



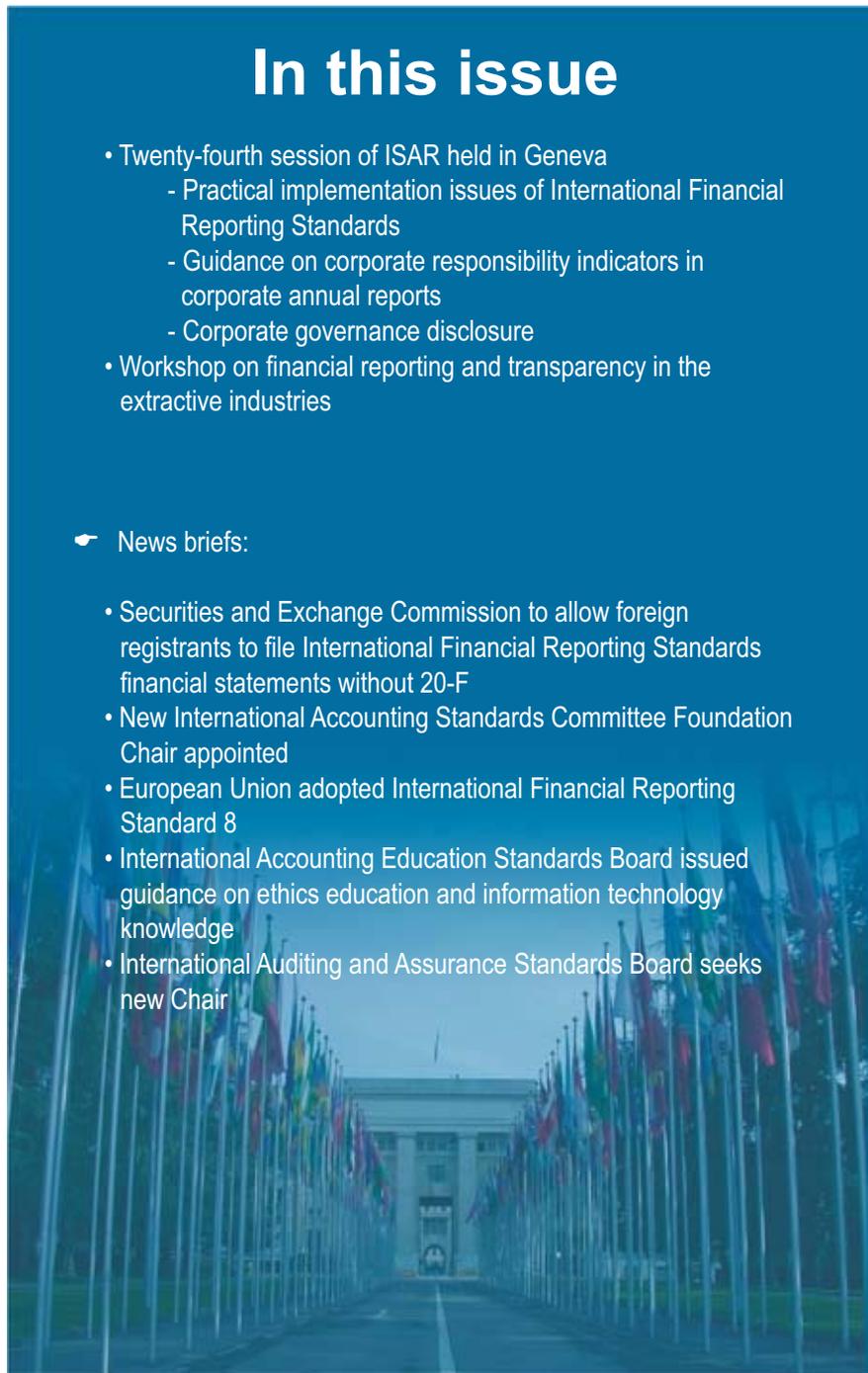
In this issue

- Twenty-fourth session of ISAR held in Geneva
 - Practical implementation issues of International Financial Reporting Standards
 - Guidance on corporate responsibility indicators in corporate annual reports
 - Corporate governance disclosure
- Workshop on financial reporting and transparency in the extractive industries

News briefs:

- Securities and Exchange Commission to allow foreign registrants to file International Financial Reporting Standards financial statements without 20-F
- New International Accounting Standards Committee Foundation Chair appointed
- European Union adopted International Financial Reporting Standard 8
- International Accounting Education Standards Board issued guidance on ethics education and information technology knowledge
- International Auditing and Assurance Standards Board seeks new Chair

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



Twenty-fourth session of ISAR held in Geneva

The twenty-fourth annual session of UNCTAD's Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) was held in Geneva from 30 October to 1 November 2007. The event attracted over 290 participants from 93 member States representing policymakers, regulators, standard-setters, the accountancy profession and academia.

