

---

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

**29<sup>th</sup> SESSION**

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

Thursday, 1 November 2012  
Afternoon Session

**Regulatory and institutional foundations for high-  
quality corporate reporting**

Presented by

Gert Karreman  
Professor at the Leiden University, The Netherlands

*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.*

---

# UNCTAD – ISAR Capacity Building Peer Review Perspectives Geneva, November 2012

Prof Dr Gert H. Karreman



Universiteit Leiden  
The Netherlands

# Pillars for Capacity Building

## UNCTAD ISAR Capacity Building Initiative:

- Pillar A: Legal and Regulatory Framework
- Pillar B: Institutional Framework
- Pillar C: Human Capacity
- Pillar D: Capacity Building Process

Pilot countries have reported results of their analysis. They have identified key local organizations that were involved in the exercise. Results are important for understanding present achievements and future needs.

Focus UNCTAD ISAR 29 is on Pillars A and B

# Peer Review Comments

Comments based on participation in three peer reviews and as a member of the UNCTAD ISAR Consultative Group

Subjects to discuss:

- Peer review observations
- Participation of key stakeholders
- Observations on Pillars A, B and C
- Measurement issues
- Concluding remarks



# Peer Review Observations

Each peer reviewer will review the country report and provide guidance on subjects identified by the UNCTAD secretariat.

Question: Is working with individual reviewers the best possible approach?

Confidentiality is guaranteed, but each reviewer in a team has specific complementary expertise that in the present procedure is not combined in an overall evaluation.

Country respondents should have the benefit of full access to review results. To promote understanding cooperation in my opinion is more important than **confidentiality.**

# Stakeholder Participation

Pilot countries achieved excellent results in getting participation from all or almost all key national stakeholders. This in itself is an excellent result as very often there is little coordination in different areas for country development.

The accountancy profession plays a crucial role in capacity building for countries. This goes beyond the subjects covered in Pillar A and Pillar B as human capacity is crucial for development in all areas of the financial infrastructure.

The accepted basis for stakeholder participation is compliance with applicable International Standards and Codes.

# Pillar A, Legal and Regulatory Framework

In general the answers in Pillar A provide a comprehensive overview of the legal and regulatory framework in a country.

Additional attention could be given to the following subjects:

- **Distinction between adoption and implementation:** It is not always clear whether a legal requirement also means that the requirement is actually followed.
- **Substantial equivalence:** The assumption that local standards are fully equivalent to for example IFRS could be too optimistic.
- **The questionnaire can be simplified** as there is some redundancy.

# Pillar B, Institutional Framework

In general the answers in Pillar B provide a comprehensive overview of the institutional framework in a country.

Additional attention could be given to the following subjects:

- With the exception of the information about the Professional Accountancy Organization (PAO), the information is quite general. There is little attention for assuring actual compliance.
- For the PAOs, compliance with the IFAC Statements of Membership Obligation (SMO) is considered. This may be too limited as SMOs are not mandatory on a country level.



# Pillar C, Human Capacity

The emphasis in Pillar C is on capacity and requirements. Some considerations for further discussion are given here.

- It is difficult to assess whether existing capacity is adequate. For example there could be enough accountants and auditors but, due to increasing demands, there could be important gaps in available competences and capabilities.
- It is encouraging that often International Education Standards are followed. However, there is always a time lag between their adoption and their implementation.
- More attention could be given to the necessary and available expertise of financial experts.

# Measurement Issues

The capacity building methodology is build on the use of single questions that permit objective answers, Yes or No [0,1]. The pilot country results make it clear that reconsideration is necessary to address the following issues.

- What to do when respondents disagree? A solution could be to identify who has final responsibility for filling in the questionnaire after consultation of the key institutions.
- What to do when the answer is neither 0 nor 1? This happens most often with implementation questions when partial compliance has been achieved.

Professional judgment is in all cases essential.

# Concluding Remarks

The UNCTAD ISAR Capacity Building Initiative is an important tool to analyze present achievements and future needs in participating countries

Cooperation between key organizations to reach validated findings and responses is an important of the results that have been achieved.

Learning from the pilot country results is not only important for the countries that participated. Lessons learned are also important for the further development of the tool.

An integrated approach to capacity building is essential.