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**International Standards of Accounting and Reporting**  
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## Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its thirtieth session

Held at the Palais des Nations, Geneva, from 6 to 8 November 2013

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## I. Agreed conclusions

### A. Key foundations for high-quality corporate reporting: UNCTAD–ISAR Accounting Development Tool: Feedback from countries; Human resources development challenges

(Agenda items 3(a) and 3(b))

The thirtieth annual session of the UNCTAD Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) highlighted the critical importance of high-quality corporate reporting for accelerating the recovery of the world economy in the aftermath of the recent financial and sovereign-debt crises. Policymakers and business leaders underscored that regaining investors' confidence would require enhanced transparency in corporate reports. In this respect, the growing role of globally recognized accounting and reporting standards in facilitating cross-border investment and capital flows was underlined. The session reiterated the importance of an integrated approach towards strengthening the foundations for high-quality corporate reporting, and emphasized the need for robust regulatory and institutional foundations and competent human resources for consistent implementation and enforcement of global corporate reporting standards and codes. The session commended the broad, consistent and positive impact that the work of ISAR has had over the past 30 years in promoting comparable and reliable corporate reports on a global basis. Delegates called on ISAR to further intensify its efforts in the coming years to deal with emerging corporate accounting and reporting issues to continue contributing to the global development agenda towards sustainable and inclusive growth.

#### UNCTAD–ISAR Accounting Development Tool: Feedback from countries

The Group of Experts once again highlighted the usefulness of the Accounting Development Tool (ADT) in assisting member States in assessing their respective regulatory, institutional and human-capacity arrangements, and in identifying gaps by benchmarking against globally recognized standards and codes, and developing action plans to address these gaps. In this regard, a need for further efforts and financial resources for building capacity based on the ADT assessment results was emphasized by developing countries and countries with economies in transition who participated in pilot tests in 2012–2013. Discussions also underscored the important role that the ADT played in facilitating a stakeholder dialogue in countries that applied the ADT, in raising awareness of good practices and benchmarks, and in facilitating the development of national action plans. Delegates welcomed the progress that has been made in finalizing the online portal of the ADT which was launched on the special occasion of the thirtieth session of ISAR.

Delegates expressed their appreciation to the countries that applied the UNCTAD–ISAR ADT in the intersession period leading to the thirtieth session, and provided their feedback to the Group, namely Belgium, Brazil, Ecuador, Kenya, the Netherlands, the Russian Federation and Ukraine. In concluding its deliberations on this agenda item, the Group of Experts requested UNCTAD to rollout the ADT more widely around the world. The session encouraged member States interested in conducting assessments using the ADT in the coming intersession period to communicate their interest to the UNCTAD secretariat. Furthermore, ISAR requested the UNCTAD secretariat to conduct further research and case studies on good practices in such areas of the ADT as enforcement, monitoring, compliance and discipline to facilitate implementation of international requirements for high-quality corporate reporting.

### **Human resources development challenges**

In concluding their deliberations on the topic "Key foundations for high-quality corporate reporting: Human resources development challenges" the Group of Experts called on UNCTAD to continue conducting studies on global developments with implications for the professional development of accountants, including the Model Accounting Curriculum issued by ISAR with a view to considering appropriate updates. In particular, the Group agreed on the importance of enforcement mechanisms to facilitate implementation of international standards on professional requirements and education, and on a need for implementation guidance on developing soft skills, and education on professional ethics. Experts also commended the excellent quality of the panel discussions and informative background document (TD/B/C.II/ISAR/66) prepared by the UNCTAD secretariat for their consideration.

The Group of Experts noted with concern the growing challenges that member States continued to face in relation to implementing International Public Sector Accounting Standards (IPSAS) and developing the necessary human resources required for their implementation. It requested UNCTAD to consider including the addendum on IPSAS of the ADT into the main body of the questionnaire. Delegates called on UNCTAD to examine the challenges that arise in implementing IPSAS and to recommend to member States good practices to consider.

## **B. Review of good practices in sustainability reporting: Regulatory and stock exchange initiatives**

(Agenda item 4)

The Group of Experts noted that the work of ISAR in the area of financial and non-financial reporting plays an important role within the broader United Nations development agenda towards sustainable and inclusive growth. It took note of the recommendations of the United Nations Report of the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda, in which the Panel proposed target 9a on sustainability reporting, explaining that "in future – at latest by 2030 – all large businesses should be reporting on their environmental and social impact – or explain why if they are not doing so". Further on, the session reiterated its support for paragraph 47 of the outcome of the 2012 United Nations Conference on Sustainable Development ("Rio+20") wherein member States emphasized the importance of sustainability reporting and the need to develop models for best practice and facilitate action in this area ("The Future We Want", paragraph 47). ISAR welcomed member States from the "Group of Friends of Paragraph 47" that were participating in the thirtieth annual session. ISAR again noted the UNCTAD secretariat's role as an official implementing body of the Rio+20 call for action on sustainability reporting, and requested the UNCTAD secretariat to continue to liaise with the Group of Friends of Paragraph 47 and provide regular updates to ISAR.

ISAR agreed on the importance of promoting a harmonized approach to sustainability reporting among member States, while recognizing the need for flexibility in the types of initiatives adopted by policymakers and stock exchanges. Deliberations on this agenda item were facilitated by a background document titled "Best practice guidance for policymakers and stock exchanges on sustainability reporting initiatives" (TD/B/C.II/ISAR/67) prepared by the UNCTAD secretariat. Delegates commended the background document and panel discussions for their high quality and also expressed appreciation for the work of the Consultative Group members that contributed their expertise to the preparation of the document. The Group of Experts noted that the guidance document provides examples of a range of existing initiatives adopted by policymakers and stock exchanges in different member States, including voluntary and mandatory approaches. The session welcomed the

approach of the guidance document in offering a roadmap of four main categories (institutional, scope, disclosure model, and design and implementation) that can guide policymakers and stock exchanges to adopt the most appropriate initiative for a specific national context.