Opening the session, the Director of the Division on Investment, Technology and Enterprise Development, Khalil Hamdani, said that, according to UNCTAD's 2007 *World Investment Report*, foreign direct investment flows to developing countries and countries with economies in transition had reached an all-time high of nearly \$450 billion following three consecutive years of growth.

He reminded participants that sustaining the trend of growing foreign direct investment flow to developing countries and countries with economies in transition would require concerted efforts to maintain global financial stability. The turbulence that had affected financial markets over the summer was a clear indication of the interconnectedness of financial systems around the world. It was also driven home the need to foster investor confidence by providing investors with transparent financial and non-financial reports crucial to assessing risks for decision-making.

ISAR, at its twenty-fourth session, elected Mr. Ato Ghartey, President of the Institute of Chartered Accountants of Ghana, as Chair, and Ms. Tatiana Yefymenko, Deputy Minister of Finance of Ukraine as Vice-Chair-cum-Rapporteur.

Practical implementation issues of International Financial Reporting Standards

Officer-in-Charge of the Enterprise Development Branch, Nazha Benabbes Taarji-Aschenbrenner, introduced the main agenda item of the twenty-fourth session of ISAR: a review of practical implementation issues of International Financial Reporting Standards. The year 2005 had marked a watershed in the history of international financial reporting and an unprecedented number of enterprises and countries have adopted those standards since then. The number of jurisdictions that either require or permit use of International Financial Reporting Standards has grown to over 100. ISAR has been deliberating on the practical implementation issues of International Financial Reporting Standards since its twenty-second session, and at its twenty-third session had reviewed country case studies covering Brazil, Germany, India, Jamaica and Kenya.

Discussions on the main agenda item were facilitated by three panel presentations. The first panel was composed of Mr. Ulf Linder, Deputy Head, Accounting Unit, European Commission; Mr. Erik van der Plaats, Senior Financial Management Specialist, World Bank; Mr. Peter Clark, Senior Project Manager, International Accounting Standards Board; and Mr. Jim Sylph, Executive Director, Professional Standards, International Federation of Accountants.

During his presentation, Mr. Linder described the endorsement mechanism through which International Financial Reporting Standards were accepted in the European Union. He also outlined the impact assessment study carried out by the European Commission as part of the considerations for endorsement of International Financial Reporting Standard 8 – Segment Reporting. Mr. van

der Plaats discussed the main findings of the assessment performed by the World Bank since 2001 on countries' observance of international codes and standards on accounting and auditing. In addition to proper accounting and auditing standards, a robust financial reporting infrastructure required a number of other pillars, including a statutory framework, monitoring and enforcement, education and training, and professional ethics.

Mr. Clark's presentation highlighted developments in Brazil, Canada, India, Japan, the Republic of Korea and the United States of America with respect to convergence towards International Financial Reporting Standards. He discussed challenges facing the International Accounting Standards Board, such as maintaining support for an independent, international standard-setting process, adopting and applying International Financial Reporting Standards consistently and achieving principles-based standards.

Mr. Sylph discussed the activities of the International Auditing and Assurance Standards Board. The Board's Clarity Project, to be completed by year's end, was aimed at redrafting the International Standards on Auditing in a style that would promote consistent standards implementation. Mr. Sylph stressed the need to strengthen all aspects of the financial reporting supply chain, including the International Standards on Auditing.

The second panel discussion focused on country case studies in relation to the practical implementation of International Financial Reporting Standards. During the period between the twenty-third and twenty-fourth session of ISAR, country case studies covering Pakistan, South Africa and Turkey were prepared to facilitate ISAR's deliberations on this topic. During their respective presentations on the country case studies, the panellists provided an overview of the

state of implementation of International Financial Reporting Standards, the regulatory framework, enforcement, capacity-building issues, auditing and lessons learned in the implementation process.



Jim Sylph, Executive Director, Professional Standards, International Federation of Accountants, addressing the twenty-fourth session of ISAR.

Furthermore, the panel discussed the report, *EU Implementation of IFRS and the Fair Value Directive*, prepared by the Institute of Chartered Accountants in England and Wales for the European Commission. The study concluded that implementing International Financial Reporting Standards in the European Union had been challenging but worthwhile; it had resulted in improved comparability and quality of financial reporting in the European Union. The study included a review of 2005 financial statements of 200 companies registered in the European Union. The areas of financial reporting for which companies incurred significant costs were drafting of financial statements, derivatives, pensions, financial instruments and revenue recognition. According to the study, financial reporting by entities in the insurance and extractive industries sectors required further improvements.

