

CReCER

Regional Conference **Mexico City** June 13-15, 2007

Fulfilling Latin America and the Caribbean's potential

By Pamela Cox, Vice President, Latin America and the Caribbean Region, The World Bank



Today Latin America and the Caribbean shows much promise. Inflation has been stabilized and growth has risen significantly above historical averages. Sustaining economic progress will depend in large part on the region's ability to develop its private sector and reduce financial sector vulnerability. Achieving these objectives requires a broad range of efforts aimed at improving access to credit and long term capital.

In this context, it's essential for the region's private sector to align its business standards with those of its main trading partners, especially industrialized nations. Harmonizing financial reporting and governance arrangements with internationally recognized good practices enhances transparency and fosters market efficiency and discipline.

To that end, the CReCER regional conference offers a unique opportunity to explore ways in which national governments and stakeholders, with the support of international partners, can work together to promote accountability and good governance in the public and private sector. CReCER is the first conference to convene all the key decision makers in the region to share their success stories and challenges in strengthening corporate and public sector financial reporting and auditing, and discuss how it can help reduce poverty.

We hope that you have a fruitful discussion. We are certain that CReCER will make a meaningful contribution to the development agenda.

Sincerely,
Pamela Cox



The first regional conference on Auditing and Accountability for regional economic growth will take place in Mexico City, Sheraton Hotel Maria Isabel, from June 13-15, 2007.

Please visit www.worldbank.org/crerer for details and registration

Organized by:



Message from Fermín del Valle, President of IFAC

The CReCER¹ conference represents a milestone for the profession and other stakeholders in the region. It provides a unique opportunity to discuss the importance of high quality financial reporting and to identify actions to strengthen the activities of those who participate in the financial reporting supply chain -- activities that are essential to supporting economic growth and development in Latin America and the Caribbean.

CReCER will also emphasize the importance of strengthening both private and public sector accounting and auditing and the role of the accountancy profession in these areas. This important event will also be an opportunity to identify common challenges and solutions, including the possibility of regional projects to maximize efficiency.

I believe the profession can make a substantial contribution by identifying and communicating our strengths; embracing and learning from other cultures; by making a commitment to adhere to high values; by focusing on sustainability; and by supporting the development of entities of all sizes. In doing so, we are laying a foundation for economic growth and development.

Sincerely,
Fermín del Valle



¹Contabilidad y Responsabilidad para el Crecimiento Económico Regional

IAASB revamps International Standards on Auditing

IAASB Clarifies International Standards to Enhance Auditing Practice Worldwide

The International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board within IFAC, is working to enhance the quality and uniformity of auditing practice worldwide. The IAASB has undertaken a major project to redraft all its International Standards on Auditing (ISA) following new drafting conventions which are designed to make the ISAs clearer and to promote their consistent application. The new conventions should also help to facilitate their translation and adoption around the world.

The IAASB has made significant progress: it already released four redrafted ISAs and is moving forward rapidly in implementing its clarity conventions for the remaining ISAs. As of today, 15 proposed redrafted standards had been released for public comment, and a further 15 exposure drafts are to be issued in the second half of 2007. All IAASB exposure drafts can be viewed at <http://www.ifac.org/eds>.

The goal is to complete the redrafting of all ISAs by the end of 2008. As the final standards are released, they will be made available free-of-charge through the IFAC online bookstore (<http://www.ifac.org/store>).

Coming Events

IFAC Developing Nations Committee Meeting Mexico City, June 11-12

The IFAC Developing Nations Committee (DNC) supports the development of the profession by working with standard-setting boards to ensure they are aware of, and give due consideration the issues relevant to the profession in developing nations. It monitors the work of IFAC boards and committees and providing input and support where appropriate and provides input into the standards and work programs on behalf of developing nations. In addition, the committee facilitates assistance to the developing profession, in partnership with IFAC member bodies, regional accountancy organizations and other relevant organizations. Finally, the DNC also works with the IFAC Member Body Compliance Program to respond to the needs of developing nations, including accessing resources within the IFAC membership and donor agencies.

The DNC, which has representatives from 16 countries, will meet in Mexico City on June 11-12 and many members will participate in the CReCER activities later in the week.

Minister of Finance Opens Conference on Accounting and Auditing ROSC in Uruguay



Mr. Danilo Astori, Minister of Economy and Finance, opened the dissemination conference for the Report on the Observance of Standards and Codes (ROSC) on accounting and auditing practices, on May 8, 2007. The conference, held at the Radisson Hotel in Montevideo, was co-hosted by the Government of Uruguay, the College of Accountants, Economists and Business Administrators and the World Bank. 270 participants representing a broad range of stakeholder groups, including financial and corporate sector regulators, the accounting profession, the business and investing community, and academia, attended the conference.

Besides discussing the report's conclusions, the conference was intended to give in-country stakeholders an opportunity to reflect on Uruguay's successes and challenges in improving corporate financial reporting standards. In his opening remarks, Mr. Astori underscored the importance of improving corporate financial report-

ing in Uruguay as part of the Government's strategy for economic development, especially to improve the local investment climate and ensure the stability of the country's financial system. A consensus emerged during the discussion on the need to further enhance the quality of corporate financial reporting, and its availability to third parties. To that effect, participants endorsed the proposed strengthening of the process by which international financial reporting standards (IFRS) and international standards on auditing (ISA) are adopted in Uruguay.