The ISAR Group of Experts also took note of recent developments in the United Nations Sustainable Stock Exchanges (SSE) Initiative, including the July 2013 speech of United Nations Secretary-General Ban Ki-moon at the New York Stock Exchange in which he urged stock exchanges around the world to join this voluntary Initiative. The session commended the UNCTAD secretariat for its work in co-organizing the SSE Initiative and welcomed the first-hand reports of two stock exchanges working with the SSE Initiative to promote improved corporate sustainability reporting. It also requested the UNCTAD secretariat to continue to monitor the development of sustainability reporting initiatives among policymakers and stock exchanges with a view to providing updates to the Group of Experts.

In concluding its deliberations on this agenda item, the Group of Experts agreed that the guidance was a practical voluntary tool for assisting policymakers and stock exchanges in assessing their options for introducing sustainability reporting initiatives. The session also agreed that the guidance could serve as a basis for developing technical assistance programmes to help strengthen the capacity of member States that have an interest in sustainability reporting initiatives. In this regard, the Group of Experts requested that the guidance document be finalized – incorporating comments from delegates – and widely disseminated as a voluntary technical aid.

### **C. Other business**

(Agenda item 5)

The Group of Experts reiterated the importance of corporate governance disclosure for attracting investment and promoting sustainable development and stable economic growth. ISAR recognized that high-quality disclosure in this area adds value for policymakers, investors and other stakeholders.

In accordance with the agreed conclusions of its twenty-ninth session, ISAR at its thirtieth session considered the results of country case studies on corporate governance disclosure in Brazil, Egypt for the second time, and the States covered by the Cooperation Council for the Arab States of the Gulf. There was also an update on developments in Trinidad and Tobago in the area of corporate governance disclosure, where the case study on this country presented at the twenty-eighth session has been credited with facilitating related policy discussions and capacity-building. ISAR commended the country case studies for their quality and expressed appreciation for the update on corporate governance development activities in Trinidad and Tobago.

ISAR noted that these country studies on corporate governance disclosure – which use the guidance of ISAR on corporate governance disclosure as a benchmark – continue to provide important data to facilitate international benchmarking, measure progress over time and promote sharing of country experiences. The session welcomed the role these studies can play in informing policy discussions and capacity-building activities. The Group of Experts requested the UNCTAD secretariat to continue to provide technical guidance to local institutions wishing to produce similarly standardized country case studies using the ISAR benchmark on good practices in corporate governance disclosure.

## II. Chair's summary

### A. Opening statements

The Secretary-General of UNCTAD welcomed delegates from around the world, and reflected on the historic milestone of the thirtieth annual session, noting that ISAR was one of the longest-standing expert groups of the United Nations. He emphasized that ISAR makes a key contribution to the broader development agenda of the United Nations, and underscored the important role that corporate transparency plays in enhancing financial stability and facilitating investment to developing countries and economies in transition. He observed that over the years ISAR has also developed a number of practical guides and toolkits on key corporate reporting topics, including the ADT, which helps member States to identify priority areas for building a sound accounting and reporting infrastructure. He cautioned that many challenges still lie ahead in the area of accounting and reporting, noting in particular that many developing countries have acutely limited human resources in the accountancy profession for both financial and non-financial reporting. The Secretary-General also observed that ISAR has shown that accounting and reporting play a seminal role when addressing many corporate sustainability issues. He noted that member States are currently working on the sustainable development goals as part of the United Nations post-2015 agenda, observing that the work of ISAR plays an important role in providing the tools that will be needed to implement such goals in the future.

In his opening remarks, the Director of the UNCTAD Division on Investment and Enterprise commended the Group of Experts for their long and productive record, holding up the Group as a model for other United Nations working groups. He highlighted the important role corporate reporting plays in providing investors and policymakers the information they need to drive economies forward and address sustainable development challenges. He reminded delegates that while investors demand high-quality financial and non-financial information, the corporate reporting infrastructure in many countries struggles to provide this. He suggested that building stronger capacity in developing countries is taking on a new priority as more and more of the world's foreign direct investment moves into these countries. He commended ISAR for its capacity-building work in this area. He also noted that ISAR has been contributing to the area of sustainability reporting for more than two decades, including most recently its guidance for stock exchanges and regulators on sustainability reporting initiatives. He observed that sustainability reporting was firmly on the agenda of stock exchanges, and that ISAR can play an important role providing much-needed guidance and capacity-building in this area. He concluded with the introduction of a high-level panel of speakers.

In his introductory remarks, the newly elected Chair of the ISAR thirtieth session thanked UNCTAD and ISAR participants. He stated the highly appreciated added value of ISAR activities and tools, such as the ADT, or corporate governance and sustainability guidances developed by UNCTAD secretariat. He stated that these tools and activities enhance the capacity of member States to make assessments on the status of the implementation of good practices on accounting and reporting. ISAR also provides support to develop action plans in order to modernize national legislation and regulations, taking into accounting specific national needs, and to enhance national institutions and capacity-building to the benefit of all stakeholders.

## **B. Key foundations for high-quality corporate reporting**

(Agenda item 3)

The high-level panel was composed of the Secretary of State of the Ministry of Economy and Finance, Cambodia, the Vice-Minister of Finance of Ecuador, a senior representative of the Ministry of Economy and Finance of Côte d'Ivoire, the Chair of the Trustees of the International Financial Reporting Standards Foundation, and the Special Rapporteur on Corporate Social Responsibility from the European Parliament. In the context of the historical nature of the thirtieth annual session, the speakers of the high-level panel reflected on the institutional and regulatory developments of recent years in the area of corporate reporting, noting the significant progress achieved as well as the ongoing challenges. In particular, speakers recounted the experience of countries in their efforts to adopt and then implement International Financial Reporting Standards (IFRS). The challenges of IFRS implementation, especially for developing countries and countries with economies in transition, were highlighted. Speakers welcomed the work of ISAR in this area, noting in particular the role of the ADT and the need for capacity-building in the area of accounting and reporting. The importance of non-financial reporting, especially sustainability information, was also emphasized, with particular reference made to the relevance of this work in the context of other United Nations efforts such as the creation of new sustainable development goals after 2015.

