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**ISAR was established by a resolution of the Economic and Social Council of the United Nations in October 1982.**

## 21<sup>st</sup> session of ISAR held in Geneva

The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) held its 21st session in Geneva from 27 to 29 October 2004. The annual session was attended by 190 experts from 57 member States, and participants included regulators, standard-setters, the private sector, investors, civil society, academia, professional associations, and regional and international organizations. The Officer-in-Charge of the United Nations Conference on Trade and Development, Mr. Carlos Fortin, opened the session.



*At the opening of the 21st session of ISAR, (from left to right) Mr. K. Sauvart, Director, DITE, UNCTAD; Mr. C. Fortin, Officer-in-Charge of UNCTAD; Professor N. Carvalho, Chairman of the 20th session of ISAR..*

In his opening address, Mr. Fortin made reference to the outcomes of the eleventh quadrennial conference of UNCTAD that had taken place in São Paulo, Brazil, in June and stated that the São Paulo consensus emphasized the need for greater coherence between international processes on the one hand and the development strategies and policies of developing countries and countries with economies in transition on the other. Mr. Fortin further stated that the São Paulo consensus stressed the central role of investment and the need for creating an enabling environment for the facilitation of sustained investment flows to developing countries and countries with economies in transition. He further noted that accounting and reporting constituted a fundamental part of such an enabling environment, because sound and high-quality corporate reporting was essential for attracting and protecting investors, managing risks and returns, reducing financial volatility, enhancing

accountability and ultimately allowing for efficient allocation and use of economic resources.

Delegates elected Mr. Ali Abbas Mirza, Technical Advisor to the Gulf Cooperation Council Accounting and Auditing Organization (GCCAAO) and Partner with Deloitte and Touche (Middle East), as Chairperson of the 21st session of ISAR. Professor Alicja A. Jaruga, Professor of Accounting and Head of the Centre for International Accounting Research, at the University of Lodz, Poland, was elected as Vice-chairperson-cum-rapporteur of the session.

## UNCTAD and IFAC sign memorandum of understanding

On 8 November 2004, UNCTAD and the International Federation of Accountants (IFAC) signed a memorandum of understanding with a view to working more closely together to help raise awareness and promote the importance of accountancy in developing strong economies. The two organizations initially announced their intent to sign a memorandum of understanding at a workshop on accountancy and economic development that the secretariat organized on the occasion of UNCTAD XI in São Paulo on 16 June. Mr. Victor Busuttil, Director of Management of UNCTAD, signed the memorandum of understanding on behalf of UNCTAD and Mr. René Ricol, President of IFAC, signed on behalf of his organization.



*At the signing ceremony of the memorandum of understanding (from left to right): Mr. R. Ricol, President, IFAC; Mr. V. Busuttil, Director of Management UNCTAD; Ms. T. Krylova, Head, Investment and Enterprise Competitiveness Branch, UNCTAD; Mr. N. Gathinji, Chief-Executive, ECSAFA; Mr. I Ball, Chief Executive, IFAC; Mr. Graham Ward, Deputy President, IFAC.*



*Signing the memorandum of understanding (from left to right): Mr. R. Ricol, President, IFAC; and Mr. V. Busuttill, Director of Management UNCTAD; with Mr. N. Gathinji, Chief-Executive, ECSAFA, observing.*

Under this memorandum of understanding, the two organizations will cooperate in a number of areas including: assisting developing countries and countries with economies in transition in their efforts to meet international standards in accounting education and professional qualifications; strengthening corporate governance practices; UNCTAD's involvement with IFAC Committees and Task Forces; raising awareness of the importance of accountancy in economic growth; and participating in each other's activities. UNCTAD is now a public member of the IFAC Education Committee and an observer in IFAC's Developing Nations Task Force.

## **UNCTAD holds workshop on challenges to practical implementation of IFRS**

On the eve of the 21st session of ISAR, on 26 October, the UNCTAD secretariat organized a workshop on the challenges of the practical implementation of the International Financial Reporting Standards (IFRS). About 100 experts from 40 countries participated in the workshop. The main objective was to share views and concerns on the main issues and challenges involved in the successful implementation of IFRS around the globe and effective ways of addressing them. Four panels addressed the following topics: main challenges of IFRS implementation at the global level; institutional challenges of IFRS implementation; major technical challenges of IFRS implementation; and the way forward and opportunities for international cooperation.



*At the opening of the workshop on the challenges of practical implementation of IFRS (from left to right): Mr. R. Martin, Head of Financial Reporting, Association of Chartered Certified Accountants (ACCA), United Kingdom; Mr. K. Sauvart, Director, DITE, UNCTAD; Mr. R. Garnett, Board Member, International Accounting Standards Board.*

The workshop was very timely. In March 2004, the International Accounting Standards Board (IASB) issued the latest set of IFRS. Beginning in January 2005, enterprises in some 90 countries around the world will be implementing IFRS. They include around 7,000 enterprises listed in financial markets in the European Union. Such a major transformation is unprecedented. In most cases enterprises will be making the transformation for the first time. The workshop highlighted the importance of continued and all-inclusive dialogue among global standard-setters and national authorities, major public and private sector players, and international organizations that can contribute to international convergence of implementation.