The Chief of the Accounting Methodology Division of the Ministry of Finance of Ukraine discussed the application of International Financial Reporting Standards in Ukraine. She provided background information on the process of introducing International Accounting Standards in her country dating back to 1998 and outlined progress achieved since, emphasizing practical implementation issues.

The third panel discussion on the practical implementation of International Financial Reporting Standards facilitated deliberations on proposals to revise the Accounting and Financial Reporting Guidelines for Small and Medium-sized Enterprises – Level 3 Guidance (SMEGA Level 3) issued by ISAR in 2003. At its twenty-third session, ISAR had requested the UNCTAD secretariat to reconvene a consultative group with a view to proposing revisions on SMEGA Level 3. The panel was composed of some members of the consultative group that drafted proposals for revising SMEGA Level 3. Participants had extensive discussions on the proposals and panellists responded to various comments and questions.

Concluding its deliberations on the main agenda item, ISAR asked the UNCTAD

secretariat to prepare for publication a summary of lessons learned in the practical implementation of International Financial Reporting Standards by reviewing the country case studies that had been discussed at ISAR's twenty-third and twenty-fourth sessions. ISAR also requested the secretariat to continue its studies on practical implementation issues relating to International Financial Reporting Standards. With respect to accounting by small and medium-sized enterprises, ISAR requested the UNCTAD secretariat to reconvene a consultative group with a view to finalizing and distributing for comments an updated SMEGA Level 3 as soon as possible.

Other business: ISAR considered draft guidance on corporate responsibility reporting in corporate annual reports and findings of surveys of corporate governance disclosure.

Guidance on corporate responsibility indicators in corporate annual reports

At its twenty-fourth session, ISAR continued deliberations on draft guidance on corporate responsibility indicators in annual reports. A panel of experts discussed the background documen-



Left to right: Mokhethi Moshoeshoe, Ambreen Waheed and Michael Kelly during the panel discussion on corporate responsibility reporting.

tation. Panellists highlighted the economic development orientation of many of the selected indicators. Concluding their deliberations on this agenda item, participants agreed that the guidance contained in the report could be a useful tool for promoting improved communication with stakeholders and for enhancing positive corporate contributions to host developing countries. The session asked the UNCTAD secretariat to prepare the guidance report for publication and to disseminate it as widely as possible.

Corporate governance disclosure

ISAR, at its twenty-fourth session, considered three surveys: the 2007 Review of the Implementation Status of Corporate Governance Disclosure, an inventory of disclosure requirements in 25 emerging markets, and country case studies of China and Egypt. The 2007 review indicated that nearly all of the 25 emerging markets covered in the survey required disclosure of more than half of the 53 items in the ISAR benchmark on good practices in corporate governance disclosure. During the panel discussion, speakers highlighted a number of key issues in corporate governance disclosure, including the role of corporate governance disclosure requirements in the development of stock exchanges and capital markets; the challenge of and need for measuring the quality of corporate governance disclosure; the need to provide guidance for small and medium-sized enterprises on this subject; and the increasing integration of environmental and social issues into the broader corporate governance framework. The twenty-fourth session called

upon the UNCTAD secretariat to continue its work in this area.

Workshop on financial reporting and transparency in the extractive industries

On the eve of the twenty-fourth session of ISAR, i.e. on 29 October 2007, the UNCTAD secretariat organized a workshop on financial reporting and transparency in the extractive industries. In his opening remarks, Dr. Supachai Panitchpakdi, Secretary-General of UNCTAD, said that improving financial reporting and accounting in the extractive industries was key to promoting greater transparency. The question of how to effectively account for and manage potentially large revenues from the extraction of natural resources continues to demand attention. More than 130 people took part in the workshop.

Speakers included experts from resource-rich developing countries, including Brazil, the Democratic Republic of the Congo, Kazakhstan, Nigeria, South Africa and Timor-Leste. A representative of the Extractive Industry Transparency Initiative provided an update on the progress of signatory States.

Representatives from the International Accounting Standards Board and the International Federation of Accountants provided technical updates on International Financial Reporting Standards and International Standards on Auditing, respectively. The *World Investment Report 2007* focused on extractive industries. A member of UNCTAD's *World Investment Report* team shared highlights of the Report with participants.



Speakers at the event (from left to right): Mark Walsh, Canadian Accounting Standards Board; Francisco Paris, Extractive Industries Transparency Initiative, André Foko Tomena, Ministry of Finance, Democratic Republic of the Congo.

It was clear from the workshop discussions that a comprehensive International Financial Reporting Standard applicable to enterprises engaged in extractive activities had yet to be developed. As a result, financial statements of enterprises engaged in extractive activities become more difficult to compare.