During the question-and-answer segment, two delegates raised questions about the status of adoption and implementation of IFRS for small and medium-sized enterprises (SMEs). The first question concerned the implementation of the standards in Ecuador and sought to identify lessons learned that could be shared with other member States. The second question focused on implementation of the standards within the European Union, stressing the importance of the European example to other countries that are also working to adopt and implement these standards. Another delegate stressed the importance of international standards, and asked about the challenge to international standardization posed by national adjustments to such standards. An additional question addressed the issue of whether or not the global banking industry would adopt IFRS and whether or not IFRS would be endorsed by the Bank for International Settlements Basel Committee.

The Chair indicated that the second high-level panel will present views of international and regional bodies focusing on progress made during the last 30 years in promoting reliable and comparable corporate reporting, trends in financial and non-financial reporting and prospects towards achieving a single set of high-quality corporate reporting standards.

The first speaker, a representative of the European Commission, stressed that the first attempts to harmonize accounting rules date back to 1978 and 1983. In 2013, these two Directives were merged into a new accounting directive (Directive 2013/34/EU) applicable as of 1st of July 2013. This new text pursued three objectives: (a) to simplify and harmonize reporting obligations for SMEs; (b) to increase the comparability and clarity of financial reports; (c) to introduce a new chapter on country-by-country reporting obligations for the extractive and logging industries. The speaker mentioned that there is also a new Commission proposal to introduce obligations to report on non-financial information in the annual management reports of large and listed companies. The speaker also stated that an evaluation report on the application of the IFRS would be published by the end of 2014.

The next speaker, a representative of the World Bank, explained that the organization uses the Accounting and Auditing Reports on Standards and Codes as a diagnostic tool. In this regard, four of the most valuable lessons and trends from these studies are: (a) a full and balanced combination of capacity and institutionalized incentives for the application of international standards is the key to successful implementation; (b) effective regulation is

required to underpin such institutionalized incentives, but international standards do not set out requirements as to how such effective regulation should be exercised; (c) international standards are not necessarily appropriate to govern all financial reporting obligations, for example in the case of SMEs, micro-companies and state-owned enterprises; (d) lack of human resources is a significant impediment to implementation of international standards. The speaker stressed the key challenges ahead, for example, the inconsistencies between international standards and the legal framework, and the lack of appropriate linkages between general-purpose financial reporting and regulatory reporting.

The third speaker, a representative from the International Federation of Accountants (IFAC), emphasized that a lack of transparent and reliable financial information can lead to poor decisions – whether in the private or public sectors. The speaker stated that IFAC promotes the use of IFRS, developed by the International Accounting Standards Board (IASB), but challenges remain in achieving that global language. He recognized that the convergence process is complex, involves a diverse set of actors, and stressed that auditors are the most scrutinized among them. He highlighted the role of IFAC in requiring Professional Accountancy Organizations (PAOs) to advocate and support the adoption and implementation of IFRS, developed by the IASB, and International Standards on Auditing, developed by the International Audit and Assurance Standards Board (IAASB). He mentioned the PAO Global Development Report which highlights weaknesses and challenges worldwide.

The next speaker, a representative of the International Organization of Securities Commissions (IOSCO), recognized the need for capacity-building and for monitoring consistent implementation, as well as for looking at investing risks. He stated that the world is moving towards a more equity-based financing model because of constraints on banking. Thus, there has to be trust in the system and it is necessary to rebuild trust and promote financial stability by, for example, strengthening the oversight of credit rating agencies. It is also necessary to allow markets to function. The speaker highlighted the activities that IOSCO performs, which include maintaining a database to share documentation and experience on implementation of IFRS for all members, training of investors, and providing comments to IASB from the perspective of capital market authorities. Finally, the speaker mentioned that IOSCO and the IFRS Foundation signed a cooperation protocol which defines a framework for cooperation in the development of standards.

A representative of the Financial Stability Board highlighted the challenges set by the G-20 related to the improvement of accounting standards for financial instruments, consolidation and off-balance-sheet transactions. The speaker mentioned that convergence between IASB and FASB on loan impairments requires substantial completion by the end of this year. The speaker further commented that, regarding the project on an accounting standard for insurance contracts, the issues that the project is trying to address are extremely difficult. Accounting standards are urgently needed to promote consistent accounting. However, 2015 is the earliest the standards can be ready. The speaker explained that the Financial Stability Board issued principles and recommendations on risk disclosures and approximately 50 per cent have been implemented by banks.

The next panellist, a representative of the Organization for the Harmonization of Business Law in Africa (OHADA) explained that this organization is integrated by 17 member States. It has nine uniform acts covering seven key areas of private-sector development. There has been an effort to harmonize the financial and non-financial areas. The speaker mentioned that there are three stock markets in the regions covered; however, there are only 55 listed companies because most of the companies are SMEs or micro-companies, and may even belong in the informal sector. He commented that in the revision of the uniform act on OHADA accounting law, it is expected that public-interest entities, especially financial companies, will be subject to IFRS in addition to their financial statements being



prepared on the basis of the OHADA Revised Accounting System. Finally, the speaker stressed that arrangements are being made at the OHADA, with the support of the World Bank, to improve the investment climate in member countries through the training of sufficient numbers of professional accountants, and through the improvement of the quality of their services.

A representative of the International Integrated Reporting Committee (IIRC) stressed that integrated reporting helps to look at how an organization creates value in the short, medium and long terms. It provides a concise communication of value to all stakeholders. The speaker underscored that integrated reporting shows the strategy, performance, governance and prospects of an organization. This provides a comprehensive view of a company and allows stakeholders to make informed decisions.

