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**Key foundations for high-quality reporting: Good practices
of monitoring and enforcement, and compliance**

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DANISH BUSINESS AUTHORITY



The Danish Business Authority

Supervision and enforcement

Victor Kjaer, Deputy General Director

The Danish Business Authority

- Works to create the best conditions for growth in Europe, and to make it easy and attractive to run a business in Denmark, through:
 - effective regulation,
 - strong digital solutions,
 - easy access to business data,
 - use of modern communication technologies, and
 - international cooperation.
- We are organized into five major departments, covering different policy areas.

Strategic Guideposts

- The Danish Business Authority has five guideposts that set the direction for our work.
- We must create:
 - Easy, fast, and cheap access to business data.
 - Predictable and responsible business conditions.
 - A simpler daily life for businesses.
 - Opportunities for growth all over the country.
 - International cooperation and open markets.

Enforcement

- The Danish Business authority performs enforcement in many different areas, for example
 - Registration of companies and foundations
 - Supervision of foundations
 - Financial statements
 - Oversight of auditors
 - Money laundering

- In Spring 2013 the Danish Business Authority has adopted a strategy for enforcement

The strategy for enforcement

5 main principles:

1. Companies must find that the rules are simple and easy to comply with.
2. We prioritize our efforts where it has the greatest impact (risk-based).
3. We advise companies to follow the rules and penalize those who do not.
4. Our efforts must be seen as an coherent and comprehensive.
5. We communicate regularly on our performance.

Quality

- The Danish Business Authority has in general during the last few years not been satisfied with the level of quality in both
 - the work of auditors and
 - annual reports
- We are currently preparing an action plan to increase the quality by reducing the number of faults and deficiencies

Results from analysis

- Faults and deficiencies in annual reports occurs because:
 - Companies find it difficult to understand the regulation.
 - Companies find the transition to digital reporting (XBRL) difficult.
 - Companies feel no incentive to prepare the annual report.
 - Gap between the companies expectations to auditors and the auditors actual responsibility.

The action plan: accounts

- Objectives for accounting in the coming 2-3 years:
 - It should be easier, especially for small companies to comply with the accounting regulation
 - Digital systems should be used to facilitate the accounting process, improve the quality of accounts and support the use of data
 - The number of significant faults and deficiencies in the annual reports must be reduced

The action plan: auditing

- Objectives for auditing in the coming 2-3 years:
 - The quality of the auditor's work must be improved
 - Ensure a well-functioning market for audit services
 - The rules governing the audit of small businesses should be simplified

The action plan: initiatives

- The objectives will be achieved through a number of initiatives such as:
 - Enhanced control with e.g. auditors' qualifications and illegal withdrawal of funds from companies
 - Simplification of accounting regulation for small companies
 - Developing digital standard accounts for SME's
 - Amendment of the Act on approved auditors and audit firms

Supervision of non-financial reporting

Scope: Largest 1100 Danish companies (above 250 employees)

Subjects that should be covered:

1. General CSR policy (2009)
2. Human Rights policy (2013)
3. Climate Change policy (2013)
4. Equal Gender Policy (2013)

Comply-or-“explain” principle

Information must be given on:

1. Content of policy
2. Implementing measures and procedures
3. Results and future expectations

Key results of CSR reporting after 3 years

- **Non-financial reporting makes sense**
- Main objective has been accomplished:
 - Reporting on CSR has increased to over 90% of large companies: Mobilising effect
- CSR high on the agenda of management
- International principles increasingly applied
- Continued improvement in majority of companies