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

31st SESSION
15 - 17 October 2014
Room XVIII, Palais des Nations, Geneva

Thursday, 16 October 2014
Afternoon Session

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

Presented by

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Chair, Thirtieth session of ISAR
Belgium

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Corporate Reporting

Monitoring of Compliance and Enforcement

of International corporate reporting Standards and Codes

ISAR31

OCTOBER 13-17 2014
UNCTAD - PALAIS DES NATIONS

ISAR WORKSHOP: 13 OCTOBER
WIF 2014: 14-16 OCTOBER
ISAR 31 SESSION: 15-17 OCTOBER

Case Study - Belgium

David Szafran

Chair, 30th Session of ISAR

Agenda

Case Study - Belgium





Country Overview

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1. Country Overview

General Economic Setting



GDP (2013): € 396 bl.

Export 80% GDP

0.82% world economy

10th largest exporting
country (WTO)

Int'l organisations,
subsidiaries & branches

16 High-level universities

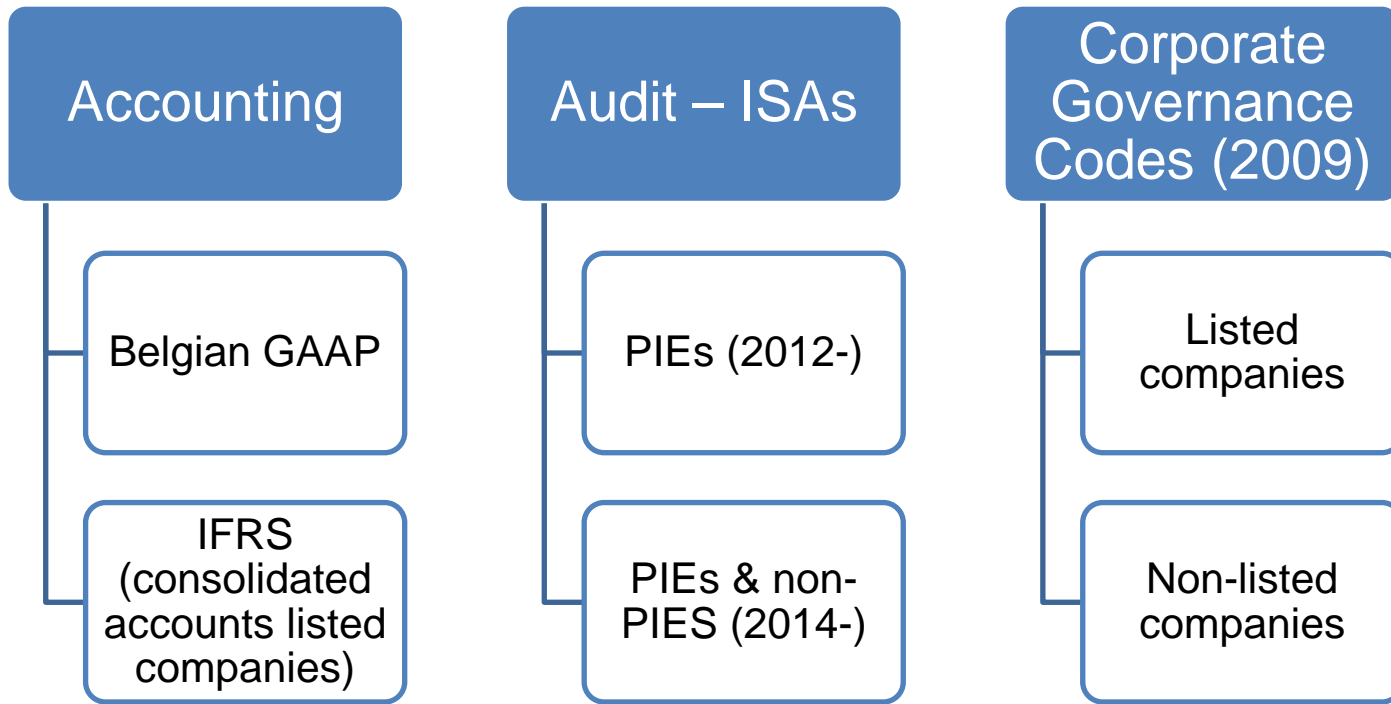
1. Country Overview

Entities – Organisations - Institutions

25,000 Audited entities	HCEP/CIDT	FSMA	184 Listed Companies (7 foreign issuers)
1,055 Registered Auditors	6,498 Chartered Accountants (2/3 in public practice+ 1/3 in business)	4,974 Bookkeepers	NBB
512 Audit Firms	3,295 Accounting Firms	3,560 Bookkeepers Firms	44 Credit Institutions
IBR/IRE	IAB/IEC	BIBF/IPCF	88 Insurance Companies

