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

Twenty-second session of ISAR held in Geneva

The twenty-second session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) was held at the Palais des Nations in Geneva from 21 to 23 November 2005. The event brought together 217 experts from 72 countries representing different policymakers, regulators, standard-setters, academics, and professional accountancy bodies. Dr. Supachai Panitchpakdi, Secretary-General of UNCTAD opened the session.



Opening the twenty-second session of ISAR, Dr. Supachai Panitchpakdi, Secretary-General of UNCTAD.

In his opening statement, Dr. Panitchpakdi informed delegates on the outcomes and implications of the World Summit (New York, 14-16 September) on UNCTAD's work on corporate reporting. He went on to say that high-quality corporate reporting was critical to attract and protect investors, manage risks and reduce financial volatility. Harmonized and high-quality accounting and reporting practices enhances the stability and coherence of the international financial infrastructure. With increasing globalization and interdependence of the world economy, pressure has grown to harmonize financial information, including at the level of corporate reporting. Dr. Panitchpakdi added that the twenty-second session of ISAR, was an important event as

it promoted dialogue, cooperation and coordination among member States in the area of corporate reporting.

Mr. Aziz Dieye (Senegal), a Senior Partner in a major accounting firm in Senegal, was elected Chairman of the twenty-second session of ISAR. Professor Valeriy Nikolaevitch Parhomenko (Ukraine), Chief of Division, Ministry of Finance of Ukraine took up the position of Vice-Chairman and Rapporteur.

The two main agenda items of the meeting were the review of practical implementation issues of International Financial Reporting Standards (IFRS), and the comparability and relevance of existing indicators on corporate responsibility.

Review of the practical implementation issues of IFRS

In 2005, the corporate financial reporting landscape went through a major transformation. An unprecedented number of entities around the world adopted International Financial Reporting Standards (IFRS) as a basis for financial reporting. In light of this transition, the Group of Experts conducted a review of practical implementation issues related to the implementation process.

The Group of Experts reiterated the importance of a common set of principles-based high-quality financial reporting standards for: the consistency of the international financial system; mobilization and efficient allocation of financial resources; and facilitating the flow of investment needed for the economic development of member States. Some of the implementation challenges in relation to IFRS raised by delegates during the meeting related to institutional frameworks, enforcement mechanisms and capacity-building. Delegates also highlighted the need for representation of developing countries and countries with economies in

transition in the international standard-setting process.



His Excellency Mr. Wang Jun, Vice-Minister, Ministry of Finance, China, addressing participants at the twenty-second session of ISAR on practical implementation of IFRS.

An issues note prepared by the UNCTAD secretariat and two panels facilitated discussions on this agenda item. The panel discussions featured high-level speakers from the Bank for International Settlements, the International Accounting Standards Board (IASB), the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), the European Commission, the International Organization of Securities Commissions (IOSCO), and experts presenting regional and national perspectives from the Middle East, China, Poland and Thailand.



Mr. Ulf Linder, Deputy Head of Unit, European Commission, sharing the European Union experiences in implementing IFRS.

In concluding its deliberations on this agenda item, the Group of Experts acknowledged the usefulness of such discussions and agreed to conduct further review of the practical implementation challenges of IFRS as well as ways to meet these challenges.



Thirachai Phuvanatharanubala, Secretary-General, Securities and Exchange Commission, Thailand, addressing participants at the twenty-second session of ISAR.

Progress on corporate responsibility reporting

The comparability and relevance of existing corporate responsibility indicators have been under scrutiny for the past three years. ISAR's overall objective with regard to corporate responsibility indicators is to promote harmonization of existing practices, improve comparability and usefulness and reduce costs incurred in producing such reports. A report prepared by the UNCTAD secretariat for the meeting presented guidance on corporate responsibility indicators in annual reports; these indicators covered areas such as: contribution to economic development, human rights, human resources development, health and safety, community support, value chain, and corruption.

The UNCTAD secretariat report was deemed to provide helpful voluntary guidance on improving the relevance and comparability of corporate responsibility information as part of annual reports. It was also requested to conduct a review of enterprise reporting practices based on selected indicators with a view to finalizing the guidance on corporate responsibility reporting discussed at the session.

