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

The twenty-first session of ISAR, to take place in Geneva in October

The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) will hold its twenty-first session from 27 to 29 October 2004 in Geneva. During the session, ISAR will deliberate on two main agenda items. The first involves a review of the comparability and relevance of existing indicators on corporate social responsibility. The second main agenda item deals with review of the implementation status of corporate governance disclosures and the role of such disclosures in adding sustainable value. Further information on this event, including related documentation, can be accessed at <http://www.unctad.org/isar>.

Eleventh quadrennial conference of UNCTAD, in Brazil

The eleventh quadrennial Conference of the United Nations Conference on Trade and Development (UNCTAD) took place in São Paulo, Brazil, from 13 to 18 June 2004. The event marked the fortieth anniversary of the establishment of UNCTAD. In concluding the Conference, member States of UNCTAD adopted two documents: a declaration called "the spirit of São Paulo" and the "Sao Paulo Consensus". In the declaration, member States recognized UNCTAD's positive contribution towards the efforts of developing countries to participate more fully and to adapt to changes in the world economy. Further information on UNCTAD XI is available at <http://www.unctad.org>.

Roundtable on corporate transparency and investment

On the occasion of UNCTAD XI, the secretariat organized a Roundtable jointly with BOVESPA, the São Paulo Stock Exchange. The Roundtable took place on 14 June at the São Paulo Stock Exchange. The objectives of the Roundtable were to raise awareness among main stockholders of the importance of corporate transparency for facilitating investment, including foreign direct investment; to debate major issues related to improving corporate transparency at the national and international levels; and to discuss international best practices on corporate transparency and how developing countries and economies in transition could be assisted in

implementing these best practices. Over 200 participants, representing regulators, the private sector, standard-setting bodies, academia and the accounting profession, attended the event. It featured several high-level speakers.



At the opening of the Roundtable (from left to right): Mr. Donald Johnston, Secretary-General, Organization for Economic Cooperation and Development; Professor Nelson Carvalho (Brazil), Current Chairman of ISAR; Mr. Henrique Meirelles, President, Central Bank of Brazil; and Mr. R. Magliano, President of the São Paulo Stock Exchange.

The Roundtable deliberated on a number of issues dealing with corporate transparency and investment. Many developing countries and countries with economies in transition strive to mobilize financial resources from domestic as well as international sources with a view to attaining their economic and social development goals. Domestic and international investors utilize financial and non-financial information available on potential investment targets for assessing risk and making critical investment decisions. Thus, the availability of financial and non-financial information in sufficient quantity and of sufficient quality has an important bearing on efforts geared towards mobilizing investment for financing economic and social development. Adequate reporting and disclosure of financial and non-financial information are likely to improve investor confidence and lower the cost of capital.



Roundtable participants



Panel members of the Roundtable (left to right): Mr. J. Guigard, European Federation of Accountants; Mr. M. Trindade, Chairman, Brazilian Securities Commission; Mr. A. Mirza, Partner, Deloitte & Touche, Dubai, United Arab Emirates (panel chairperson); Mr. I. Belikov, Director, Institute of Directors, Russian Federation; Mr. K. Gatamah, Chief-Executive Officer, Centre for Corporate Governance, Kenya; Mr. D. Bunce, Chief-Executive Officer, KPMG, Brazil; and Mr. A. Baladi, co-founder, International Corporate Governance Network (ICGN).

UNCTAD, together with other international organizations, such as the World Bank and the Organization for Economic Cooperation and Development (OECD), has contributed to promoting better transparency and disclosure for many years through the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR). Participants highlighted that the growing importance and complexity of the issues surrounding corporate transparency and disclosure make it necessary for UNCTAD to continue and accelerate its work in these areas. They also noted that UNCTAD was well placed to facilitate the exchange of views among member States on these issues and the implementation of best practices.



Mr. Khalil Hamdani, Deputy-Director, DITE-UNCTAD (left) sharing views with Roundtable participants

Workshop on accountancy and economic development

Another event the secretariat organized parallel to UNCTAD XI was a workshop on accountancy and economic development. It was held in São Paulo on 16 June. Over 100 experts representing the accountancy profession, regulators and standard-setters, academia, civil society, private-sector investors and regional and international organizations participated in the workshop. Mr. Rubens Ricupero, Secretary-General of UNCTAD, and Mr. René Ricol, President of the International Federation of Accountants (IFAC), addressed the meeting. The team of panellists consisted of leading experts from Africa, Asia, Europe, and South America representing the accounting profession, regulators, academics and investment analysts.