1. Country Overview

Standards



1. Country Overview

Sources

europa.eu.int

mineco.fgov.be

www.nbb.be

www.fsma.be

www.oversight-audit-belgium.eu

www.ibr-ire.be

www.iab-iec.be

www.bibf-ipcf.be



Financial Reporting

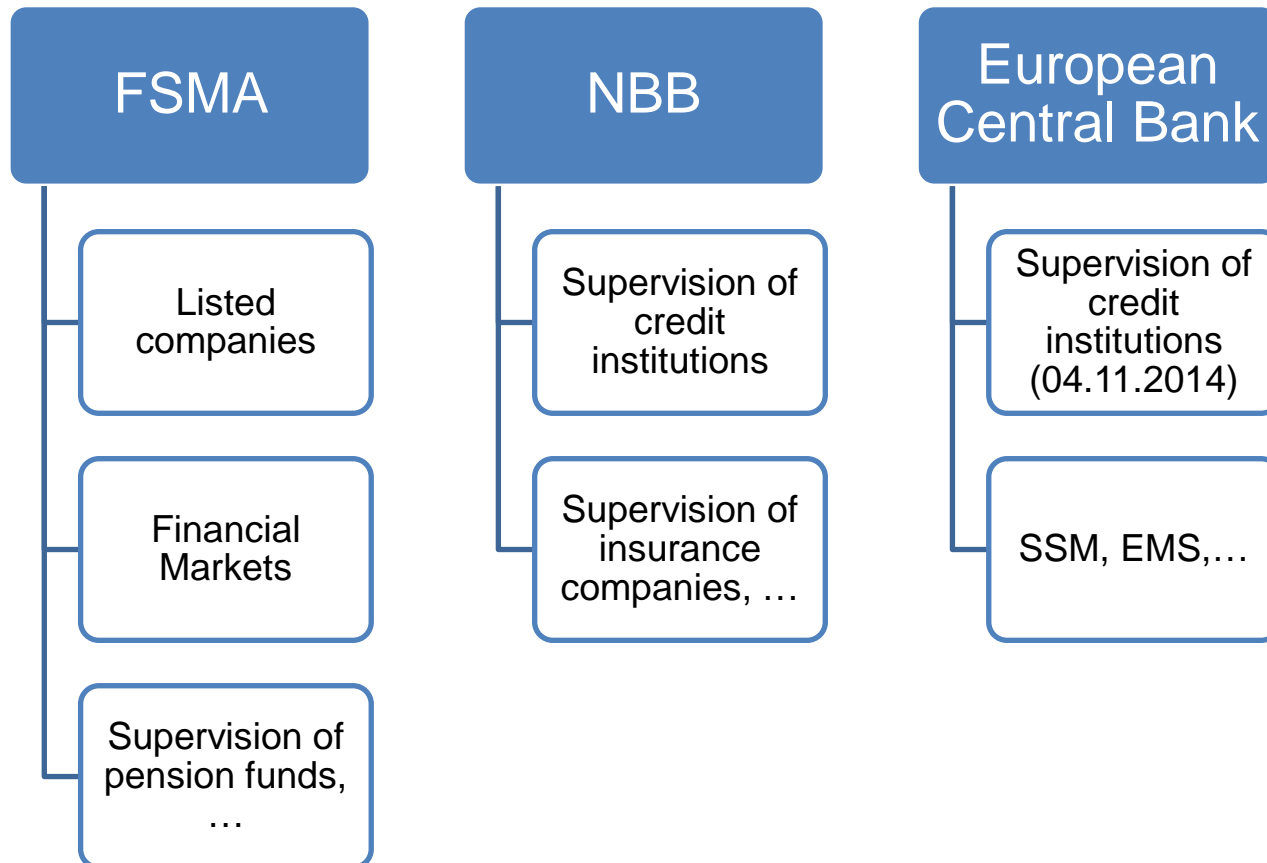
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2.1. Financial Reporting **Regulatory basis**

Compulsory Statutory Audit

- Public Interest Entities
 - Listed companies
 - Credit Institutions
 - Insurance Companies
- Large companies : 100 employees or 2 criteria's during 2 years:
 - net turnover of € 7,300,000
 - balance sheet total € 3,650,000;
 - 50 employees
- Large not-for profit associations

2.2. Financial Reporting **Institutional Setting**



2.3. Financial Reporting Resources (2013)

FSMA

282 FTE

€ 89 mio. total balance sheet

Supervision of listed companies &
surveillance of Financial Markets

Enforcement – Secretariat General

NBB

2,071 FTE

77,8 bio. total balance sheet

2.4. Financial Reporting Enforcement

FSMA

- Supervision of the financial markets and listed companies
- Supervision of certain categories of financial institutions
- Compliance by financial intermediaries with codes of conduct
- Supervision of the marketing of investment products to the general public, as well as for the 'social supervision' of supplementary pensions

NBB

- Administrative fines
- Publication of decisions (the name of the institution is disclosed, unless if this disclosure could impair the financial stability or cause a disproportionate prejudice to the institution or the persons involved)

2.5. Financial Reporting Trends - Findings

FSMA Study – **IAS 34** (half yearly financial report listed companies, 2009)

88% include IAS
compliance
declaration

65% disclose the
principal risks &
uncertainties

56% conformity
shortcoming only
for a *single*
criterion

77% of IAS 34
compliant publish a
statement of
comprehensive
income (IAS1)

92% include a
statement by the
persons responsible
for compliance

45% comply with
IAS 34 re. *all* the
items

65% conformity
shortcoming only
for *two* criteria

90% publish
segment results

15% have effected
business
combinations

2.5. Financial Reporting Trends - Findings

FSMA Study – **IAS 36** (financial year listed cies, 2010)

60% disclose key assumptions on cash-flow projections

39% opted for different discount rate for each CGU's

FSMA recommends publication on business units expected to generate additional returns

84% publish growth rates for extrapolating cash flow projections

60% publish a sensitivity analysis of key assumptions

86% publish info on Cash Generating Units

FSMA recommends publication on risk of impairment loss

46% opted for an overall discount rate for all CGUs

83% determine the recoverable amount of their CGUs based on the value in use

2.5. Financial Reporting Trends - Findings

NBB Communication on fair value (2013)