The last speaker, the Head of Investments of Aviva Investors (United Kingdom of Great Britain and Northern Ireland) explained that Aviva considers investments in a long-term, responsible manner. The company carries out in-depth research and thus needs high-quality financial and non-financial reports. The speaker highlighted that non-financial reporting has been reduced and, in the absence of this information, it is not possible to make good decisions with a value-creation perspective. The speaker further explained that non-financial information has increased in the last 5 years, but unless the corporate sector is obliged to do so, it will not disclose all the necessary information. The speaker highlighted that Aviva has been working to encourage Governments to introduce “comply or explain” frameworks. The organization has also been working on including this kind of reporting in the sustainable development goals. The speaker explained that stock exchanges can use listing requirements to encourage this type of reporting, and emphasized that in this regard the work of UNCTAD on providing guidance and promoting the SSE Initiative has been essential.

During discussions that followed a participant requested more information concerning the publication of non-financial reporting. One of the speakers commented that, in Europe, a minimum level of information disclosure is required, but individual countries can go further. Another participant asked for clarification on how to set standards around value for an adequate integrated reporting. The speaker from IIRC commented that they should be set by the company considering that the important objective is to have long-term value.

A participant asked what approach will be taken by IOSCO to deal with subjectivities and with rating agencies. The representative of IOSCO mentioned that while rating agencies have a role to play, they need to be regulated and perform without conflict of interest. He stressed that IOSCO has a credit-rating code of conduct.

A country representative requested information concerning the status of the European Union green paper “Audit Policy: Lessons from the Crisis”. One of the speakers explained that this document has been discussed with the objective of achieving high-level audit quality, addressing rotation and establishing the kind of services that auditors can perform. The speaker commented that a list of prohibited services that the auditor will not be able to perform and others that can be performed to a limited extent is being defined. A final legislation might be ready for next year.

## **1. UNCTAD–ISAR Accounting Development Tool: Feedback from countries**

(Agenda item 3(a))

The Head of the Enterprise Branch, Division on Investment and Enterprise, provided a brief introduction explaining the background of the ADT, its objectives, and how it was developed. She also cited the countries that participated in the pilot tests in 2012 and 2013

and mentioned that an eADT platform is now available in four languages for countries interested in participating in an ADT assessment exercise.

The first speaker, a representative from Brazil, explained that his country has undertaken a pilot test for the second year. In this year's evaluation, it has been possible to involve institutions and build consensus on the responses provided. Through the ADT process, it has been learned which are the more advanced areas, such as financial reporting. It has also been possible to identify potential areas for action plans, such as in that of human capacity. The speaker explained that improvements are required on the education side by developing professional judgement and scepticism.

Another speaker, a representative from the Federal Public Service Economy, Belgium, explained that to conduct the ADT pilot test all key players in the corporate-reporting field from all sectors were brought together for discussions. The speaker provided a general description of the Belgian accounting infrastructure, including the legal and institutional areas, and also explained the procedures followed for oversight and discipline. The speaker also elaborated on the code of corporate governance and the non-financial side of reporting, and acknowledged that environmental and social corporate reporting can be further developed in Belgium.

The next speaker, a representative from the Ministry of Finance, Ecuador, presented the main findings and the scores of the ADT. She emphasized the areas that require improvement, such as the coordination among stakeholders, the minimum requirements in the educational area and the need for having a licensing mechanism for professionals, among others. The speaker mentioned activities and initiatives that will be taken to address the gaps identified. The speaker said that Ecuador would prefer the addendum on the public sector to be included in the main body of the questionnaire. She stressed the usefulness of the ADT, especially as a tool to promote dialogue and to create awareness between the public and private sectors. The representative indicated that Ecuador was willing to cooperate with UNCTAD to address the gaps identified by applying the ADT.

The next panellist, a representative from the Netherlands, explained the approach used by this country to conduct the ADT assessment. The speaker mentioned that due to the fact that an institution exists that consists of representatives of all the main stakeholders in the reporting chain, it was possible to carry out the exercise without having to involve additional institutions. The speaker provided some information of the accounting infrastructure in the Netherlands, and mentioned that the main areas that require attention in the country are the public sector and that of environmental, social and governance disclosure.

Another panellist, a representative of the Ministry of Finance of Ukraine, explained that her country adopted IFRS in 2012 and will be moving towards IPSAS in 2015. The speaker underscored that Ukraine has been following a process of adaptation concerning certain legislation to comply with European Union requirements. She described the strategy that has been followed to implement IFRS, and showed the preliminary results of the ADT pilot test, which has not yet been completed, and highlighted key areas that require attention. The speaker also emphasized the reformation that the public sector is carrying out to improve the quality of reporting.

A representative from the Ministry of Finance of the Russian Federation presented the findings of the second pilot test that has been conducted in this country. He stressed the usefulness of the ADT to assess progress and obtain an updated picture of the situation in the country. The speaker highlighted the areas for further action, which include non-financial reporting, ethical issues and coordination among institutions. The speaker also provided feedback on areas in which the ADT could be improved, and suggested anti-

money laundering and anti-corruption as additional areas of assessment that might be included in the questionnaire.

The next speaker, a representative from Kenya, reported progress on the ADT pilot test that has been initiated in the country. The leading institution is the Institute of Certified Public Accountants of Kenya, which has over 12,000 members across Kenya and in 50 countries worldwide. The speaker provided a brief description of the economic and financial settings in Kenya as well as a description of the financial reporting status. He also mentioned the list of institutions involved in the ADT assessment exercise and presented the plans for completion of the process.