Panel members at the Workshop (from left to right): Mr. J.M. Coelho, President, Brazilian Federal Council of Accounting; Mr. A. Mirza, Partner, Deloitte & Touche, Dubai, United Arab Emirates; Mr. R. Ricol, President of IFAC; Professor N. Carvalho, current Chairman of ISAR; Mr. K. Sauvart, Director, DITE, UNCTAD; Mr. H. Casagrande, APIME, Mr. N. Gathinji, CEO, ECSAFA.

The main objective of the Workshop was to discuss the importance of accountancy for economic and social development. Several issues were addressed during the workshop, including; the role of accountancy in creating an enabling business environment and attracting investment; the impact of good governance, transparency and accountability on financial stability and economic development; major challenges faced by the profession due to the globalization of accounting, reporting and auditing and professional education standards; and major challenges faced by developing countries and countries with economies in transition in strengthening the accountancy infrastructure and the accounting profession.

A number of participants expressed appreciation for the contribution made by ISAR to accounting development and requested UNCTAD to give further consideration to the role of accountancy in economic and social development, to address topical issues in this area and to disseminate best practices.

UNCTAD expressed its gratitude to the Brazilian co-organizers of the two events. These were Associação dos Analistas e Profissionais de Investimentos do Mercado de Capitais - APIMEC (Analysts' Society), Bolsa de Valores de São Paulo - BOVESPA (São Paulo Stock Exchange), Fundação Instituto de Pesquisas Contábeis, Atuariais e Financeiras - FIPECAFI (Research Institute of Finance, Accounting and Actuarial Sciences), Instituto Brasileiro de Governança Corporativa - IBGC (Brazilian Institute of Corporate Governance), and Instituto de Auditores Independentes do Brasil - IBRACON (Institute of Independent Auditors of Brazil).

UNCTAD gratefully acknowledges the financial contribution of co-sponsors, namely the State Secretariat for Economic Affairs-Switzerland (SECO), the Global Corporate Governance Forum and KPMG, São Paulo, Brazil.

UNCTAD and IFAC announce a cooperation agreement

At the workshop on accountancy and economic development, UNCTAD and the International Federation of Accountants (IFAC) announced a cooperation agreement between the two organizations. Both organizations share the objectives of achieving greater transparency and accountability with a view to strengthening the international financial system and contributing to economic growth. They are also committed to helping developing countries and countries with economies in transition, in cooperation with other bodies, establish and maintain a strong accounting profession capable of providing high-quality services, serving the public interest and contributing to economic growth.

IFAC works with 158 member organizations in 118 countries and economies. IFAC members represent 2.5 million accountants employed in public practice, industry and commerce, government and academia.



(From left to right) Mr. Rubens Ricupero, Secretary-General of UNCTAD; Mr. J.M. Coelho, President, Brazilian Federal Council of Accounting; and Mr. René Ricol, President, IFAC, at the Workshop.

Informal consultations on CSR reporting

An ad hoc group, consisting of 15 experts, met in Geneva on 5 March 2004 to discuss reporting on corporate social responsibility. The consultative group exchanged views on corporate social responsibility reporting and performance indicators. The advantages and disadvantages of various social performance indicators, general versus sector-specific approaches to reporting and other related considerations were discussed. The ad hoc consultative group will report its findings to the twenty-first session of ISAR.

ECOSOC elects new members to ISAR

At its meeting on 4 May 2004, the Economic and Social Council of the United Nations elected the Czech Republic and Sri Lanka to ISAR. There are a few more membership seats in ISAR 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

European Financial Reporting Advisory Group recommends adoption of IAS 32

The European Financial Reporting Advisory Group (EFRAG) recommended the adoption of IAS 32 Financial Instruments: Disclosure and Presentation - as published by the International Accounting Standards Board on 17 December 2003. However, EFRAG did not issue a recommendation on IAS 39 Financial Instruments: Recognition and Measurement. Further information is available at <http://www.efrag.org>.