- Study on the application of fair value by financial institutions (06/2012) under IFRS in
 - Consolidated accounts
 - Prudential reporting
- Guidance on the application of fair value (IAS 39; IFRS 13 – EU 2013)
 - Valuation model policy by management for financial instruments in market that are no longer active
 - Documentation of discrepancies between valuation for
 - Financial reporting purposes
 - Risk management purposes

NBB Circular on cooperation with auditor (2012)

- Cooperation auditor to prudential supervision (12/2012)
- Belgian law
- Belgian standard on auditing 08.10.2010
- Guidance on
 - Assessment internal control
 - Communication auditor - NBB (incl. alert function)

2.6. Financial Reporting Interactions

Examples

- **Basel Committee** on Banking Supervision: comments (14.01.2014) on **IASB** Discussion Paper (Review of the Conceptual Framework for Financial Reporting)
- **European Banking Authority**: comments (23.07.2014) on the **IASB** Exposure Draft (Disclosure Initiative – Proposed Amendments to IAS 1)

2.7. Financial Reporting **International Cooperation**

ESMA Report (2014) – Activities of the **IFRS Enforcers** in Europe in 2013 (includes, on an aggregated basis, the activities of the Belgian FSMA)

ESMA final report (2014) containing the “**Guidelines** on enforcement of financial information”

ESMA Public statement on the Treatment of Forbearance Practices in **IFRS** Financial Statements of Financial Institutions (2012)

Operating under ESMA, **EECS** (European Enforcers Coordination Sessions) is a forum in which all EU National Enforcers of financial information – including the Belgian FSMA - meet to exchange views and discuss experiences of enforcement of IFRSs.



Audit & Assurance

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3. Audit & Assurance Regulatory basis

EU Directive
2006/43/EC

Belgian Law
22.07.1953
(30.04.2007)

Auditors' Oversight
System

Professional
organisation

3. Audit & Assurance **Regulatory basis**

7 non-EU auditors of non-EU entities listed in Belgium

- Art. 45 Directive 2006/43/EC
- Belgian Law 22.07.1953 – Royal Decree 03.09.2010
- Public Register



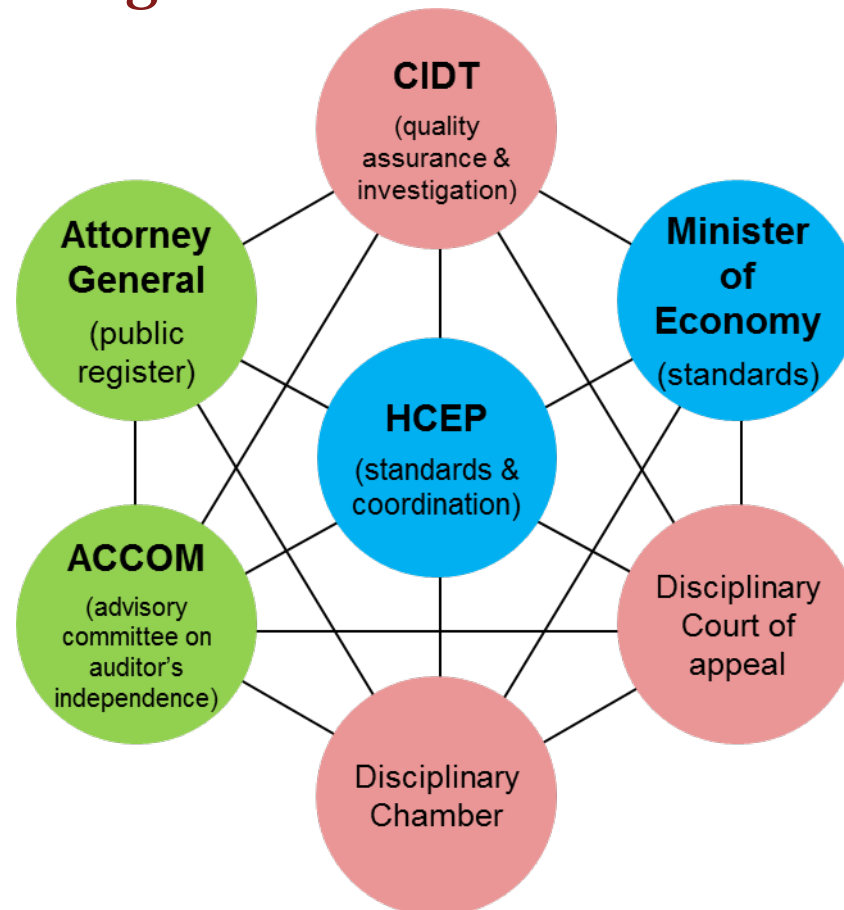
3. Audit & Assurance

Regulatory basis

Non-EU auditors of non-EU entities listed in Belgium

2008-2010	2010-2012 (not extended)	2010-2012 (extended 2013)	2013 -
<p>Argentina, Australia, Bahamas, Bermudas, Brazil, Canada, Cayman Islands, Chile, China, Croatia, Guernsey, Jersey, Isle of Man, Hong Kong, India, Indonesia, Israel, Japan, Kazakhstan, Malaysia, Mauritius, Mexico, Morocco, New Zealand, Pakistan, Russia, Singapore, South Africa, South Korea, Switzerland, Taiwan, Thailand, Turkey, Ukraine, United Arab Emirates, and United States of America</p>	<p>Hong Kong, India, Israel</p>	<p>Bermuda, Cayman Islands, Egypt, Mauritius, New Zealand, Russia, Turkey</p>	<p>Abu Dhabi Brazil Dubai International Financial Centre Guernsey Hong Kong India Indonesia Isle of Man Israel Jersey Malaysia Taiwan Thailand United States of America</p>

3. Audit & Assurance **Institutional Setting**



3. Audit & Assurance **Resources**

HCEP

- 7 members
- 2 FTE
- Support by Ministry of Economy
- € 341,000 (2012)

CIDT

- 3 members
- 72 (NFT) inspectors (incl. 5 external)
- Office facilities
- € 423,000 (2011)

Attorney general

- Belgian judicial system

Disciplinary authorities

- 32 (NFT) members
- Office facilities & secretariat

ACCOM (p.m.)