The last speaker from this panel, a consultant and former partner of PricewaterhouseCoopers, United Arab Emirates, presented the perspective of the peer reviewers. He highlighted the challenges that countries face to achieve full implementation of IFRS, to improve comparability, and in addressing issues of SMEs and public sector accounting. He underscored that it is necessary to ensure the support of international standard setters and other bodies in areas such as education and licensing, measuring convergence and building consensus. He also stressed the need to take action to facilitate coordination at national, regional and international levels.

During the discussions a participant said that since it was mentioned that an integrated reporting framework was already introduced in Brazil, he would like to know more about the involvement of the auditor in this report. The speaker from Brazil explained that the auditors are institutional members of IIRC Committee in Brazil and are participating in the definition and establishment of the assurance process.

Another expert requested more information on how to reconcile financial reporting with tax laws. He also asked about the independence of the accounting authority and whether it is possible to ask the auditors of the private sector to audit the accounts of the State. As suggested by the Belgian Ministry, the Chair of the session commented that it is a key issue for some member States when a strong link with tax and financial reports exists. The Chair also reminded that this link of reconciliation between tax and financial reporting is one of the reasons why the European Union has not adopted IFRS, at this stage, either for individual statutory accounts or for SMEs. The Chair also explained that, concerning the independence of the auditor and the accounting authority, in the case of Belgium there exists a single audit concept in the Flemish region where the Ministry, the Government of this region and the Belgian Supreme Court of Auditors perform external audit activities on public entities. Furthermore, registered auditors perform statutory audits of financial statements, and the audit by the Supreme Court of Auditors focuses on the use of public funds, subsidies and the application of the legislation on public procurements. These actors cooperate and share confidential information according to the law.

Finally, a delegate requested Brazil to share guidance on how to implement international standards in a developing country. The speaker from Brazil said that there is no one general rule that fits all countries. In the case of Brazil, a national accounting standards-setting body was established three years before the adoption of IFRS. The speaker also recommended that countries need to adopt and not adapt corporate reporting standards and codes, and that accounting should not be left only to accountants, but regulators and other stakeholders should also be involved. In Brazil, for example, academics, economists and lawyers are included in the committee. To conclude, the speaker mentioned that consensus is key in the implementation process.

## 2. Human resources development challenges

(Agenda item 3(b))

The session began with an introduction by the UNCTAD secretariat. The remarks focused on the human capacity pillar of the ADT as a follow-up to the deliberations requested by member States at the twenty-ninth session of ISAR. Specifically, the presentation focused on the issues paper that was prepared and circulated by the UNCTAD secretariat with the symbol TD/B/C.II/ISAR/66. Deliberations on this agenda item underscored the trends in corporate reporting and their impact on the quality of the reporting. Specific comments were made on global trends in the adoption of accounting standards. The discussions also highlighted the key challenges in the development of human resources in several jurisdictions.

Following this, the Chair of the International Accounting Education Standards Board (IAESB) delivered a presentation on the impact of International Education Standards (IESs). The presentation focused on recent publications concerning the development of human capacity. Specific references were made to two publications from the Organization for Economic Cooperation and Development: *Better Skills, Better Jobs, Better Lives: A Strategic Approach to Skills Policies* (2012) and *Skills Outlook* (2013), which in sum held that the changing circumstances of the labour market demanded that professionals needed to acquire information-processing and generic skills in addition to mastering occupation-specific skills. The panellist also made reference to the “Memorandum of understanding to strengthen accountancy and improve collaboration (MOSAIC) PAO global development report” (2013), which noted that many PAOs lack certification systems that are in line with IESs. Therefore, the IESs aim to prescribe the professional knowledge, skills, values, ethics and attitudes required of professional accountants; promote lifelong learning through continuous professional development and education; facilitate global mobility of professional accountants; reduce international differences in the requirements to qualify and work as a professional accountant; and provide international benchmarks against which IFAC member bodies can measure themselves. Further to this, the speaker outlined the two scopes covered by IESs, namely initial professional development (IESs 1–6) and continuous professional development (IESs 7 and 8).

The speaker also reported the impact of IESs in influencing the development of the education curriculum, indicating that IESs 2 and 4 prescribe the content of professional accounting education programmes. The speaker concluded by stating that IESs have an impact on human capacity-building by supporting a competence-based approach to learning and development, defining the obligations and roles of stakeholders in the education process, and by providing a benchmarking capability among IFAC members.

One delegation queried whether IAESB has stipulated a time frame by which members of IFAC may undergo a reassessment of their professional accountancy programmes. Another delegation requested the assistance of the IAESB to support their education programmes. The representative of IAESB replied that the board has not defined a specified time frame by which members of IFAC may undergo a reassessment of their accountancy education programmes. However, the speaker mentioned that the IAESB encourages members to continuously review their programmes to ensure they meet defined standards.

During the next presentation by a representative of the Association of Chartered Certified Accountants (ACCA), the speaker underscored the Association’s early education programme on the International Accounting Standards, and its commitment to developing the capacity of the preparers of financial statements to prepare high-quality financial reports. He suggested that the challenge of the implementation of international reporting standards relied on regulatory and institutional backing, and the availability of resources.

The representative of ACCA went on to highlight some of the key challenges faced in the sub-Saharan African region in the adoption and implementation of IFRS. These include some shortage of suitably qualified professionals able to prepare high-quality reports – the few available usually finding the private sector more attractive – and the lack of nexus between tertiary education and international benchmarks. The speaker highlighted that the Association would continue to work with universities offering accounting education to help them develop a curriculum to enable their graduates to obtain exemptions from the ACCA qualification.

The speaker outlined other areas of the Association's human capacity-development work, including sharing best practice through mentoring to support PAOs development of governance and regulatory structures; continual train-the-trainer and learning conferences to build capacities of local training institutes; engagement with stakeholders such as national accreditation boards to position professional accountants at the right levels on national qualification frameworks; the promotion of the value and contribution of professional accountants in national development; and offering support for students in the Africa region.