OECD issues a revised version of its Principles of Corporate Governance

In April, the Organization for Economic Development and Cooperation (OECD) issued a revised version of its Principles of Corporate Governance. The OECD stated that the revised Principles respond to a number of issues that have undermined the confidence of investors in company management in recent years; and call on Governments to ensure genuinely effective regulatory frameworks and on companies themselves to be truly accountable. They advocate increased awareness among institutional investors and an effective role for shareholders in executive compensation. They also urge strengthened transparency and disclosure to counter conflicts of interest. The OECD Principles of Corporate Governance were first published in 1999. As reported in the last issue of *ISAR Update*, last November, the UNCTAD secretariat participated in the consultations organized by the OECD Steering Group to discuss the review of the OECD Principles of Corporate Governance. A copy of the revised version of the Principles can be downloaded from the OECD website at <http://www.oecd.org/daf/corporate/principles>.

Council of the International Federation of Accountants names its Deputy President

In April, the Council of IFAC named Mr. Graham Ward as its Deputy President. He will become President of IFAC in November 2004. On his appointment, Mr. Ward was quoted as stating that he was going to be taking office at a crucial juncture for the profession. The financial needs of emerging economies and the international convergence of capital markets made it imperative that the profession strive to be truly global. He highlighted

consolidation and strengthening of international standards of accountancy practice and corporate governance and ensuring excellence and integrity as his priorities. Mr. Ward also stated that IFAC would work to help the profession in developing countries and that he was committed to working closely with IFAC's member bodies and regional organizations in order to support and encourage global best practice. Further information on this item is available at <http://www.ifac.org>

International Federation of Accountants issues an International Standard on mandatory continuing professional development

In May, the International Federation of Accountants (IFAC) issued a new International Education Standard (IES 7) that requires all professional accountants to develop and maintain competencies relevant and appropriate for their work and professional responsibilities. IES 7 - Continuing Professional Development (CPD): A Program of Lifelong Learning and Continuing Development of Professional Competence was developed by IFAC's Education Committee. It prescribes mandatory CPD for all members of the profession, including those engaged in public practice, in commercial, governmental, academic and not-for-profit entities as well as those who may no longer work in traditional accounting roles. Last year, IFAC issued six International Education Standards. Further information is available at <http://www.ifac.org>.

International Accounting Standards Committee Foundation publishes a briefing on International Financial Reporting Standards

The International Accounting Standards Committee Foundation published a briefing on International Financial Reporting Standards (IFRSs) for chief executives, audit committees and boards of directors. The publication provides an overview of each IFRS in non-technical language. A considerable number of companies, particularly those listed in financial markets in the European Union, are expected to implement IFRSs for the first time in 2005. The financial performance and presentation of the financial position of such companies is likely to change due to the implementation of IFRSs. The publication could be useful to chief executives, audit committees and boards of directors in explaining the impact of

IFRSs to the financial markets and investors. Further information on this publication can be obtained in the bookshop section at <http://www.iasb.org>

Eastern, Central and Southern African Federation of Accountants holds its sixth congress

The Eastern, Central and Southern African Federation of Accountants (ECSAFA) held its sixth congress from 9 to 10 September 2004 in Botswana. The theme of the Congress was "A Shining Opportunity For Change". The event, which was hosted by the Botswana Institute of Accountants, featured several high-level speakers. Issues that were addressed at the Congress include the regulatory framework of the International Federation of Accountants, challenges of the public sector, corporate social responsibility, the impact of HIV in the region, and harnessing benefits of the New Economic Partnership for Africa's Development. Further information is available at <http://www.ecsa.org>.

European Federation of Accountants launches an issues paper on assurance for sustainability

On 9 June, the European Federation of Accountants (FEE) launched an issues paper with the title "FEE Call for Action: Assurance for Sustainability". On the occasion of the launch, FEE called on the European Commission's Multi-stakeholder Forum to recognize corporate social responsibility (CSR) reporting at a level similar to financial reporting. FEE stated that CSR reporting typically sees corporations reporting on their economic, social and environmental impacts. Independent assurance is central to building the credibility of CSR reports. Urgent action is required if CSR reporting is to attract investor recognition at a level similar to high quality financial reporting.