- Contributions by companies

3. Audit & Assurance Enforcement

Quality Assurance Review

Frequency

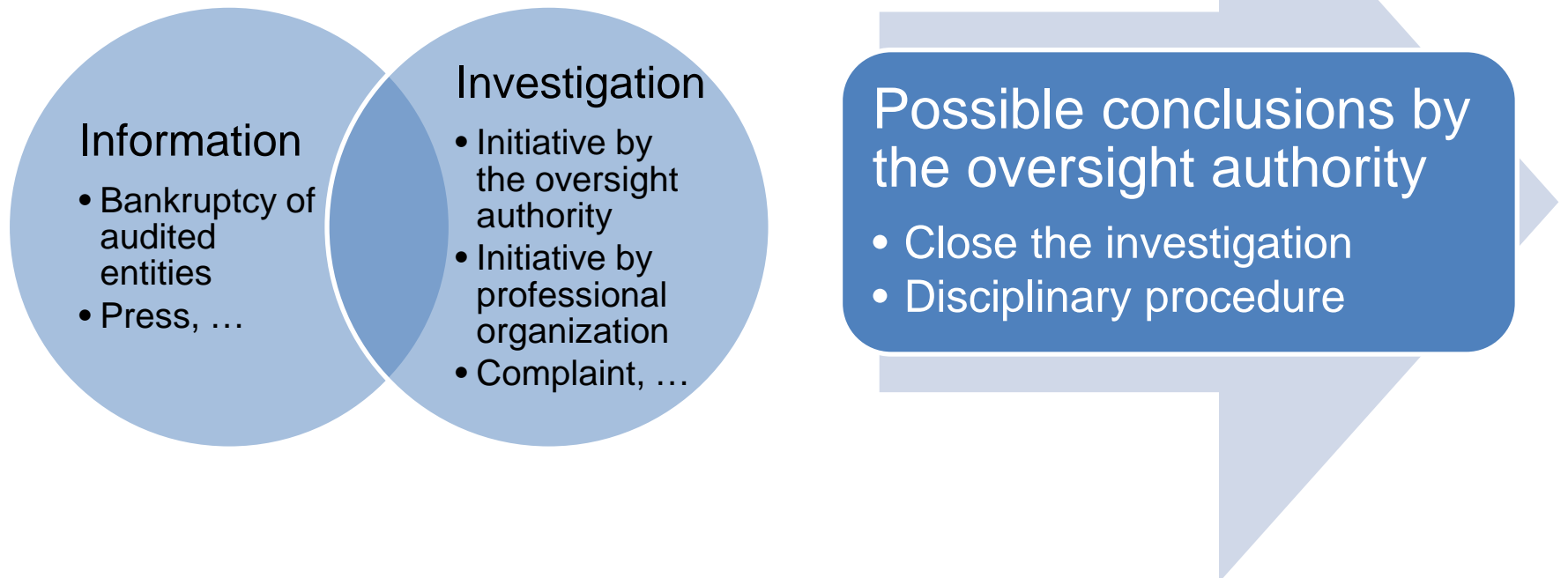
- 3 years (PIEs) – external inspectors
- 6 years (non-PIEs)

Possible conclusions by the oversight body (CDTI)

- Positive (with or without comments letter)
- Recommendations (with next review after 3 or 6 years)
- Recommendations (assorted with anticipated review)
- Disciplinary procedure