The representative of the Common Content Project gave a presentation detailing the harmonization of IESs in the wake of the globalization of these standards. The presentation outlined themes on corporate reporting and human resources, project purpose/member institutes, project background and the benefits of common content. The panellist based his presentation on the assumption that the quality of corporate reporting depended on those producing the reports, not just the standards, which implies the need for high-quality education and training in human resources. The panellist went on to describe that the aim of the Project was to develop, maintain and unify high-quality auditor and accountancy education benchmarks, reflected in national qualifications that meet the challenges posed by globalization and diverse stakeholders. To achieve this objective, the Common Content Project aims to harmonize education systems. The speaker pointed out that challenges exist within many jurisdictions, but these challenges can be overcome. He further outlined the benefits that exist with the Common Content Project, the most important being its contribution to high audit and financial reporting quality globally. The speaker noted that the skills framework helps auditors to apply competencies in practice and the compliance system ensures real harmonization and not just in print. Finally, he opined that independent oversight ensures that the compliance system is applied fairly.

One delegation took note of the work of the Common Content Project and asked whether there were plans to introduce metric models so that quality outcomes become more comparable to learning outcomes. The representative of the Common Content Project replied that there were no plans to implement such metric models. The same delegation also queried the usefulness of international standards if the stakeholders, shareholders and board members cannot read them. The panellist replied that the scope of his organization is the development of education standards and directed the question to corporate governance institutes.

The next presentation by the representative of PricewaterhouseCoopers, also a member of the Public Policy Committee of the six largest accounting firms, centred on global trends in the accountancy profession and the impact of these trends on the education of accountants worldwide. The representative pointed out that talent was a prerequisite for effective audit quality. He further stated that for audit firms to effectively manage risks, they must attract, retain and deploy highly skilled accountants and auditors. Furthermore, the representative stated that there was an acute shortage of highly skilled accountants who meet the demand across the globe. The presentation also outlined the critical role played by professional accountancy organizations towards the strengthening of the profession.

The panellist underscored the role played by PricewaterhouseCoopers in managing these challenges. He referred to company's use of the trends mentioned to ensure that audit engagements are sound and are of high quality. PricewaterhouseCoopers member firms take a leading role in PAOs and even offer secondment of professional staff to government agencies. The speaker also mentioned that the global firm works together with regional and global organizations to share best practices in human capacity development.

One delegation commented on the lack of skills and queried whether the political and economic landscape in Africa worsened this situation. The same delegation also asked whether the rotation of auditors was a viable practice. The panellist replied that working with PAOs was one of the ways to improve their capacity in regions of the world with differing political and economic situations. This approach is productive not only in Africa but also in many regions of the world. The panellist also stated that, besides the question of the rotation of auditors, the solution lay in the training and education of competent professionals.

The following presentation was given by the representative of the Institute of Singapore Chartered Accountants. The speaker gave an account of the developments of the accounting profession in the countries affiliated to the Association of Southeast Asian Nations (ASEAN). In particular, the presentation drew upon data comparing the gross domestic product of the ASEAN countries, their population, and the number of members of the different PAOs within the region. He pointed out the diverse situations of the ASEAN countries and the key challenges that exist for corporate reporting within the region, which include lack of financial and human resources, language barriers, and the need for harmonization with international standards.

The panellist went on to elaborate on the situation in Singapore, outlining the approach to address human resource challenges. The panellist cited continuing professional education, top-notch tertiary education, and a coordinated effort to develop the accountancy sector as the key factors employed in addressing human capacity in the country. The speaker also mentioned the regional efforts made by the ASEAN Federation of Accountants to address these challenges through collaboration with relevant regional and global organizations, and advocating for PAO mentoring, capacity-building and knowledge-sharing.

Before opening the floor for discussions, the Chair requested one of the participants from the Corporate Governance Institute in the Caribbean to comment on the issue raised earlier by one delegation concerning the education of other contributors in the corporate reporting supply chain. The delegate suggested that a cross-disciplinary collaborative approach would enable capacity-building towards better corporate governance.

During the question and answer session, one representative from a specialized international organization noted the usefulness of the ADT and commented on the need for training in IFRS in many member States. The speaker requested that the next session of ISAR focus its attention toward public-sector accounting in light of the sovereign debt crisis and, in particular, the speaker called for more resources for training trainers.

Another delegation requested more information concerning the collaborative efforts towards capacity-building between global accountancy firms, such as PricewaterhouseCoopers, and professional accountancy organizations.

One delegation commented on joint audits and the separation of auditing and consulting functions in audit firms. In the final round of questions, one delegation inquired about the possibility of developing guidance on soft-skills training for accountants, while another delegation inquired whether corruption and professional ethics training could be included in IESs. The representative of the IAESB replied by stating that soft-skills training would be part of the learning outcomes. Another panelist stated that independence rules of auditors

that are already applied and implemented in audit networks avoid potential conflicts of interests towards audited entities.

In concluding the panel discussion, the representative from the Institute of Singapore Chartered Accountants stated that strong enforcement agencies within the country was the key to minimizing the occurrence of unethical behaviour in the accountancy profession.

### **C. Review of good practices in sustainability reporting: Regulatory and stock exchange initiatives**

(Agenda item 4)

Deliberations on this agenda item commenced with an introduction by the UNCTAD secretariat, which included background information on the deliberations and agreed conclusions of the twenty-ninth session of ISAR, as well as updates on the broader United Nations context in which the work of ISAR takes place. This update included information on ongoing work related to the outcomes of the 2012 United Nations Conference on Sustainable Development, the 2013 Report of the United Nations High-level Panel of Eminent Persons on the Post-2015 Development Agenda, and the latest developments of the United Nations SSE Initiative. The background summary highlighted member States' strong interest in sustainability reporting and UNCTAD's ongoing mandate in this area. The secretariat also provided an overview of the issue note "Best practice guidance for policymakers and stock exchanges on sustainability reporting initiatives" (TD/B/C.II/ISAR/67), and introduced a panel of sustainability reporting experts involved in sustainability reporting initiatives, including an investor, an investment analyst, a sustainability reporting standard setter, a securities market regulator, representatives from two stock exchanges and a member of the accounting profession.

