

O Estágio de Implementação das IFRS na América Latina e seus reflexos

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Disclaimer

The findings, interpretations, and conclusions expressed in this presentation are entirely those of the presenter. They do not necessarily represent the view of the World Bank, its Executive Directors, or the countries they represent.

Background – World Bank's engagement in strengthening corporate financial reporting

- Improving accounting and accountability is part of the development agenda
 - Growth agenda: business climate conducive to investment; better access to finance; economic integration with major trading partners
 - Financial stability
 - Governance agenda: higher accountability of state-owned enterprises; improved system of corporate tax collection
- ROSC A&A program since 2001

ROSC: Accounting & Auditing

1. Data Transparency
2. Fiscal Transparency
3. Monetary & Financial Policy Transparency

Transparency standards



4. Banking Supervision
5. Securities Market Regulation
6. Insurance Supervision
7. Payment Systems
8. Anti-Money Laundering - CFT

Financial sector standards



- A&A** {
9. Corporate Governance
 10. Accounting
 11. Auditing
 12. Insolvency and Creditor Rights

Market integrity standards



AA-CG interrelated

Strong A&A and financial sector regulation/supervision are mutually supportive

ROSC Accounting & Auditing

Overall approach, main activities



Initiation

- Consultation with the authorities
- Tailoring the methodology to the country

Diagnostic

- Diagnostic Tool, perception survey, academia survey
- Due diligence, review of financial statements

ROSC Report

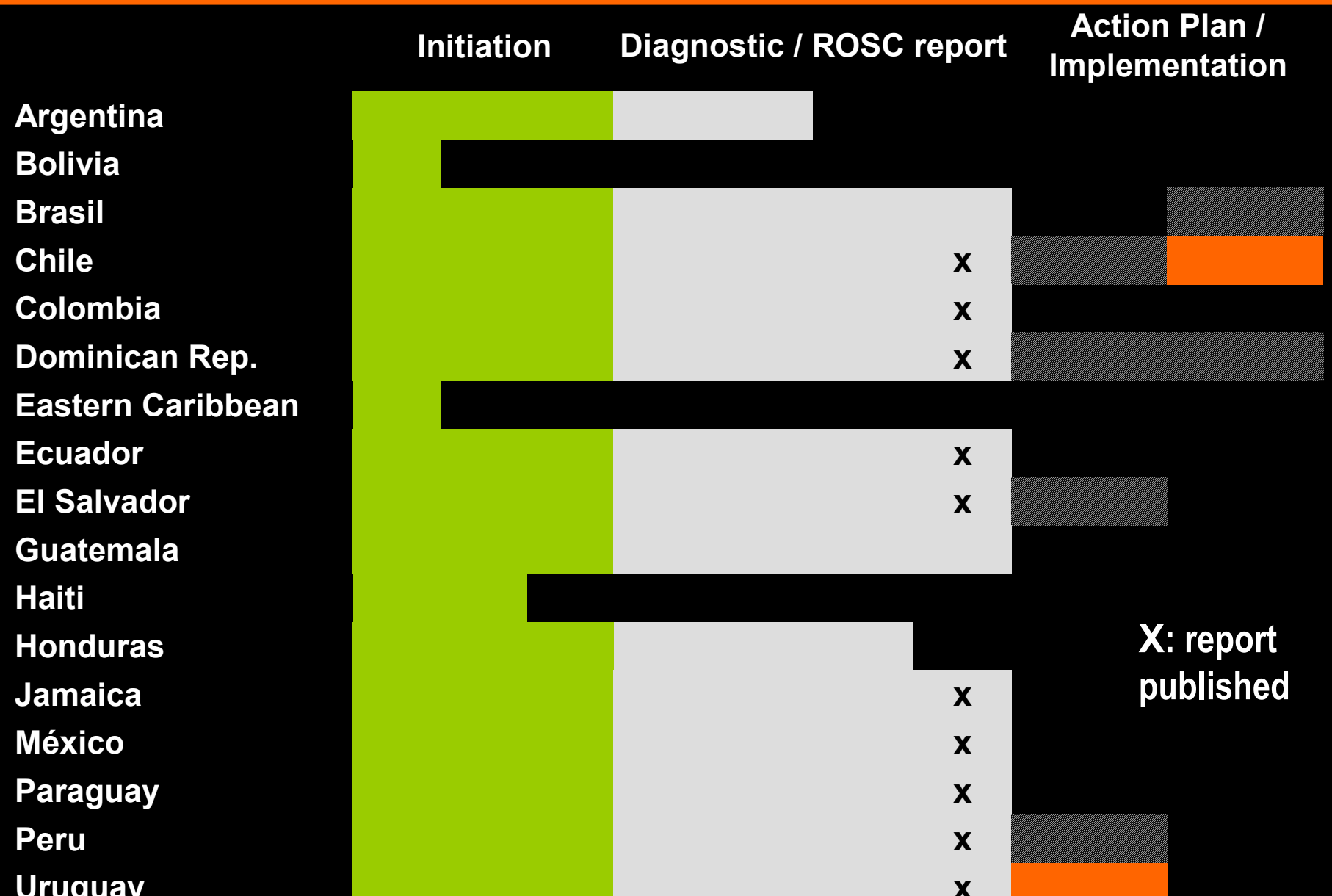
- Discussed with authorities, stakeholders before its finalization
- Widely disseminated in the country (normally published)

Country Action Plan

- WB role is to assist in drawing the action plan. The authorities are to prepare it

ROSC A&A

Latin America and the Caribbean



What are some of the lessons learned?