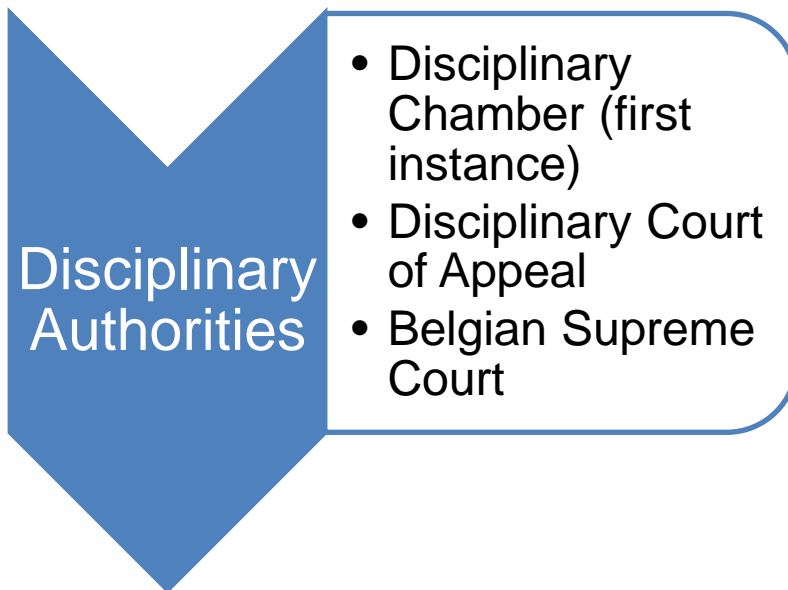
3. Audit & Assurance Enforcement

Surveillance



3. Audit & Assurance Enforcement

Disciplinary procedures



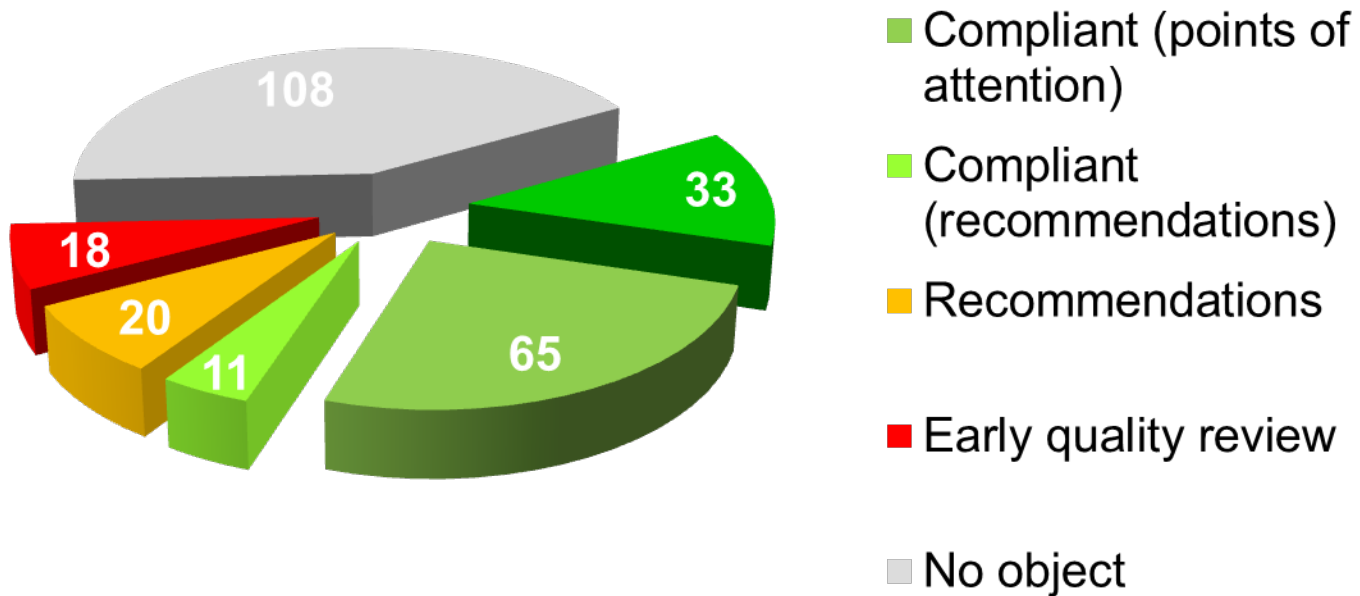
Possible decisions

- Official warning
- Reprimand
- Prohibition to perform specific audit engagements (ltd. period of time)
- Suspension from the public register (ltd. period of time)
- Radiation

3. Audit & Assurance

Trends - Findings

- CIDT : 255 quality assurance reviews (2011)