Agreement on guidance on best practices in corporate governance disclosures

Corporate governance disclosure has been the subject of discussions over several sessions. During the twenty-second session of ISAR, the Group of Experts advanced its work on corporate governance disclosures by agreeing on guidance on good practices in corporate governance disclosures; this guidance is based on an updated report on "transparency and disclosure requirements for corporate governance", which the Group of Experts first considered at its nineteenth session in 2002. The guidance covers financial and non-financial corporate governance disclosures, as well as issues related to general meetings, timing and means of disclosures. UNCTAD will ensure that the guidance document is published and receives wide dissemination.

Commenting on the Guidance document, Mr. Christian Strenger, Chairman of the International Corporate Governance Network, emphasized that while the document presented voluntary guidance on corporate governance disclosure, it was nonetheless very compelling, given the importance of good practices in corporate governance in both developing and developed countries. A good corporate governance code in a country was not, in itself, enough and should also be accompanied by a quality disclosure on corporate governance performance.

Survey on implementation of corporate governance disclosures

The Group of Experts reviewed the results of a 2005 survey on the implementation status of corporate governance disclosures. The survey covered 105 enterprises across 70 countries. Disclosure items addressed in survey include: financial and operating results; critical accounting estimates; nature, type and elements of related-party transactions; the composition of board of directors; and the process for holding annual general meetings. It also covered identification of financial expert in an audit committee, the impact of alternative accounting decisions, policy on 'whistleblower' protection for all employees, plan of succession, and anti-takeover measures, which are less prevalent disclosure items. One of the prominent trends arising from a review of developments in corporate governance disclosures in the intersession period of ISAR was the increase of new activities providing corporate governance information and analysis to investors.



From left to right Aziz Dieye, Chairperson of the twenty-second session of ISAR, M. Mehdi Youssefi (Morocco), and Syed Asad Ali Shah (Pakistan) at a reception after the close of the first day of the twenty-second session of ISAR..

International and regional organizations update participants

Several international and regional organizations gave an update on their respective activities. These included the United Nations Environment Programme - Finance Initiative, European Commission, the International Federation of Accountants, the Standard Advisory Council of the International Accounting Standards Board, the European Federation of Accountants, AccountAbility, and the Global Reporting Initiative.



From left to right, Ralph Thurm, Global Reporting Initiative; Paul Clements-Hunt, United Nations Environment Programme Finance Initiative; and Alan Knight, AccountAbility, updating participants.

Technical workshop on implementation of IFRS

A technical workshop on the implementation of International Financial Reporting Standards (IFRS) took place at the Palais des Nations in Geneva on 24 November 2005, immediately after the twenty-second session of ISAR. The event organized by the UNCTAD secretariat in cooperation with the International Accounting Standards Board (IASB) featured well-known experts in international financial reporting and addressed technical IFRS implementation pertaining to: first-time implementation; recognition and measurement issues, including fair value; and revenue recognition. The workshop also discussed

opportunities for facilitating sharing of experiences in the implementation of IFRS on a global basis.



Left to right, Robert Garnett, Member of the International Accounting Standards Board and Chairman of the International Financial Reporting Interpretations Committee and Stig Envoldsen, Chairman, Technical Expert Group, European Financial Reporting Advisory Group addressing participants at the IFRS technical workshop.



Participants at the IFRS technical workshop.

News in brief:

UNCTAD re-appointed to restructured IASB Standards Advisory Council

In October 2005, the Trustees of the International Accounting Standards Committee (IASC) Foundation reappointed UNCTAD to the Standards Advisory Council (SAC) of the International Accounting Standards Board (IASB). The new SAC is chaired by Professor Nelson Carvalho and is composed of 40 members, including seven international developmental and financial organizations. The most important job facing the restructured SAC will be to provide broad strategic advice on the IASB's agenda priorities and insight into the possible benefits and costs of particular proposals. The SAC is comprised of senior financial officers of corporations, investment analysts, with knowledge of accounting issues, partners of audit firms with experience in auditing companies that apply International Financial Reporting Standards, executives of international financial and development organizations, and other senior representatives of public interest bodies. Some of the other international organizations represented at the SAC included the Basel Committee of Banking Supervisors, International Association of Insurance Supervisors, International Federation of Accountants, International Monetary Fund, International Organization of Securities Commissions and the World Bank. Tatiana Krylova, Head of the Investment and Enterprise Competitiveness Branch represents UNCTAD at the SAC.

