Regulatory and institutional foundations for high-quality corporate reporting

Presented by

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Beyond ‘National’
An Auditor’s Perspective on Implementing High Quality Corporate Reporting

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1 November 2012
Background

**The Objective: High-Quality Corporate Financial Reporting**

- Working with clients applying IFRS
  - Widespread use of common financial reporting standards
  - Evolving standards
  - Complex business environment

- Performing consistent high-quality audits

**The Deloitte Network**
High-Quality Corporate Financial Reporting

- Global Accounting Standards
- Management Judgments
- Audits
- Regulation
Effective Global Accounting Standards

Governance and accountability

Independence

Due process

High-quality, principles-based

• Global CEOs’ Statement on Principles-Based Accounting Standards:
  • Faithful presentation of economic reality
  • Responsive to users’ needs for clarity and transparency
  • Consistency with a clear conceptual framework
  • Based on an appropriately-defined scope, addressing a broad area
  • Written in clear, concise and plain language
  • Allows for the use of reasonable judgement
Effective framework for management judgments

What makes a good judgment?
• Sufficient evidence obtained
• Due care exercised
• Made in good faith and unbiased
• Reasonable given the circumstances

Challenge is removing biases from judgments

More critical thinking and questioning
• Understand reason and economics of transaction
• Look at transactions from different points of view
• Consider alternatives with pros and cons
• Consider an alternative opposite to a preferred choice
• Involve a designated expert group
Effective Audits

Consistent practices
• Global policies
• Tools for practitioners
• Robust internal review

Independence

Working globally to develop and communicate robust IFRS positions
• Cooperation between technical and practitioners
• Fully informed of relevant local considerations
• Principles-based and adaptable
• Definitive where necessary
• Communication internally and externally
  – Equipping staff and clients with appropriate knowledge
  – Enabling engagement partners to make informed decisions
• International resources, adaptable to local circumstances

Encouraging consultation and cooperation
Effective Regulation

The system works best when regulators work together

• Input on standard-setting processes
• Communication and cooperation in review and enforcement of public filings
  – Opportunity to build a strong foundation
  – Widespread acceptance of IFRS is still in infancy
• Collaboration in auditor oversight