program of member bodies of IFAC.

<http://www.ifac.org>

### New International Education Standards for Professional Accountants issued

The International Federation of Accountants (IFAC) issued six International Education Standards (IESs) in October 2003. The standards that have been numbered 1 through 6 are on entry requirements to a program of professional accounting education; content of professional accounting education programs; professional skills; professional values, ethics and attitudes; practical experience requirements; and assessment of professional capabilities and competence respectively. Member bodies of IFAC are expected to comply with the standards as of 1 January 2005. IFAC has recently re-exposed another proposed standard on continuing professional development for comments. The proposed standard requires mandatory continuing professional development (CPD) for all professional accountants including those working for accounting firms, corporations, public sector organizations and other sectors of the economy.

<http://www.ifac.org>

### **European Financial Reporting Advisory Group request the IASB to reconsider proposed clarification on internal derivative contracts**

The Chairman of the European Financial Reporting Advisory Group (EFRAG), Mr. Johan Van Helleman, wrote to the International Accounting Standards Board requesting it to reconsider its proposed clarification on International Accounting Standard 39 requirements concerning the offsetting of internal derivative contracts used to manage foreign currency risk. EFRAG took the position that underlying internal hedges that are used in the same type of hedge relationship and are offset on a net basis with external contracts to manage currency risk, should be eligible for hedge accounting. In its letter, EFRAG cites that such contracts qualify as hedging activities under United States Generally Accepted Accounting Principles (US GAAP).

<http://www.efrag.org>

### **Review of the OECD Principles of Corporate Governance discussed**

The Organization for Economic Co-operation's (OECD) Steering Group on corporate governance met in Paris from 6 to 7 November 2003 to discuss the review of the OECD Principles of Corporate Governance. On 4 November, the Steering Group held a consultative meeting with non-members. A similar meeting was held with civil society on 5 November. Lorraine Ruffing, Head of Enterprise Development Branch and Tatiana Krylova, Chief, Enterprise Internationalization Section, represented UNCTAD at the consultations. UNCTAD - ISAR has been working in the area of disclosures on corporate governance practices and would be able to make valuable input in the review process.

<http://www.oecd.org>

### **The United States General Accounting Office published report on effects of mandatory audit firm rotation**

The United States General Accounting Office (GAO) published a report on the potential effects of requiring rotation of public accounting firms. The study was mandated by the Sarbanes-Oxley Act that the United States Congress passed in July 2002. The GAO found that "mandatory audit firm rotation may not be the most efficient way to strengthen auditor independence and improve audit quality considering the additional financial costs and the loss of institutional knowledge of the public company's previous auditor of record, as well as the current reforms being implemented. The potential benefits of mandatory audit firm rotation are harder to predict and quantify, though GAO is fairly certain that there will be additional costs".

<http://www.gao.gov>

In a related note, results of a recent academic study entitled "Exploring the Term of the Auditor-Client Relationship and the Quality of Earnings: A Case for Mandatory Auditor Rotation?" suggest higher earnings quality with longer auditor tenure.

The Accounting Review, Vol. 78, No.3, 2003, pp. 779-799.



*The Working Group of Experts at work during its 20th session.*



*Dr. Nancy Kamp-Roelands (Netherlands), Vice-Chairperson-cum-Rapporteur, and Mr. Arkady Sarkissov, Conference Services - UNCTAD.*



*Ms. Jayne Beer, Sustainability Reporting and Diversity, The Cooperative Bank, United Kingdom and Mr. Mallen Baker, Development Director, Business and the Community, United Kingdom, panellists at the workshop on CSR reporting.*



*Professor Mohamed Moustafa, UNCTAD resource person, presenting the revised ISAR model curriculum.*



*Mr. Tony Ashcroft, Association of Accounting Technicians, Mr. Anwaruddin Chowdhury, ICAB, Bangladesh, and Ms. Parveen Mahmud, Palli Karma - Shayak Foundation, Bangladesh, at a reception after the conclusion of the first day of the 20th session.*



*Panellists and participants at the workshop on corporate social responsibility reporting.*

## 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:

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