The first speaker on the panel was the Chair of the Consultative Group that prepared the issue note, and a representative of Aviva Investors provided further details about the consultation process behind the issue note and the guidance document's role in meeting the information needs of investors. The second speaker, an investment analyst who took part in the drafting of the issue note as part of the Consultative Group, provided a detailed summary of the key aspects of the voluntary guidance document. He highlighted how the document provides a roadmap to guide policymakers and stock exchanges to consider a series of questions that can help inform their thinking if they decide to implement a sustainability reporting initiative.

A speaker from the Global Reporting Initiative highlighted this organization's complementary work in this area (in particular its 2013 report "Carrots and Sticks") and endorsed the ISAR guidance document as a useful tool to address ongoing interest in this area among stock exchanges and regulators. The session was then addressed by a senior regulator from France who provided a concise summary of that country's significant experience with mandatory sustainability reporting initiatives and highlighted important lessons that have been learned. The regulator also endorsed the ISAR guidance document, indicating that it is in line with many of the lessons learned from the French experience. Representatives from stock exchanges in Brazil and South Africa also presented their experiences with sustainability reporting initiatives, illustrating two different approaches that nevertheless worked well in their local contexts. These stock exchanges also participated in the Consultative Group that prepared the guidance document and fully endorsed its use by other exchanges interested in implementing a sustainability reporting initiative. The final speaker was a past ISAR Chair and long-time expert on sustainability reporting from the accounting profession. She recalled ISAR's own long tradition in this subject area, going back to the early 1990s when ISAR first began to address issues of environmental accounting and reporting. She emphasized the important role ISAR plays in

this area, remaining “ahead of the curve” in its work. She noted that sustainability reporting has now become a mainstream feature and commended the ISAR guidance document for providing practical advice to stock exchanges and policymakers.

During the interactive discussion with the panel, ISAR delegates raised a number of issues. One delegate asked about the level of implementation of sustainability reporting initiatives among developed country stock exchanges compared to developing countries. It was noted that while developing country exchanges tend to be leading on this issue, many of the largest developed country exchanges are also taking action. Another delegate asked about the role of the guidance in providing advice relevant for non-listed as well as listed companies. Panellists acknowledged the importance of this issue and explained that the guidance addresses initiative aimed at both listed and unlisted companies, and that several regulatory initiatives around the world are aimed at non-listed companies as well as listed ones. A number of questions addressed the need for better reporting, not merely more reporting. Panellists discussed their experiences with efforts to address the quality of reporting and balancing the need for high-quality reports with the need to avoid imposing an undue burden on enterprises. One delegate emphasized the usefulness of voluntary initiatives, and two research organizations in attendance highlighted their recent work on stock exchange initiatives, both voluntary and mandatory. A representative of the Group of Friends of Paragraph 47, an intergovernmental group that works on sustainability reporting, provided an update to ISAR delegates on its work and invited other Governments interested in this work to join the Group of Friends.

## **D. Other business**

(Agenda item 5)

### **1. Corporate governance disclosure**

Deliberations on this agenda item commenced with a review of the recent work of UNCTAD in the area of corporate governance disclosure, an ongoing area of interest for ISAR. After a brief introduction by the UNCTAD secretariat, a panel of three experts presented country case studies, or updates on previous country case studies, based on the ISAR benchmark of good practices in corporate governance disclosure. New case studies were presented on disclosure practices in Brazil, Egypt and the countries that make up the Cooperation Council for the Arab States of the Gulf. In the case of Egypt, this was the second such study conducted, the first one being presented to ISAR in 2007. An additional speaker provided an update on corporate governance developments in the Caribbean region, noting the creation of the Caribbean Corporate Governance Institute, which emerged out of regional discussions sparked by the 2011 Trinidad and Tobago ISAR benchmark-study on corporate governance disclosure. Comments to the panel commended the studies and questions were asked about specific elements of each study and how they might be used by other countries.

### **2. Updates from other international and regional organizations**

A representative of the IFAC opened the floor with the first presentation of this second panel. The presentation focused on the operating lines of the international body, which are: quality and capacity support for accountants worldwide, speaking out and standard setting. On these lines the representative concluded that IFAC works towards enhancing the independence of the standard setting process and stressed that the goal of IFAC is to safeguard the independence of these standard setting boards.

The next presentation by a representative of the IAASB focused on changes proposed to the auditor's report. The presentation also outlined expected benefits from implementing



changes in auditor reporting while highlighting the challenges in implementing changes to the structure of the audit report. All these proposals for changes were contained in the draft IAASB publication *Reporting on Audited Financial Statements: Proposed New and Revised International Standards on Auditing (ISAs)* (2013) as a response to the changing audit environment. One delegation asked why the signing of the audit report is by the partner and not by the company. The panellist replied that this is not common practice in many jurisdictions but stated that feedback from regulators suggests that signing of the audit report by the partner provided clarity and enhanced the quality of the audit reports.

A representative of the Global Reporting Initiative took the floor next and delivered a presentation on the new fourth generation of the Initiative's Sustainability Reporting Guidelines. The focus of these guidelines is materiality: providing only information critical to businesses and stakeholders. The representative also mentioned in his presentation the new and revised disclosures, sector disclosures, and alignment with other frameworks, while also reporting on new sections and new disclosures in the reporting framework.

During the question and answer session, one delegation questioned the role of IFAC in the proliferation of standards, and urged the streamlining of these standards. Another delegation asked whether IFAC develops standards for private organizations and approves these standards, and whether IFAC itself was a standard-setting body. The same delegation also asked questions related to the soundness of making the audit report publicly available and the changes proposed to the structure of the audit report.