Solving the A&A puzzle

A roadmap for reform and capacity development

- Corporate financial reporting is a puzzle of several pieces:

Laws,
regulations
and standards



- Improved A&A practices require a holistic approach – several inter-related issues need to be addressed

- Reforms need to be gradual and properly sequenced

- Capacity development activities need to be included

Recognizing varying levels of public accountability in the corporate sector

Degree of corporate accountability ↑

Category of company

Financial reporting standards

Public Interest Entities

Listed companies, large SOEs, banks, insurance companies, etc.

Large private non-listed companies, and other SOEs

SMEs

Micro-enterprises

Full IFRS

Simplified IFRS (or local GAAP)

Local GAAP (or simplified IFRS)

Limited or no F/R obligations

Laws and regulations should be adapted to reflect these varying degrees of accountability

- SMEs are often subjected to stringent standards
- Conversely very large companies may be subject to relatively lenient requirements

- Advantages of **adopting** IFRS (ISA)
 - Stronger recognition than local GAAP (GAAS)
 - Standard-setter’s efforts can be focused on dissemination, training, etc.

- Advantages of **adapting** IFRS (ISA)
 - Country “idiosyncrasies” better reflected
 - More country ownership
 - IFRS (ISA) too complex for the country (?)

- Recommended approach for accounting standards
 - For public interest entities
 - Set IFRS adoption as ultimate objective
 - Establish procedures for reviewing draft IFRSs
 - Design plan for an orderly transition
 - Provide for a sufficient transition period
 - For SMEs
 - Consider adopting SME IFRS
 - Alternative: improve/simplify existing GAAP
- Auditing standards: ISA adoption

- **Survey of 43 acctg. universities in LAC (work in progress). Some preliminary results are as follows:**
 - **Trends in accounting academic education are generally positive.**
 - Average age of faculty members is balanced for future challenges.
 - IFRS is becoming more present in accounting curricula across Latin America.
 - Research is growing – the knowledge bank for quality faculty.
 - Demand for accounting degrees seems to be stable, which is consistent with other social sciences.
 - Academia seems to be relatively well connected and committed with audit firms, companies, professional bodies and government.

- However, qualification (including English language) of both students and faculty are a currently constraint for global convergence.
- In general terms, accounting in companies is not a profession to be “proud of” (low wages, low competition in application processes, low level of full-time faculty, high concentration of hires by audit firms).
- Part-time faculty
 - Faculty position as a complementary job. Research still incipient.
- Accounting Curricula
 - Heterogeneity in an increasing sophistication environment.
 - Low adherence to IES.
 - Low presence of IFRS and ISA.
- Governments should stand more actively regarding surveillance of accounting education (e.g. prevent oversupply, monitor quality, examine before practice), probably with assistance of qualified bodies.

Regional cooperation

- Some achievements to date, but impact limited
 - Consultation among financial sector regulators
 - Accounting profession: regional seminars, contacts, exchange of views
- Need for stronger cooperation at regional level
 - Translations of international standards in Spanish
 - Comments on exposure drafts
 - Common arrangements for regulating of the audit function
 - Etc.
- LAC can also learn from other Regions

- **CReCER Conference:** took place in June/07 (Mexico D.F.) as a joint effort of WB, BID/FOMIN and IFAC
- **Main objective:** increase consciousness regarding acctg. and auditing importance in economic development and support:
 - Sharing of regional good practices
 - Prioritization
 - Strengthen links between stakeholders and multilateral bodies
 - Cooperation and harmonization
- **First attempt** to convene all stakeholders in LAC to share their successes and challenges in improving financial reporting.

- More than 500 people from 42 countries, including policy makers, regulators, standard setters, academia, practitioners and public accountants, not to mention regional and international development bodies.
- Coverage:
 - Public and private sectors
 - Corporate and SMEs

- First conference has been a success. Some remarks and next steps:
 - Accounting may not be a glamorous topic, but it is important for economic development
 - Work Groups defined to promote and coordinate action plans
 - SME: difficult but necessary project
 - Progress cannot be achieved without the profession's contribution.
- Project for mid-2008: another conference

Further information

- www.worldbank.org/crecer
- www.worldbank.org/ifa/rosc_aa.html