Securities and Exchange Commission to allow foreign registrants to file International Financial Reporting Standards financial statements without 20-F

In mid-November 2007, the Securities and Exchange Commission of the United States of America decided to allow non-US companies with securities listed in the US to file their International Financial Reporting Standards financial statements with the Securities and Exchange Commission without providing reconciliation to US generally accepted accounting principles.

Announcing the Securities and Exchange Commission's unanimous vote to eliminate the reconciliation requirement, Securities and Exchange Commission Chair Christopher Cox said, "...consistent application of international accounting standards will help the two thirds of US investors who own foreign securities to understand and draw better comparisons among investment options

than they could with a multiplicity of national accounting standards".

This development will have a major bearing on the convergence of financial reporting around the world. Sir David Tweedie, Chair of the International Accounting Standards Board, said that the Board was delighted that the US Securities and Exchange Commission had decided to allow non-US issuers to file under International Financial Reporting Standards without the need for reconciliation to United States generally accepted accounting principles. "The International Accounting Standards Board remains strongly committed to its joint work with the US Financial Accounting Standards Board set out in the Memorandum of Understanding in February 2006 in order to achieve our goal of providing the world's integrating capital markets with a common language for financial reporting", he stated. To be eligible for filing financial statements with the Securities and Exchange Commission without the reconciliation requirement, the statements need to be prepared in accordance with the English version of the International Financial Reporting Standards issued by the International Accounting Standards Board.

For further information visit www.sec.gov

New International Accounting Standards Committee Foundation Chair appointed

In October 2007, the Trustees of the International Accounting Standards Committee Foundation announced the appointment of Mr. Gerrit Zalm as Chair of the Trustees. Mr. Zalm had previously served as Deputy Prime Minister and Finance Minister of the Netherlands and will assume the Chair on 1 January 2008.

The first Chair of the Trustees, serving until 2005, was Mr. Paul Volcker, former Chair of the United States Federal Reserve Board. His successor was Mr. Tommaso Padoa-Schioppa who stepped down when he became Finance Minister of Italy in May 2006.

European Union adopted International Financial Reporting Standard 8

In November 2007, the European Union adopted International Financial Reporting Standard 8, Operating Segments. The standard, issued by the International Accounting Standards Board in November 2006, will become effective on 1 January 2009. The European Union conducts an endorsement process prior to adopting International Financial Reporting Standards issued by the International Accounting Standards Board.

International Accounting Education Standards Board issued guidance on ethics education and information technology knowledge

In October 2007, the International Accounting Education Standards Board of the International Federation of Accountants issued two new International Education Practice Statements with a view to assisting members, associates and other educators in developing ethics education programmes and in implementing the information technology knowledge component of a professional education programme.

International Education Practice Statement 1, Approaches to Developing and Maintaining Professional Values, Ethics and Attitudes, provides guidance to members and associates of the International Federation of Accountants on how to achieve good practice in developing and maintaining professional

values, ethics and attitudes in accordance with the requirements in International Education Practice Statement 4, Professional Values, Ethics and Attitudes. It identifies a number of methods for the delivery of ethics education, stressing the importance of workplace learning and assessment. It also identifies continuing professional development as a means for member bodies to ensure that professional accountants continue to develop professional values, ethics and attitudes throughout their careers.

International Education Practice Statement 2, Information Technology for Professional Accountants, outlines the knowledge and skills necessary to prepare professional accountants to perform competently in the information technology environment. All professional accounting candidates are expected to have a knowledge and understanding of at least one of three roles – manager, evaluator or designer of information systems, or a combination thereof. The practice statement identifies the competency factors that member bodies of the International Federation of Accountants can include in the information technology knowledge component of prequalification professional accounting education programmes. It also provides guidance on teaching and assessing information technology at the prequalification stage, as well as implementing post-qualification development of information technology knowledge and competences.

“The new practice statement addresses the ongoing challenge that professional accountants worldwide experience – that of maintaining competence to keep pace with the rapid changes occurring in the information technology environment,” emphasizes Mr. Henry Saville, Chair of the International Accounting Education Standards

Board. “The guidance provides details of the knowledge and skills required of professional accountants in the information technology environment to prepare them to use information technology, work in the information technology environment and rely on information technology.”

The two practice statements can be downloaded free of charge from the International Federation of Accountants’ online bookstore at <http://www.ifac.org/store>.

International Auditing and Assurance Standards Board seeks new Chair

In mid-November 2007, the International Auditing and Assurance Standards Board of the International Federation of Accountants announced its search for a new Chair. According to the announcement, one of the Chair’s primary responsibilities will be to promote and develop a greater understanding of the Board’s strategy and objectives

with key stakeholders. The Chair provides leadership in the development of international standards and in the implementation of the Board’s strategy by promoting its International Standards on Auditing as a global benchmark for audit quality.

Further information can be accessed at www.iaasb.org.



Experts at the twenty-fourth session of ISAR.

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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