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

29th SESSION
31 October – 2 November 2012
Room XIX, Palais des Nations, Geneva

Wednesday, 31 October 2012
Morning Session

Regulatory and institutional foundations for high-quality corporate reporting

Presented by

Liam Coughlan
Senior Financial Management Specialist of The World Bank

This material has been reproduced in the language and form as it was provided. The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.
Regulatory and institutional foundations for high-quality corporate reporting

perspectives and examples

Liam Coughlan, World Bank

UNCTAD ISAR 29th Session Panel 31st October 2012
Outline of short presentation

- **Objectives and outline of presentation**
  - WB Financial Management Strategy and CFRR activities in supporting these goals (by example)
  - Challenges in building national mechanisms to support consistent application of international standards
  - Role for international institutions to address gaps in regulatory and institutional settings at national level
Brief review of World Bank FM strategy

• WB global mission is to *combat poverty* with passion and professionalism.

• FM a critical component of our work:
  
  – Developing CFR (*economic growth, competitiveness*)
  – Fiduciary (*reasonable assurance on use of WB funds*)
  – Developing country FM systems (*fiscal stability*)

• These areas connected, but each involves distinct set of issues

• Money alone will not solve development and reform challenges: partnerships critical
Corporate financial reporting (CFR)

• Financial and economic crisis – **scarce resources** to support CFR reform efforts
• Yet the crisis has produced responses focusing on more regional/global **approaches**, greater **rigor** and improved **support systems**
• Yet **not all** challenges in CFR can be solved with money alone
• Leverage, partnership, collaboration, cooperation and ownership **more important than ever** for partner countries in implementing reforms
• PAOs (public interest) offer **sustainability**
World Bank CFR activities – examples from Europe/Central Asia region
1. **Vienna CFRR focuses on Corporate Financial Reporting Reforms**, from development and transposition (REPARIS) to effective implementation (FRTAP) and new pipeline FBS initiatives in cooperation with EC and bilateral donors.

2. **Holistic approach emphasized**: CFR relevant to sustainable, inclusive economic integration with European, ENA and global economy

3. **Underpinned** by globally recognized analytical work (such as ROSC A&A)

4. **Delivered in partnership** peer and shared learning, mutually supporting goals (e.g. IASB)
Reminder: why world class FR matters

Growth and employment generation

Improved public administration

Financial stability and development

Investors

Banks

Tax authorities

Financial sector regulators

Statistics office

Reliable, transparent and comparable accounting and financial reporting

Public at large

While avoiding undue costs
Challenges - implementation
Preparers of the F/S
(Joint stock companies, other enterprises)

FR standards

Accounting standard setter

Investors, lenders, other F/S users

Company Register

Auditor

Prof. standards
Registration
Quality control
Discipline

Public Oversight System

Financial-sector regulator(s)

Statistics agency

Tax Authority

Regulation / oversight

Professionals accountancy organization(s)

Audit report
Challenges – implementing standards

- Language: not all stakeholders even within same countries necessarily speak with the same voice
- Efficient *policy instruments* (laws)
- Effective *institutional arrangements*
- Adequate demonstrated *ownership*
- Sufficient *human capacity* to make systems work
- Regulatory *co-ordination and co-operation*
- *Fragmentation* – within stakeholder groups
- Resources
Challenges for all stakeholders here

• **CFR matters** for economic development, job creation, fiscal and financial stability. Communication of this message is vital.

• **Need for real support** (financial and human) for effective public oversight, primarily from stakeholders

• **QA needed for credibility** of all audit and assurance/public interest work

• **International recognition** needed for the whole system of CFR

• **Stakeholders cannot wait on the sidelines**, or promote the vested interest over the public interest

• **Global repository** of lessons learned, successes achieved, approaches tried and tested and goodwill, opportunities for cooperation, collaboration and leverages may be exploited further
Final thoughts
Small but not alone

• **International organizations** have excelled at identifying problems, challenges and opportunities

• **Move to delivering solutions** that are relevant, tailored, inclusive, holistic and achieve goals of CFR

• **MOSAIC an example** of donor and IFAC commitment to goals of CFR reforms, and *requires all* to speak to needs of country, and contribution to economic goals

• **UNCTAD ADT** needs to find its space, with *clarity of purpose, method, outputs* and *benefits*

• **CFRR** pleased to work with partners here to explore ways in which WB experience may contribute towards further development of the goals of UNCTAD-ADT.
worldbank.org/cfrr

World Bank CFRR