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

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Morning Session

Capacity-building framework for high quality corporate reporting
Pilot-test assessment
BRAZIL

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Capacity-building framework for high quality corporate reporting
Pilot-test assessment
BRASIL

2013

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## Background

- Roundtable: 2011
- 1st Pilot test: 2012
  - Individual answers - highly qualified
  - Meeting to present the results
  - No room to look for consensus
  - Main outcomes:
    1. Suggestions to improve the questionnaire;
    2. Expertise to deal with peculiarities of the country in data collection and processing
2013 – 2nd pilot test
What we did

What we did – Institutional invitations (Accounting body)
- Individual support (consultants)
- Responses
- Data treatment

Selection of key stakeholders
New Portuguese version of the questionnaire

REPORTS

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Capacity-building framework for high quality corporate reporting
Pilot-test assessment - Brazil
What we did

- large geographical distances/no budget for travel; Skype, email and phone calls support during data collection; Acctg body support - logistics

- Quantity and diversity of academic stakeholders Invitations addressed to the masters and doctorate - "multipliers"

- Language barrier Brazilian Portuguese version
What we did

- Difficult getting answers
  - No widespread interest;
  - Time and staff constraints from respondents;
  - “Fear” / impossibility to issue institutional responses

✅ Previous personal contacts, visits, phone calls

✅ 53 selected entities

✅ 12 responses + 1 entity that only attended the roundtable (didn’t send answers previously)

✅ 29 representatives attended the roundtable
What we did

Data collection: institutional answers

- **A**: 10
- **B**: 6
- **C**: 7
- **D**: 12

Addendum: 4
What we learnt

Limitations:

• Absence of some groups of stakeholders (although invited);
• Impossibility to broadly address academics;
• Lack of legal source for some questions – subjectivity
What we learnt

Strong aspects

- Financial reporting: IFRSs adoption *(de jure e de facto)* for listed companies, and other regulated (e.g. Banking, insurance etc.);

Some exceptions: e.g. Hyperinflation – higher quality of local standard
What we learnt

Strong aspects

- Auditing standards and licensing of auditors – maturity and strong regulation
- Regulation and supervision of accountants – professional accountancy organization and regulatory agencies
- Continuing professional development – mandatory for auditors, available for accountants
- Accounting technicians - being discontinued
- Practical experience requirements for auditors
What we learnt

Potential areas for action plans

Human capacity:
- significant quality differences among undergraduate programs (1,300+ programs)
- low percentage of approval in the certification exam
- underdevelopment of skills and competencies can seriously compromise the application of quality standards: e.g. professional judgment, communication, professional scepticism
- problems may stem from deficiencies in elementary and high school?
What we learnt

- Potential areas for action plans

  - SMEs reporting: *de jure* vs. *de facto* – difficult to implement and monitor IFRSs

  - Sustainability and corporate governance issues: still voluntary for several topics – adoption usually restricted to large and/or listed companies

  - Knowledge of aspects of ethical and professional behavior in part dependent upon the accounting bodies – need for more dissemination and enhance enforcement
What we learnt

- Potential areas for action plans
  - IESBA Code of Ethics: local adoption in progress
  - Public sector: IPSAS effective adoption – probably a long way; local peculiarities need to be addressed
  - Pillar D: negative answers – too early to address it
Next steps

- Eventually to create a multi-institutional group – coordination?

- Try to involve more institutions

- Disseminate the results and provoke debate
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