Further information is available at:
<http://www.iasb.org>

UNEP-FI examines the legal responsibilities of institutional investors on environmental, social and governance issues

Institutional investors have a far greater opportunity - and in some cases a legal obligation - to incorporate environmental, social and governance issues into their investment decision-making than is traditionally believed. This is the conclusion of a new study, done on behalf of the United Nations Environment Programme's Finance Initiative (UNEP-FI).

The study finds that the integration of environmental, social and governance (ESG) issues into investment analysis, so as to more reliably predict financial performance, is clearly permissible and is arguably required in all jurisdictions.

Launched in late 2005 at United Nations headquarters, the study "A legal framework for the integration of environmental, social and governance issues into institutional investment" was prepared by the leading international law firm Freshfields Bruckhaus Deringer.

The 150-page report, which focuses on the largest capital markets jurisdictions, i.e. Australia, Canada, France, Germany, Italy, Japan, Spain, the United Kingdom and the United States, also considers how the law is likely be interpreted on topics related to investors and ESG issues.

Klaus Toepfer, Executive Director of UNEP, considered the study was a, "Groundbreaking piece of work that will accelerate the integration of ESG issues into the mainstream investment community worldwide. What was once considered a niche area is set to become mainstream as institutions with trillions of dollars under management embed ESG thinking into their investment approach."

The report's lead author concluded by stressing that: "Institutional investors have more freedom to integrate ESG issues into their decision-making than they think. Whilst normally we find ourselves encouraging our clients to be more cautious, in this case we can instead say 'be more imaginative'."

For more information about UNEP-FI, or to download a copy of the report, go to: <http://www.unepfi.org>

New Chairman to head IASC Foundation

In December 2005, the Trustees of the International Accounting Standards Committee (IASC) announced the appointment of Tommaso Padoa-Schioppa as Chairman of the IASC Foundation. Mr. Padoa-Schioppa is a founding member of the Executive Board of the European Central Bank. His term begins on 1 January 2006. He will replace Paul A. Volcker, who chaired the IASC Foundation since 2001. The Trustees also reappointed Sir David Tweedie as Chairman of the International Accounting Standards Board. Furthermore, seven new Trustees were appointed to the Foundation for three-year renewable terms.

Further information is available at: <http://www.iasb.org>

IFAC Council approves appointment of new Board members

At its November 2005 meeting in Auckland, New Zealand, the Council of the International Federation of Accountants approved the nomination of six new members to the IFAC Board to serve three-year terms. They are: Joycelyn Morton, Australia; Kamlesh Vikamsey, India; Bernadette McGrory-Farrell, Ireland; Roberto D'Imperio, Italy; Gen Ikegami, Japan; and Robert L. Bunting, United States. Two other members of the IFAC Board - Sylvie Voghel of Canada and Ndung'u Gathinji of Kenya - were re-appointed by the Council to three-year terms.

Further information is available at: <http://www.ifac.org>

IAASB issues exposure drafts to enhance clarity of standards

At the end of October 2005, The International Auditing and Assurance Standards Board (IAASB) of IFAC issued four exposure drafts in a new drafting style. The new drafting style covers the standards on objectives, as opposed to procedural considerations; the use of the word 'shall' to identify requirements professional accountants are expected to follow in the vast majority of engagements; eliminating the present tense to describe actions by the profession, thereby clearing the ambiguity that existed in terms of obligation; and structural improvements to enhance the overall readability of the standards. The International Standards on Auditing (ISAs) issued in exposure drafts in the new style are: ISA 240 - The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements; ISA 300 - Planning an Audit of Financial Statements; ISA 315 - Understanding the Entity and Its Environment; and Assessing the Risks of Material Misstatement. UNCTAD is a member of the IAASB Consultative Advisory Group (CAG), which provides the IAASB with advice on its agenda, project priorities, and timetable. It also provides technical advice on projects.

Further information is available at: <http://www.ifac.org>



Left to right Saskia Slomp, European Federation of Accountants; Paul Lee, Herms Investment Management Ltd; Karugor Gatamah, Center for Corporate Governance, Kenya; Maged Shawky Sourial, Cairo and Alexandria Stock Exchanges, Egypt; Aziz Dieye Chairperson of the twenty-second session; Hannah Davies, UNCTAD; André Baladi, Member of the Advisory Board of the FTSE-ISS corporate governance Index; Christian Strenger, International Corporate Governance Network (ICGN); and Richard Frederick, UNCTAD resource person, during a panel discussion on corporate governance disclosures..

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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