The European Multi-Stakeholder Forum on Corporate Social Responsibility (CSR EMS Forum), chaired by the Commission, brings together European representative organizations of employers, business networks, trade unions and non-governmental organizations, to promote innovation, convergence and transparency in existing CSR practices and tools. The Forum's mandate was approved in October 2002, when it was launched. Further information is available at <http://www.fee.be>.

United States House of Representatives passes a bill on stock option accounting

In July, the United States House of Representatives passed a bill (HR 3574) with the title "Stock Option Accounting Reform Act". The bill limits mandatory expensing of stock options only to those options granted to the chief executive and the other four most highly compensated executive officers of a company. It allows voluntary expensing of stock options. According to the bill, when an option pricing model is used to determine fair value of an option, the assumed volatility of the underlying stock shall be zero. The bill calls for a study on the economic impact of the mandatory expensing of all employee stock options to be conducted and completed jointly by the Secretary of Commerce and Secretary of Labour not later than one year after the enactment of the act. The House of Representatives approved the bill by a vote of 312 to 111 (with 10 nonvoting). In order for the bill to become law, the United States Senate has to pass the same legislation.

For further information on this bill, please visit <http://www.house.gov/>

In March 2003, the Financial Accounting Standards Board (FASB) in the United States published an exposure draft that recommended the expensing of the fair value of all share-based payments, including stock options. Further information on the exposure draft can be accessed at [Http://www.fasb.org/draft/ed_intropg_share-based_payment.shtml](http://www.fasb.org/draft/ed_intropg_share-based_payment.shtml)

United States Securities and Exchange Commission proposes postponement for one year the final phase of accelerated filing

In late August, the US SEC proposed postponement of the last phase of the accelerated filings that it originally adopted in September 2002. In accordance with the original "phase-in" plan, "accelerated filers" would have been required to file annual reports within 60 days and quarterly reports within 35 days for fiscal years ending on or after 15 December 2004. The SEC proposal is to postpone this final phase by one year to fiscal years ending on or after 15 December 2005. Until then, annual and quarterly reports will be due for filing within 75 and 40 days respectively. Accelerated filers are those SEC registrants that have public floats of US\$75 million or more; that have been subject to SEC periodic reporting requirements for at least 12

calendar months; that have filed at least one annual report; and that are not eligible to use the SEC's small business reporting forms.

The US SEC stated that it was proposing the postponement in order "to allow additional time and opportunity for accelerated filers and their auditors to focus their efforts on complying with our new requirements regarding internal control over financial reporting". For fiscal years ending on or after 15 November 2004, accelerated filers must begin to include in their annual report both a management and an audit report on the effectiveness of their internal controls over financial reporting.

Further information on this item can be accessed at <http://www.sec.gov>.

Public Company Accounting Oversight Board adopts rules on oversight of non-US public accounting firms

In June, the Public Company Accounting Oversight Board (PCAOB) in the United States of America adopted rules related to the oversight of non-US public accounting firms that prepare or furnish audit reports with respect to US public companies. The

rules set out a framework under which, with respect to non-US firms, the Board could implement the provisions of Section 106(a) of the Sarbanes-Oxley Act by relying, to an appropriate degree, on a non-US system. Section 106(a) of the Act provides that any non-US public accounting firm that prepares or furnishes an audit report with respect to any US public company is subject to the Act and the rules of the PCAOB. The rules were proposed in December last year. These rules will be effective after approval by the US Securities and Exchange Commission in accordance with Section 107 of the Sarbanes-Oxley Act. Further information is available at <http://www.pcaobus.org>.



(Centre) Dr. Tatiana Krylova, Acting Head, Investment and Enterprise Competitiveness Branch, UNCTAD/DITE, among participants at the Roundtable.



Roundtable participants following proceedings via video in a conference hall adjacent to the main one.



(Far left) Mr. Dezider Stefunko, Acting Head, Corporate Governance and Transparency Section, IEC-DITE, UNCTAD, at the opening of the Roundtable.



(From left to right) Mr. René Ricol, President, IFAC; Professor Nelson Carvalho (Brazil) chairman of ISAR and Mr. Rubens Ricupero, Secretary-General UNCTAD.



Panellists and audience at the workshop on accountancy and economic development.



(Right) Mr. Johannes Gigard, Chairman, Company Law Task Force, European Federation of Accountants (FEE), panel member, addressing participants at the workshop on accountancy and economic development.

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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