The representative of IFAC explained that the Federation facilitates and supports independent standard-setting bodies but is not a standard-setting body itself. In response to the question of whether audit reports should be made publicly available, the panellist referred the question to the representative of the IAASB, also on the panel. The new proposal would lead to a longer auditor's report which would be publicly accessible to promote transparency in the auditing process.

One delegation asked whether there were discussions at the IAASB or IFAC level on two issues on mandatory audit rotation and audit supervision and monitoring. To this end, the representative of IFAC replied that the Federation was involved in these discussions on mandatory audit rotation, but has no plans to issue guidance on audit supervision. The representative of the IAASB referred participants to the draft publication, which is to be discussed at the IAASB.

### **III. Organizational matters**

#### **A. Election of officers**

(Agenda item 1)

At its opening plenary meeting, the Intergovernmental Working Group of Experts elected the following officers:

Chair:	Mr. David Szafran (Belgium)
Vice-Chair-cum-Rapporteur:	Mr. Yugui Chen (China)

**B. Adoption of the agenda and organization of work**

(Agenda item 2)

Also at its opening plenary meeting, the Intergovernmental Working Group of Experts adopted the provisional agenda for the session, as contained in document TD/B/C.II/ISAR/65. The agenda was thus as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. Key foundations for high-quality corporate reporting
  - (a) UNCTAD–ISAR Accounting Development Tool: Feedback from countries
  - (b) Human resource development challenges
4. Review of good practices in sustainability reporting: Regulatory and stock exchange initiatives
5. Other business
6. Provisional agenda for the thirty-first session
7. Adoption of the report

**C. Outcome of the session**

At its closing plenary meeting on Friday, 8 November 2013, the Intergovernmental Working Group of Experts adopted its agreed conclusions (see chapter I) and agreed that the Chair would summarize the informal discussions (see chapter II). It also approved the provisional agenda for the thirty-first session of ISAR (see annex I).

**D. Adoption of the report**

(Agenda item 7)

The Intergovernmental Working Group of Experts authorized the Vice-Chair-cum-Rapporteur, under the authority of the Chair, to finalize the report after the conclusion of the meeting.

## **Annex I**

### **Provisional agenda for the thirty-first session**

1. Election of officers
2. Adoption of the agenda and organization of work
3. Key foundations for high-quality reporting: Good practices of monitoring and enforcement, and compliance mechanisms
4. Other business
5. Provisional agenda for the thirty-second session
6. Adoption of the report

## Annex II

### Attendance\*

Representatives of the following States members of UNCTAD attended the meeting:

<b>Angola</b>	<b>Dominican Republic</b>
<b>Argentina</b>	<b>Ecuador</b>
<b>Azerbaijan</b>	<b>France</b>
<b>Bangladesh</b>	<b>Gabon</b>
<b>Barbados</b>	<b>Gambia</b>
<b>Belarus</b>	<b>Germany</b>
<b>Belgium</b>	<b>Haiti</b>
<b>Benin</b>	<b>Hungary</b>
<b>Brazil</b>	<b>India</b>
<b>Brunei Darussalam</b>	<b>Kazakhstan</b>
<b>Burkina Faso</b>	<b>Kenya</b>
<b>Cambodia</b>	<b>Kuwait</b>
<b>China</b>	<b>Lebanon</b>
<b>Colombia</b>	<b>Lesotho</b>
<b>Congo</b>	<b>Lithuania</b>
<b>Côte d'Ivoire</b>	<b>Madagascar</b>
<b>Croatia</b>	<b>Malawi</b>
<b>Cyprus</b>	<b>Malta</b>
<b>Democratic People's Republic of Korea</b>	<b>Zambia</b>
<b>Democratic Republic of the Congo</b>	<b>Zimbabwe</b>

2. The following intergovernmental organizations were represented at the meeting:
  - Economic Community of West African States
  - European Union
  - Organization of Islamic Cooperation
3. The following United Nations organs, bodies and programmes were represented at the meeting:
  - United Nations Environment Programme
  - United Nations Educational, Scientific and Cultural Organization
4. The following specialized agencies were represented at the meeting:
  - World Bank
  - World Trade Organization

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\* This attendance list contains registered participants. For the list of participants, see TD/B/C.II/ISAR/INF.6.

5. The following non-governmental organizations were represented at the meeting:

General Category:

World Association of Former United Nations Interns and Fellows

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**United Nations Conference  
on Trade and Development**

Distr.: General  
27 December 2013

English only

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**Trade and Development Board**  
**Investment, Enterprise and Development Commission**  
**Intergovernmental Working Group of Experts on**  
**International Standards of Accounting and Reporting**  
Thirtieth session  
Geneva, 6–8 November 2013

**Report of the Intergovernmental Working Group  
of Experts on International Standards of  
Accounting and Reporting  
on its thirtieth session**

**Corrigendum**

**Annex II, paragraph 1**

For the existing text *substitute*

Representatives of the following States members of UNCTAD attended the meeting:

Angola	Cyprus
Argentina	Democratic People's
Azerbaijan	Republic of Korea
Bangladesh	Democratic Republic of
Barbados	the Congo
Belarus	Dominican Republic
Belgium	Ecuador
Benin	France
Brazil	Gabon
Brunei Darussalam	Gambia
Burkina Faso	Germany
Cambodia	Haiti
China	Hungary
Colombia	India
Congo	Kazakhstan
Côte d'Ivoire	Kenya
Croatia	Kuwait

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Lebanon	Russian Federation
Lesotho	Saudi Arabia
Lithuania	Seychelles
Madagascar	Spain
Malawi	Sri Lanka
Malta	Sudan
Mexico	Thailand
Morocco	Trinidad and Tobago
Nigeria	Uganda
Oman	Ukraine
Panama	Venezuela (Bolivarian Republic of)
Philippines	Zambia
Portugal	Zimbabwe

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