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

33rd SESSION
4 - 6 October 2016
Room XVIII, Palais des Nations, Geneva

Tuesday, 4 October 2016
Afternoon Session

Agenda item 3. Practical implementation of compliance monitoring and the enforcement of accounting and audit requirements for high-quality reporting

Presented by

Tetiana Iefymenko
President
Academy of Financial Management, Ministry of Finance, Ukraine

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.
MONITORING OF COMPLIANCE AND ENFORCEMENT FOR HIGH-QUALITY CORPORATE REPORTING (MCE): GUIDANCE ON GOOD PRACTICES

Dr. Tetiana Iefymenko
President
of the State Educational and Scientific Institution «Academy of Financial Management» under the Ministry of Finance of Ukraine, Ph.D. in Economics, Professor, Corresponding Member of the National Academy of Sciences of Ukraine

Dr. Liudmyla Lovinska
Deputy Director
of the Financial Research Institute of the State Educational and Scientific Institution «Academy of Financial Management» under the Ministry of Finance of Ukraine, Ph.D. in Economics, Professor
Current challenges and risks for transition economies

**Monitoring of compliance and enforcement for high-quality corporate reporting** is a tool to overcome challenges and reduce risks faced by transition economies.

**Challenges in corporate reporting***

1. Growing audience for corporate reporting
2. Content of corporate reporting (integrated, non-financial, governance reporting etc.)
3. Policy making and innovation in corporate reporting

**External risks for countries***

1. Financial risks
2. Risks of rapid integration into the international financial markets
3. Interest rate risk


* Trade and Development Report, 2016. UNCTAD, p. 17
Criteria for MCE

Criteria:
- Full disclosure
- Compliance with accounting rules
- Compliance with auditing standards
- Compliance with non-financial information disclosure standards
- Compliance with professional requirements

International organizations:
- OECD, IOSCO, ESMA
- IFAC, IASB, IPSASB, UNCTAD-ISAR, EFAA, FEE
- IFIAR, IAASB, COSO, IIA, EFAA
- GRI GSSB, CDSB, IIRC
- IAESB, IESBA

Academy of Financial Management, Ukraine
The issues of the MCE system in Ukraine

Monitoring of compliance
- monitoring of the reliability of information ✓
- monitoring of compliance with accounting rules ✗
- monitoring of compliance with auditing standards ✓
- monitoring of non-financial information ✗

Enforcement
- sanctions for unreliable disclosure ✓
- sanctions for non-compliance with accounting rules ✗
- sanctions for non-compliance with auditing standards ✓
- sanctions for non-compliance with the rules for non-financial information ✗
- mandatory certification of accountants ✗
- mandatory certification of auditors ✓

✓ — implemented in Ukraine
✗ — not implemented in Ukraine
## Factors influencing the choice of an MCE organizational and funding model

- Transformation of the economy
- High level of shadow economy
- Inadequate financial discipline of business entities
- A lack of transparency in the movement of financial flows
- Insufficient interest of business entities to conduct MCE
- Risks of shadow economy and reducing profitability of business entities if additional fees are charged to fund an MCE authority
- Need to ensure the independence of an MCE authority from business entities to be reviewed
Changes to the Guidance

Changes to the content of the Guidance
- New MCE principles added
- MCE and Sustainable Development Goals linked
- Country information on MCE practices updated

Changes to the structure of the Guidance
- Guidance chapter structure unified
- Text presentation improved
Proposals to the Guidance

- Provide additional information on the regulation and reporting of payments to governments
- Provide information about best practices not only by MCE element but also by country
- Emphasize the importance of taking into account the scale of the economy in reforming the accounting and audit system

- Reporting on payments to governments (Chapter III, p. 3.2)
- General schemes of the MCE by country (Annexes)
- Considering the scale of the economy (Chapter II, p. 2.2)
- Improvements in the layout and wording of the Guidance
Relationship between MCE and ADT

MCE Guidance

I. Introduction and background
II. Conceptual framework for the monitoring, compliance and enforcement system
III. Specific issues related to the MCE of corporate reporting requirements
IV. MCE requirements for auditing and quality assurance
V. MCE requirements for professional accountants

ADT Pillars

A. Legal and Regulatory Framework
B. Institutional Framework
C. Human Capacity
D. Capacity-Building Process
Public Sector (addendum)
Organizational Proposals

- Assess the state of accounting and auditing, as well as the effectiveness of the MCE system in the countries that are reforming the corporate reporting by using ADT on an annual basis.

- Organize regular meetings to discuss the results of the annual assessment by the ADT that will form the basis for the improvement of theoretical and methodological provisions of the MCE and relevant amendments to the Guidance.

Accounting Development Tool

Regular meetings of representatives of countries that are building an MCE system

Academy of Financial Management, Ukraine
Thank you!