*Mr. S. Andresen, Secretary General, Financial Stability Forum, addressing workshop participants.*

## Delegates deliberate on the comparability and relevance of corporate responsibility indicators

One of the main agenda items at the 21st session of ISAR was a review of the comparability and relevance of existing indicators on corporate responsibility reporting. The Group of Experts deliberated on a number of issues in the area of corporate responsibility reporting. These included the need for corporate responsibility reporting, with a view to making it more useful for decision-making; achieving comparability and relevance of corporate responsibility reports; the most important and comparable topics to report upon and criteria for their selection based on common needs of users of such reports; and the need to include topics that reflect the developmental dimension of corporate activities. The Group of Experts considered that corporate responsibility reporting could supplement financial reporting and provide a more comprehensive broader view of the activities of an enterprise and its impact on society. The session noted the relevance of the subject to the broader context of corporate responsibility and development highlighted at UNCTAD XI. It agreed on the need for practical guidance on corporate responsibility reporting and proposed to continue its deliberations on the subject at its 22nd session.

## Recent developments and implementation status of corporate governance disclosures reviewed

The second main agenda at the 21st session of ISAR dealt with corporate governance disclosures. UNCTAD resource person Mr. Richard Frederick presented a background paper prepared by the secretariat. In particular, he highlighted recent developments in corporate governance disclosures, explained results of a survey of corporate governance disclosure practices at the company level conducted by the secretariat, and outlined further challenges in improving corporate governance disclosure practices. This was followed by presentations by a panel of experts on recent developments on corporate governance disclosures in different regions of the world.



*Panellists at the 21st session of ISAR discussing recent developments in corporate governance disclosures (from left to right): Mr. R. Frederick, resource person; Mr. I. Clark, Partner, PricewaterhouseCoopers, Brazil; Mr. H. A. Yassin, Board Member, Capital Market Authority, Egypt; Mr. L. Sorensen, European Commission; Mr. A. Mirza, Chairman, 21st session of ISAR; Ms. S. Toh, Intergovernmental Affairs and Outreach Service, UNCTAD; Mr. A. Baladi, Co-founder, International Corporate Governance Network (ICGN); Mr. I. Belikov, Director, Russian Institute of Directors; and Mr. N. Gathinji, Chief-Executive, Eastern, Central and Southern African Confederation of Accountants (ECSAFA).*

The session noted the increasing attention various stakeholders were paying to governance issues and the growing trend towards convergence in disclosure practices. It also discussed a number of implementation challenges that still remain to be addressed in order to bridge the gap between disclosure requirements stipulated in corporate governance codes and actual practices. The Group of Experts agreed that, given new developments in corporate governance disclosures, there might be a need to update the corporate governance disclosure items that ISAR identified at its 19th session.

## Other business items discussed at 21st session of ISAR

### UNCTAD secretariat briefs delegates on outcomes of UNCTAD XI

Since the Group of Experts was meeting for the first time after UNCTAD XI, the secretariat briefed participants on the outcomes of UNCTAD XI and their implications on ISAR's work. The secretariat also informed participants on the outcomes of two parallel events that it had organized on the occasion of UNCTAD XI. These were a high-level round table on corporate governance and investment, and a workshop on accountancy and economic development (see ISAR Update #5 for further information on these events). In concluding the briefing, the UNCTAD secretariat acknowledged the contributions of a number of organizations that had supported it in organizing the two events. These included the BOVESPA Stock Exchange, the Swiss Government, the Global Corporate Governance Forum, KPMG Brazil and a number of Brazilian professional organizations.

### Secretariat briefs delegates on follow-up work from previous sessions

The UNCTAD secretariat brought participants up to date on further work carried out on issues that ISAR had deliberated on at its previous sessions. The briefing covered work carried out in the areas of accounting by small and medium-size enterprises (SMEs), the manual for preparers and users of eco-efficiency indicators and the revised ISAR model curriculum. The session was informed that publication work in each of these areas had been completed during the intersession period. The secretariat reported that Ciba Speciality Chemicals Company had implemented the ISAR manual for preparers and users of eco-efficiency indicators. Mr. Gunter Fritz, of Ciba informed participants that his company was receiving positive feedback from investors and stakeholders following CIBA's publication of its eco-efficiency indicators.



*Mr. G. Fritz, CIBA Speciality Chemicals Inc., briefing the 21st session of ISAR on his company's implementation of the ISAR manual for preparers and users of eco-efficiency indicators.*

### International and regional organizations brief participants at ISAR's 21st session

During the 21st session of ISAR, representatives of a number of international and regional organizations that deal with matters of corporate governance, accounting, reporting and transparency briefed participants on various activities that their respective organizations had been undertaking during the intersession period. Given the increased volume of activities of a number of such organizations, briefings of this kind are useful to communicate new developments and learn from each other's experiences.