3. Audit & Assurance

Trends - Findings

CIDT
Main findings
Minority of cases

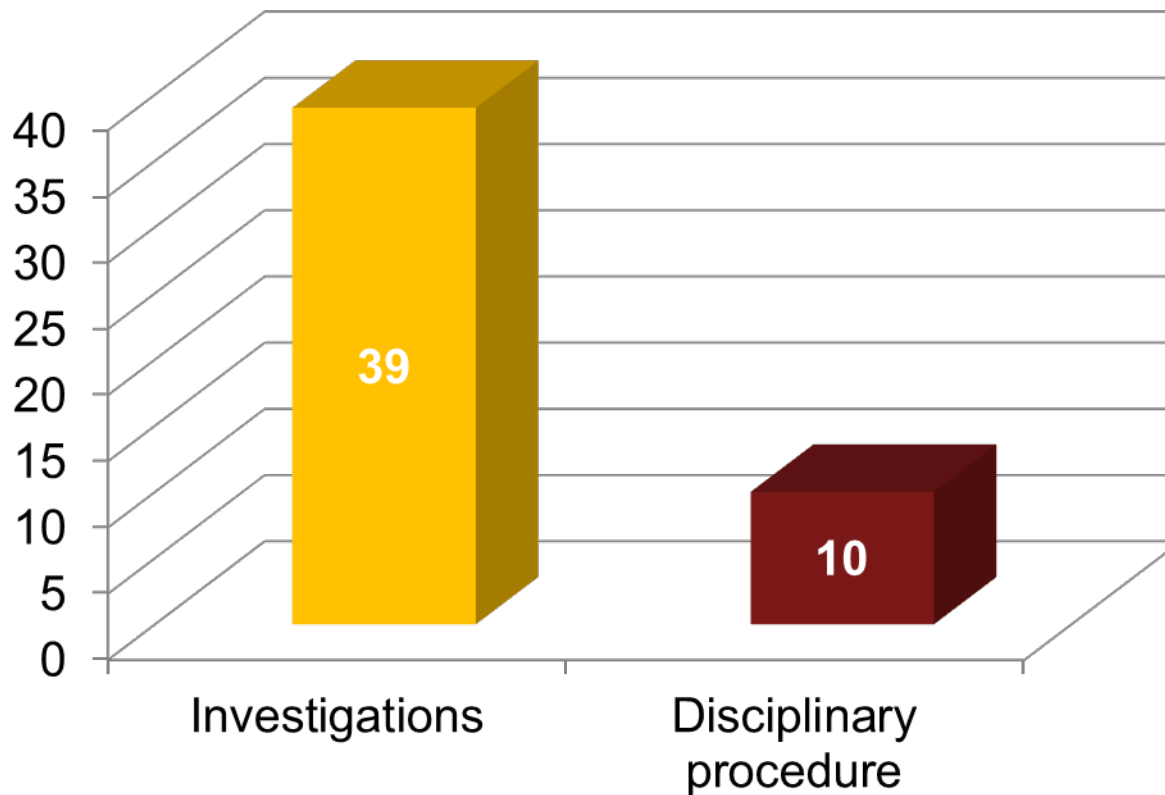
Internal control

More systematic appropriate
confirmation by third party

3. Audit & Assurance

Trends - Findings

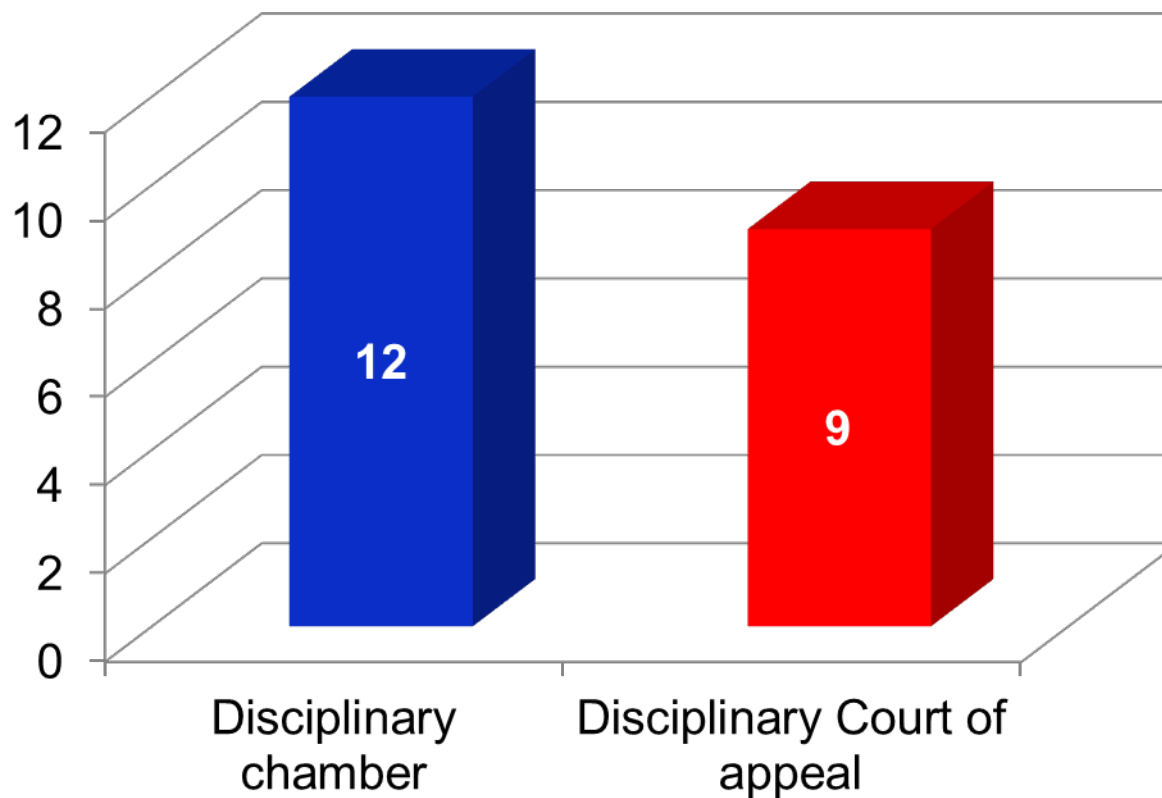
CIDT : surveillance (2011)



3. Audit & Assurance

Trends - Findings

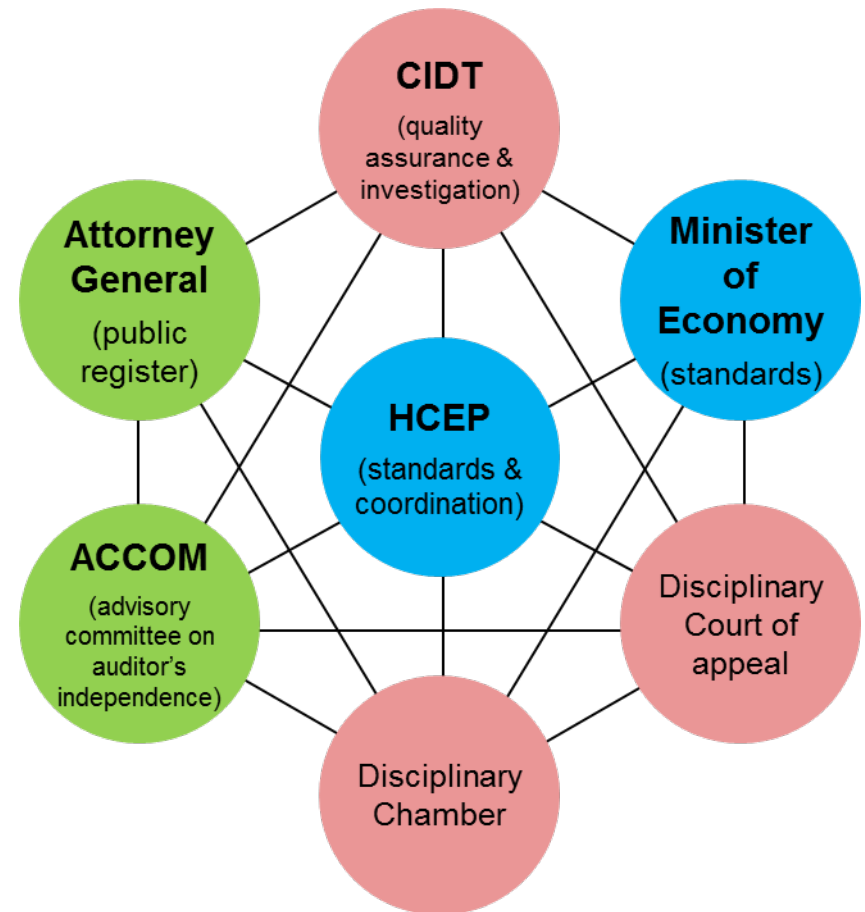
Disciplinary decisions (2011)



