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

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Afternoon Session

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

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ISAR 33

**PRACTICAL IMPLEMENTATION OF THE MONITORING OF
COMPLIANCE AND ENFORCEMENT OF
ACCOUNTING AND AUDIT REQUIREMENTS FOR HIGH
QUALITY REPORTING**

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OCTOBER 4, 2016**





Introduction

- Monitoring of compliance and enforcement of accounting and audit requirements pivotal
- Background Paper recognizes that countries face challenges in setting up effective MCE
- This calls for guidance and capacity building
- Presentation highlights additional considerations for MCE to promote high quality reporting
- Presentation highlights Kenya's experience and recommendations for promoting quality reporting
- Highlight of the role of global forums and ISAR in promoting good practices

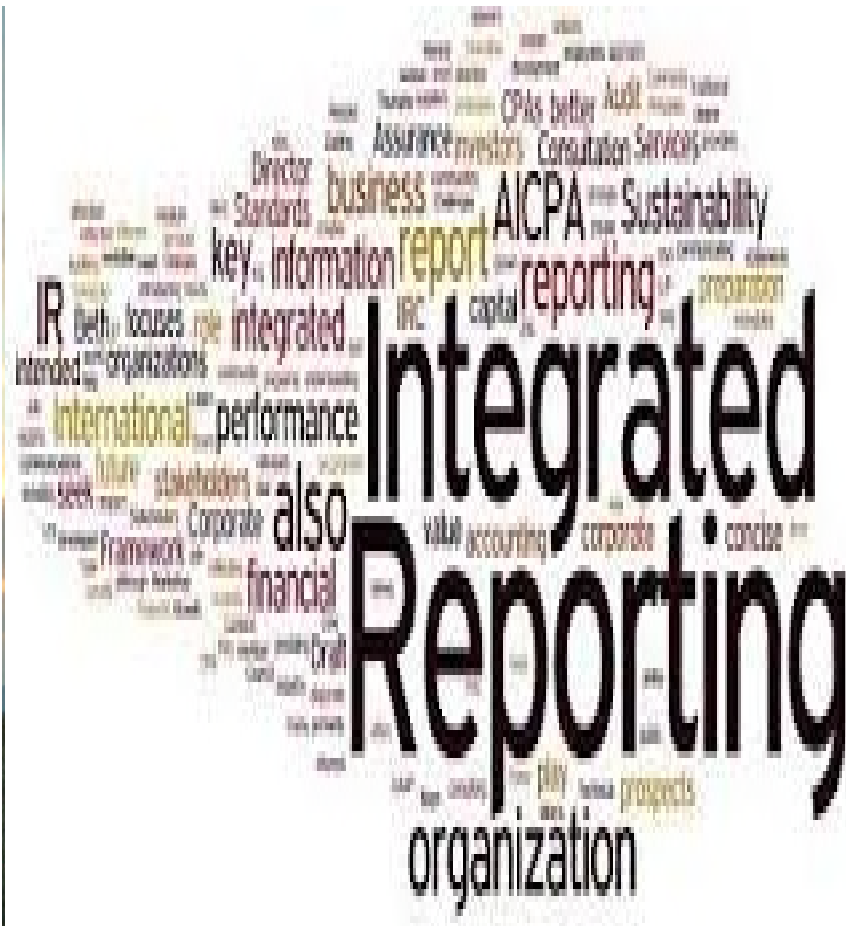


Kenya's legal framework on reporting



- The Constitution of Kenya
- International instruments
- Capital Markets Act and regulations
- Accountants Act
- Certified Public Secretaries Act
- Code of Corporate Governance for Issuers
- Mwongozo Code for State Corporations
- NSE Listing Rules





Key recommendations for quality reporting

- Legal, compliance and governance audits
- Integrated reporting
- Focus on sustainability
- Independent auditor oversight regulator
- Rotation of auditors
- Role of institutional investors
- Role of the media
- Capacity building/development of tools
- Incentives for corporate reporting
- Others





Integrated reporting

- Integrated reporting promotes financial stability and sustainable development
- Presents concise information about a company's strategy, governance, performance and prospects
- Ensures that the company considers the varied interests of stakeholders
- Promotes high quality reporting
- Need for collaboration with International Integrated Reporting Council for guidance



Focus on Sustainability



- Corporate reporting should focus on sustainability
- Sustainability defined as conducting operations in a manner that meets existing needs without compromising future needs
- Reporting framework to emphasize on stakeholder engagement for wealth creation and sustainable enterprises
- ESG factors to be considered in reporting





Auditor oversight regulator and rotation of auditors

- Establishment of independent auditor oversight regulator to promote compliance
- Needs to be outside the scope of capital market or other financial regulators
- Regulator to have comprehensive enforcement powers, well-resourced and competent
- Rotation of auditors enhances independence, objectivity and fairness in the audit process
- Auditor term limits to be set by national jurisdictions
- Kenya calls for rotation every six to nine years





Role of institutional investors and the media

- Need for greater participation by investors in oversight of companies
- Institutional investors as agents for monitoring, ensuring compliance and facilitating enforcement of reporting requirements
- Institutional investors need to develop analytical tools to assess reporting requirements of companies
- Media critical in analyzing, reviewing and disseminating information on corporate reporting
- Capacity of the media needs to be enhanced
- Media important in promoting corporate reporting, whistle-blowing and highlighting corporate misfeasance/fraud





Capacity building and incentives

- Need for clear guidance and good practices on reporting requirements and standards
- Capacity building necessary to build expertise
- Need for reporting templates and assessment tools to guide reporting and assessment
- Incentives encourage better reporting and standardized frameworks
- Scorecards facilitate better reporting
- Corporate governance indices help companies differentiate themselves in the market
- Financial reporting awards promote application of reporting standards
- CoG and FiRe Awards in Kenya



OTHERS

Other considerations

- Board composition to incorporate necessary expertise with appropriate balance of skills for quality reporting
- Continuous education and capacity building for board members and management
- Need for a structure to independently verify and safeguard integrity of financial reporting
- Communication of key audit matters to the regulator as mandated by IAASB
- Clear competencies and responsibilities of audit committee
- Company reports be drafted and structured in a clear, unambiguous and understandable manner





Role of ISAR and global forums in MCE implementation

- Incorporate the recommendations set out above in its guidance documents
- Develop reporting and assessment tools to facilitate better reporting
- Fund comparative studies and researches in select jurisdictions to inform best practices
- Develop principles and parameters for setting governance and reporting indices/scorecards
- Facilitate sensitization and capacity building for the media to promote in-depth and informed analysis of corporate reports
- Build the capacity of regulators, boards, relevant training institutions and investors for better MCE



THANK YOU

**PLENARY DISCUSSION
QUESTIONS**