*Briefing the 21st session of ISAR on developments at the International Accounting Standards Board (from left to right): Mr. R. Garnett, Board Member, IASB, and Mr. A. Mirza, Chairman of the 21st session of ISAR.*

## 22nd session of ISAR scheduled for September 2005

The 22nd session of ISAR has been scheduled to take place at the Palais des Nations in Geneva from 23 to 25 November 2005. The Group of Experts proposed working on two main agenda items: a review of the practical implementation issues of International Financial Reporting Standards (IFRS), and the comparability and relevance of existing indicators on corporate responsibility. ISAR also proposed discussing corporate governance disclosures and other follow-up activities under "other business".

## Secretariat news

### Tatiana Krylova appointed Head of Investment and Enterprise Competitiveness Branch

Tatiana Krylova has been appointed Head of the Investment and Enterprise Competitiveness Branch of DITE in UNCTAD, effective 1 December.

In addition to other intergovernmental bodies, the Investment and Enterprise Competitiveness Branch services the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR). Ms. Krylova has been with the Branch since 2000..



*Ms. T. Krylova (second from left) among delegates at the 21st session of ISAR.*

## News briefs

### GRI issues SME handbook

The Global Reporting Initiative (GRI) issued a handbook aimed at helping small and medium-size enterprises (SMEs) "enter the world of sustainability reporting". According to GRI, the handbook offers a step-by-step guide and practical "how-to" advice on using the GRI Guidelines so that SMEs can easily and effectively create valuable sustainability reports.

Further information is available at <http://www.globalreporting.org>

### European Corporate Governance Forum established

In October, the European Commission established the European Corporate Governance Forum. The Forum was established with a view to enhancing the convergence of national corporate governance codes and providing advice to the Commission. It consists of 15 senior experts from various professional backgrounds. The President of the European Federation of Accountants (FEE), Mr. David Devlin, is one of the members of the Forum.

Further information is available at <http://europa.eu.int>

### IASB issues standard on mineral resources

The International Accounting Standards Board (IASB) has issued International Financial Reporting Standard (IFRS) Number 6. The standard addresses accounting and reporting on the exploration and evaluation of mineral resources. However, the IASB stated that IFRS 6 is only a first step in the IASB's project to achieve convergence of the widely varying accounting practices for extractive activities around the world. The IASB further stated that "developing global consensus on a rigorous and comprehensive approach would require extensive consultation".

Further information is available at <http://www.iasb.org>

### **IFAC publishes guidance on audit issues arising from the first-time adoption of IFRS**

The International Federation of Accountants (IFAC) has published guidance that is intended to help auditors address reporting issues arising from the first-time adoption of International Financial Reporting Standards (IFRS). The guidance includes detailed answers to common questions regarding an auditors' report on information related to an entity's IFRS transition.

Further information is available at <http://www.ifac.org>

### **US SEC establishes advisory committee to examine impact of Sarbanes-Oxley Act on smaller public companies**

In mid-December, the Securities and Exchange Commission in the United States announced the establishment of an advisory committee to assist the SEC in examining the impact of the Sarbanes-Oxley Act and other aspects of the federal securities laws on smaller listed companies. The advisory committee will look into: the frameworks for internal control over financial reporting applicable to smaller public companies; corporate disclosure and reporting requirements and federally imposed corporate governance requirements for smaller public companies; accounting standards and financial reporting requirements applicable to smaller public companies; and the process, requirements and exemptions relating to offerings of securities of smaller companies, particularly public offerings.

Further information is available at <http://www.sec.gov>

### **FASB issues standard on share-based payment**

In mid-December, the Financial Accounting Standards Board (FASB) in the United States issued Statement Number 123, Share-Based Payment. The standard requires the compensation cost related to share-based payments to be recognized in financial statements. The cost will be measured based on the fair market value of the equity or liability instrument issued for payment. It is to be recalled that, in February 2004, the International Accounting Standards Board issued International Financial Reporting Standard 2 on share-based payments.

Further information is available at <http://www.fasb.org>



Opening the 21st session of ISAR. (From left to right): Mr. Carlos Fortin, Officer-in-Charge of UNCTAD, and Professor Nelson Carvalho, Chairman of the 20th session of ISAR



Mr. John Kellas, Chairman, International Auditing and Assurance Standards Board (IAASB) of IFAC, sharing views with participants at the workshop on the challenges of the practical implementation of IFRS.



Addressing participants at the IFRS implementation workshop (from left to right): Mr. Norbert Breker, Financial Reporting Policy Group, European Federation of Accountants, and Mr. Jacek Gdanski, Deputy Director, Accounting Department, Ministry of Finance, Poland.



Mr. Frederic Gielen, Senior Financial Management Specialist at the World Bank, presenting views on implementation of international accounting and auditing standards.



Experts at the 21st session of ISAR reviewing recent developments in corporate governance disclosures.



(From left to right) Mr. Robert Garnett, Board Member, IASB, and Mr. Tang A. Jianhu, Chinese Institute of Certified Public Accountants (CICPA) Professional Standards Division, at a reception following the conclusion of the first day of the 21st session of ISAR.

## Your comments are welcome!

We would like to hear from you so that we can improve the newsletter as needed.

Please send your comments to:

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