Mr. Jan Engstrom of the IASB, who was visiting the country as part of a tour of the Southern Cone, commended Uruguay for its decision to adopt IFRS and the efforts under way to ensure the success of such adoption. Finally, participants agree that Uruguay needed to continue improving the quality of its university education and to establish continuing professional development programs for its accounting and audit practitioners.

Further information can be obtained at www.worldbank.org/uruguay or www.ccea.com.uy.

FOMIN - A&A cluster: Significant progress in Mexico

The Multilateral Investment Fund (MIF) of the Inter-American Development Bank (IDB) has established an accounting and auditing cluster of projects aimed which provides technical assistance grants for improving financial reporting capacity with in the enterprise sector. To date, eight countries in the Latin America and the Caribbean region have been beneficiaries of cluster projects.



Mexico, which is among the countries which have received MIF financing, has made great strides in this area. Rather than adopting IFRS outright, Mexico has decided to converge their own national reporting standards with international standards. To assist in the convergence process, the Council for the Investigation and Development of Financial Reporting Standards (CINIF) was created as the official setter of the new financial reporting standards. The project has been very successful, and its main achievements include the following: 1) the creation of CINIF's research center, which has a group of experts in charge of preparing and disseminating the standards. To date, 13 FRS have been issued. 2) the creation of a distance learning program for the accreditation of professional accountants; 3) training about 500 professors around the country in the new standards; and 4) dissemination of the Code of Corporate Best Practices.

Knowledge Sharing

World Bank / GDLN distance-learning program reaches over 300 participants in 10 countries



From November 2006 to May 2007, the World Bank and the Global Development Learning Network (GDLN) implemented a videoconference-based learning program titled "Corporate Responsibility: A Gateway to Growth." The program, which spanned 10 modules, focused on international developments in accounting and audit, and reached an average of 225 professionals per module.

The focus of the program was to support key stakeholders in countries that are in the process of implementing IFRS/ISA in the Latin America and the Caribbean. A combination of learning technologies and techniques enabled participants in 10 countries to access technical advice from international and local experts and share best practices in the region.

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Country in Focus

Interview with Amaro Luiz de Oliveira Gomes, Head of Financial System Regulation Department, Central Bank of Brazil



The Central Bank of Brazil has issued a regulation requiring Brazilian banks to apply IFRS starting in 2010. Brazil is the first country to move toward full adoption of international accounting standards. CReCER interviewed Mr. Amaro Gomes to learn more about this important endeavor.

What have been the Central Bank's main objectives in mandating IFRS starting in 2010?

Brazil has a broad-based economy and a highly developed financial sector. With its increasing integration into global financial markets, it has become apparent that convergence with internationally-accepted accounting standards and auditing practices is necessary. Financial institutions that wish to participate in today's globalized economy need to present financial statements that investors around the world can easily understand. Internationally-accepted standards increase the credibility of information disclosed, demonstrate a company's ability to monitor and manage its risk exposure, and reduce market uncertainty. In turn, the companies themselves benefit from high quality corporate reporting that protects investors, by creating new opportunities to raise long-term financing and forge partnerships worldwide, and by reducing the cost of capital. Banks providing full and quality disclosure can access capital markets more efficiently than those with more opaque reporting.

Please give us a brief summary of what will change as a result of this new requirement.

The Central Bank has been committed to adopt IFRS for a long time, including by requiring fair value reporting for bonds, securities and derivatives in 2001. Then, in 2002, we required derivative financial instruments to be recognized as assets or liabilities, and that they be measured using fair value. We also allowed hedge accounting to be used accordingly. After these initial steps, the decision was made in March 2006 (BCB Communiqué no. 14.259) to require all financial institutions (including banks, leasing companies, savings and loans institutions and credit unions) operating in Brazil to prepare their consolidated financial statements under IFRS effective in calendar year 2010.

What are the main challenges for banks as they begin the IFRS adoption process? What is being done to overcome them?

The main challenges are education and the shift in culture, so that banks, auditors and supervisors are not only well trained but also able to operate in an environment where internal control systems and observance of best business practices are equally if not more important than rules imposed by the regulator. As banking supervisor we recognize that this process will require a significant investment of resources and it will take time, hence our gradual approach to harmonizing our accounting requirements with IFRS. I should also mention that we are a member of Brazil's working group on IFRS, through the recently established *Comitê de Pronunciamentos Contábeis*. Finally, the Central Bank is investing heavily in training its own staff and adapting supervisory tools and practices to the new environment. It's important to acknowledge that convergence is a dynamic process and that it poses an ongoing challenge.

How is the project going now that it's been over a year since the requirement was issued?

In spite of the results already achieved, we decided to implement a strategic project, in two phases, to speed up the pace of convergence. The first phase aimed to identify the differences between IFRS and Central Bank accounting standards. Then we set a roadmap for accounting convergence by 2010. In December 2006, we completed the inventory of all points of divergence between the two sets of standards; this will be published shortly. We are now in the phase two of the project, and the objective is to set a detailed schedule for convergence by December 2007.

Further information: www.worldbank.org/crecer

CReCER Newsletter – Contributors:



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