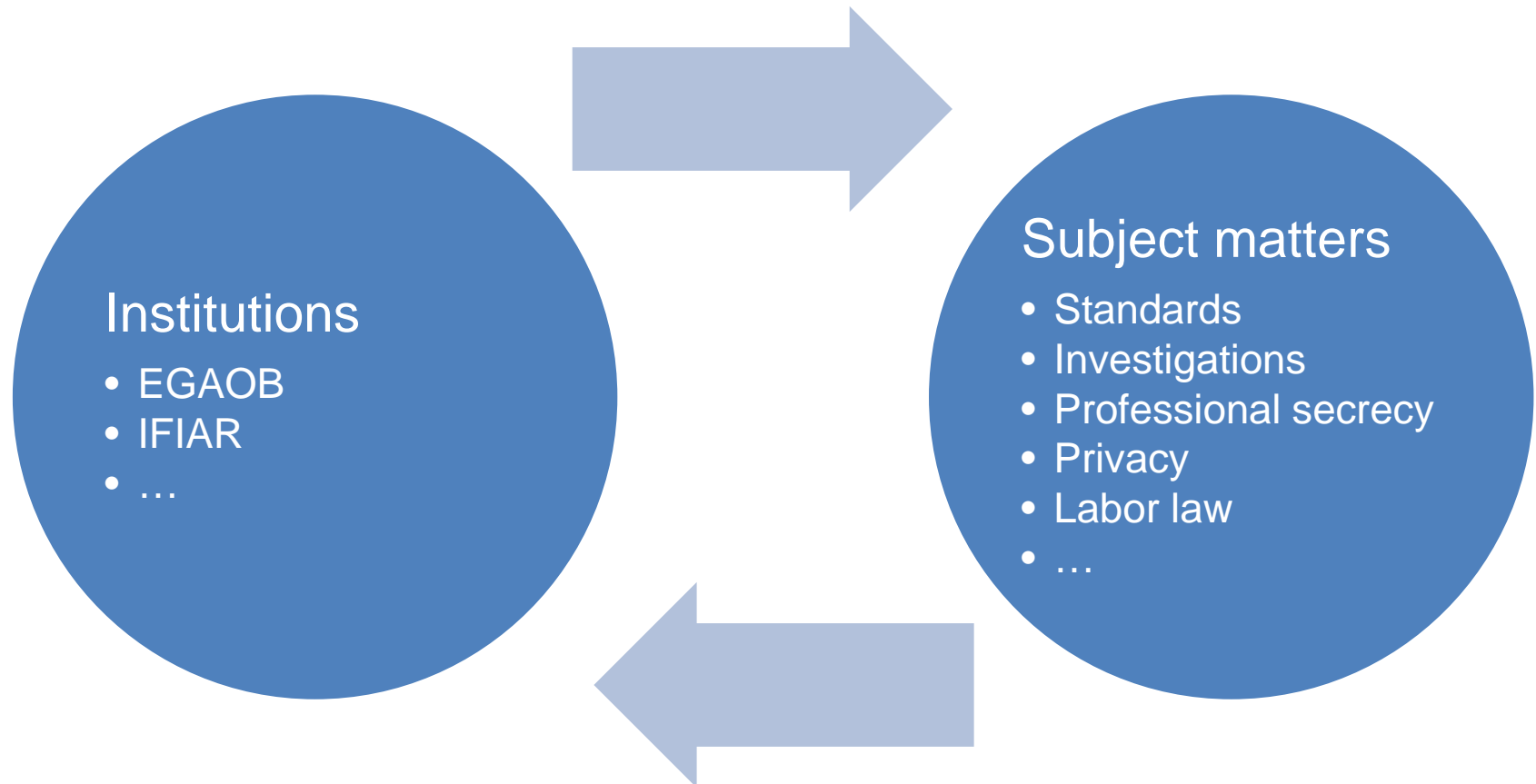
Majority of cases
Technical standards
(incl. representation letter)

3. Audit & Assurance Interactions

- Auditors' Oversight System
- FSMA
- NBB
- Also:
 - Basel Committee – comments IAASB – ISAs' (2014)
 - EBA – comments IAASB – ISAs (2014)



3. Audit & Assurance **International cooperation**



Codes of Professional Conducts

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Codes of Professional Conduct

Professional membership requirements

Auditors (individuals)

- University (master) degree
- Three years traineeship
- Continuous Permanent Education (120 h./3 y.) – quality review

