Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR)

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Afternoon Session

Regulatory and institutional foundations for high-quality corporate reporting

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ISAR 29th Session

Capacity Building Framework for high quality corporate reporting
Pilot Test of the Assessment Questionnaire in Vietnam

Presenter: Van Tan-Hoang Vo
Summary of the pilot test

- Pillar A – Legal & Regulatory Framework is fairly low;
- Pillar B – Institutional Framework: Vietnam’s big effort to catch up to the standard requirement;
- Pillar C – Human Capacity and D – Capacity building process: Relative good, resource is being built up to upgrade reporting system.
- “Yes/No” question is not appropriate;
- Lack of reflection on the level of the enforcement of the regulations in reality;
- The scoring system does not account for the importance of the question;
- Opinion-based questions would force a large number of people to answer to come up with a proper answer.
Benefits and Lessons

**Outcomes**

- Identify the gap of national reporting system;
- Assess the progress of approaching to high quality corporate reporting system;
- Help regulators build up the road map to comply with the questionnaires.

**Lessons**

- Better coordination with Universities;
- Design one fundamental unit in charge of updating international standard & translation into local language;
- Authority entities (MOF,...) attend more critically in updating int. standard.
Corporate Reporting in Vietnam
Accounting Standard (VAS)

– not allow for the revaluation of assets and liabilities according to their fair value;

– Lacking of following standards compares to IFRS:
  • Employee benefits,
  • Accounting for Government Grants and Disclosure of Government Assistance,
  • Accounting and Reporting by Retirement Benefit Plans,
  • Financial Reporting in Hyperinflationary Economies,
  • Financial Instruments: Disclosures, Recognition and Measurement
  • Impairment of Assets,
  • Agriculture,
  • First-time Adoption,
  • Share-based Payment,
  • Non-current Assets Held for Sale and Discontinued Operations,
  • Exploration for and Evaluation of Mineral Resources.
– Match the business practice in Vietnam and the needs for information required;
– Follow international best practices and standards on accounting;
– Use intelligible language for other enterprises’ stakeholders can understand;
– More focus on other supplementary information in the financial statements;
– Increase the use of fair value.
Corporate Reporting in Vietnam Auditing Standard (VSA) (cont.)

Current Status

- Occasionally incompliance with independence rules as set out in the Professional Conducts;
- Several auditors/auditing firm did not strictly follow the procedures as set out in ISA 240 – Obligation of auditor in reviewing fraud risk;
- Some auditing firms do not have detail audit manual;
- Lacking in obtaining essential audit evidences.
– Filling the gap with current international standards;
– Strengthening independence rules as set out in the Professional Conducts;
– Reinforcement audit firms strictly follow procedures set out in ISA 240;
– Detail audit manual & audit evidence.
Institutional Framework to develop

• **Professional education and training:**
  – More focusing in international good practice and IFAC education standards in teaching of accounting & auditing;
  – Strengthening the mechanism to screen the suitability of practical training providers or to monitor the quality of practical training provided;
  – Focusing on practical issues of the continuing professional development (CPD) program;
  – Requirements for auditors in Vietnam to be updated more frequently in lines with the international educational standards issued by IFAC.
Institutional Framework to develop (cont.)

• **Mechanism for setting Accounting & Auditing Standards:**
  
  — Current situation:
  
  - MOF as accounting & auditing standard setting body;
  - 26 accounting standards & 37 auditing standards been issued;
  - National Accounting Committee as consultative party.

Necessary of more input from wider range of stakeholders (including the profession and accounting and auditing practitioners)
Institutional Framework to develop (cont.)

- **Ensuring Compliance with Accounting & Auditing Standards:**
  - Prescribing adequate legal sanctions for noncompliance with accounting and auditing standards;
  - Raising awareness of companies’ management of their responsibilities for ensuring that financial statements present a true and fair view;
  - Improving monitoring capacity of various bodies;
  - Getting more assistance from external auditors in guarding against noncompliance with accounting and financial reporting requirements.
Recommendation

For questionnaires:

• Appropriateness of “Yes/No” type of question for country on the development phase like Vietnam;
• More detail guidance of the benchmark for opinion-based questions;
• The weights that represent the importance of the questions, sections.
For improvement in Vietnam:

• The issuance of corporate governance code;
• Compliance to existing corporate governance regulations and the coming governance code;
• Reinforcement of application of auditing standards amongst audit firms;
• Formal processes and tools for the quality control units & staff;
• Issuance of Accounting standards to catch up with IFRS;
• PR accounting & auditing associations.
Thank you!