ISAR 33

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

Tatiana Krylova,
Head, Enterprise Branch,
Division on Investment and Enterprise,
UNCTAD
Practical implementation of standards is necessary in order to maximize the benefits of a high-quality reporting environment.

An effective system of monitoring of compliance and enforcement (MCE) provides a solid foundation for financial stability and sustainable development.

The overall objective of the MCE system is to strengthen the corporate reporting infrastructure to ensure high quality of reporting which meets needs of its users.
Guidance Development

- At ISAR 31, member States requested that UNCTAD prepare a **guidance on MCE**.
- It takes into consideration the feedback from **ISAR 32**, results of the application of **Accounting Development Tool (ADT)** in a number of countries, and **five case studies** prepared for Australia, Belgium, Canada, Germany and the United Kingdom.
- **Consultative group meetings** organized in June 2015 and April 2016 provided additional inputs on the working paper.
- **Output**: Monitoring of Compliance and Enforcement for high quality reporting: Guidance on good practices.
- **ISAR 33 discussions** will be considered for finalization and publication of the document.
Members of the Consultative Group on MCE

- Mario Abela (Gather, United Kingdom)
- David Barnes (Deloitte LLP, United Kingdom)
- Vania Maria da Costa Borgerth (BNDES, Brazil)
- Jonathan Bravo (IOSCO, Spain)
- Stuart Diack (Deloitte LLP, United Kingdom)
- Martijn Duffels (IFIAR, Netherlands)
- Bruce Eastman (ACCA, United Kingdom)
- Reto Eberle (Swiss GAAP FER, Switzerland)
- Gerard Ee (Institute of Singapore Chartered Accountants, Singapore)
- Brigitte Eierle (University of Bamberg, Germany)
- Marek Grabowski (IAASB, United States)
- Karen van Hulle (Public Interest Oversight Board, Belgium)
- Tetiana Iefymenko (Academy of Finance of the Ministry of Finance, Ukraine)
- Mats Isaksson (OECD, France)
- Sha Ali Khan (ACCA, United Kingdom)
Members of the Consultative Group on MCE

- Linda Lach (IFAC, United States)
- Valerie Leduc (European Commission, Belgium)
- Liudmyla Lovinska (Academy of Finance of Ministry of Finance, Ukraine)
- Michel Magnan (Concordia University, Canada)
- Helen McDonald (Deloitte LLP, United Kingdom)
- Jim Obazee (Financial Reporting Council, Nigeria)
- Titus Osawe (Financial Reporting Council, Nigeria)
- Gary Pflugrath (IFAC, United States)
- Kurt Ramin (KPR Associates, Germany)
- Leonid Schneydman (Ministry of Finance, Russian Federation)
- Nigel Sleigh-Johnson (The Institute of Chartered Accountants in England and Wales, United Kingdom)
- David Szafran (Law Square, Belgium)
- Ann Tarca (University of Western Australia, Australia)
- Michael Walsh (ACCA, United Kingdom)
Key guiding principles

- Public interest focus
- Independence
- Transparency and accountability
- Confidentiality
- Proportionality
- Cooperation and coordination

- These principles span core elements of MCE: legal requirements, governance mechanisms, activities and methodologies, staff competency, funding, and impact assessment.
Objective: to provide guidance to relevant policy makers and other stakeholders in the area of corporate reporting on the key elements of an efficient MCE system, identifying the main challenges to be addressed and sharing international good practices.

The current guidance highlights the three key areas of the MCE system:

1. **Corporate reporting requirements:**
   (International) standards in financial and non-financial corporate reporting

2. **Auditing and quality assurance:**
   Refers to the compliance with rights and duties of statutory auditors

3. **Professional accountants:**
   Qualifications of reporting cycle professionals in their work
Major challenges

- **Complexity** of MCE system
- **Inter-dependence** with institutional and legal settings
- Lack of awareness of **good practices**, especially in **developing** country contexts
- Resource inadequacy in both **funding** and **staffing**
- Diverse methodologies in **inspection** and **selection**
- Holistic **impact assessment** of MCE
Specific issues

• **Non-financial reporting** is increasingly important and valued by investors and other stakeholders.

• The **public sector** plays an important role in some economies. Despite standards (e.g. IPSAS), no consensus on this area of reporting.

• **SMEs** critical to growth and sustainability, and reporting is linked to access to finance.

  (Issues in education and cost effectiveness of MCE)
Issues to discuss

• Should other principles be considered in the draft guidance?
• What staffing and funding arrangements are needed to ensure an efficient MCE system without compromising its independence, especially in countries that lack resources?
• What specific challenges need to be taken into consideration in MCE for non-financial reporting, or reporting by SMEs and the public sector? What about microenterprises?
• What are some good practices for capacity-building, including with regard to human resources, in order to ensure an effective MCE system?
• How can ISAR further contribute to the work on MCE for high-quality reporting?
• Other issues and suggestions?