Audit firms - Majority Auditors EU

- Voting rights
- Board of directors

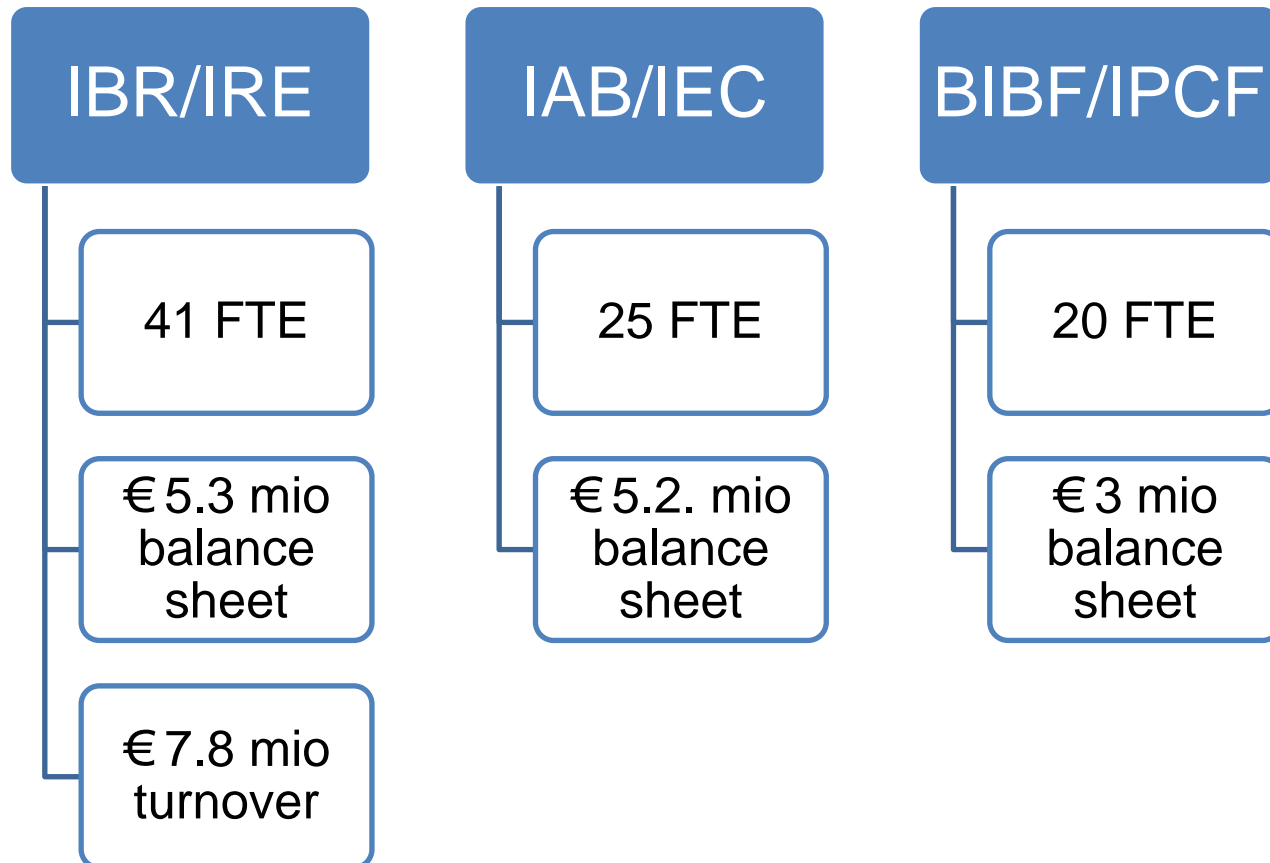
Codes of Professional Conduct

Professional membership requirements

Code of conduct – statutory auditor

- Law (Company Code; Law 22.07.1953; Royal Decree 10.01.1994; Standard on independence 31.07.2007)
- Cooling-off period (two years)
- PIE audit partner rotation (six years)
- Exhaustive list of incompatible non audit services
- Cap on non audit fees for compatible services (listed cies; consolidating group) with exceptions

Codes of Professional Conduct Institutions



Conclusion

Accounting & Auditing Standards

FSMA /ESMA / IOSCO

Studies IAS 34 – IAS 36

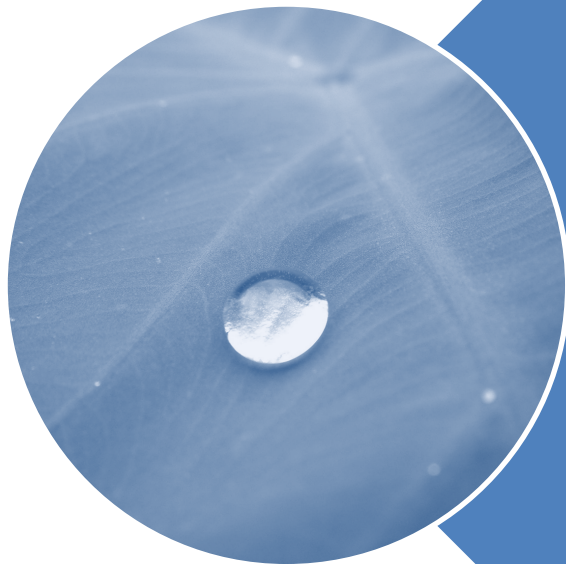
NBB / ECB (Banking Supervision)

Auditors' Oversight System

Professional Body

EU Audit Reform

Conclusion



Disclosure of Non-Financial Information

- **Processes**
 - Corporate governance
 - Risk Management
 - Internal Control
- **Holistic**
 - Environment
 - Social
 - Human Rights
 - Anti-corruption
 - Diversity



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