

## ACCOUNTING STANDARDS

### \* Adoption of International Accounting Standards (IAS)

The priority on the Committee's agenda during the period under review was the attainment of several objectives aimed at ensuring a smooth transition to IAS following the decision of Council to adopt IAS concurrently with International Standards on Auditing, effective July 1, 2002. The objectives included:

- ✦ Implementation of an effective public education programme to ensure the successful integration of all interest groups into the transition process.
- ✦ Alignment of International Accounting Standards with International Standards on Auditing being promoted by the Audit Practice Committee.

In realisation of the objectives, the Committee reviewed a schedule of twenty-two (22) IAS during last year. It was observed that some of these standards required major adjustments to facilitate their successful implementation locally.

#### Public Education Programme for the Roll Out of IAS

Presentations to the American Chamber of Commerce and the Jamaica Institute of Bankers on the Institute's plans for the adoption of International Accounting Standards were done in February 2002. Island-wide presentations will also be held with other interests groups in the upcoming year.

A number of workshops are also being organised to assist the membership of the ICAJ, regulators and other interest groups in better understanding the requirements following the adoption of International Accounting Standards and its implications for Jamaica's business sector.

A secure domain on the ICAJ website has also been requested to facilitate online access to IAS and relevant interpretation guidelines by ICAJ members. The secure domain will require testing by the International Accounting Standards Board (IASB) before giving its approval.

#### Review of Interim Financial Reporting and Other Standards

The Committee reviewed the standard on Interim Financial Reporting as the Jamaica Stock Exchange had effected the required rule change. The agreement of the Financial Services Commission to fully complete the process was sought in this regard.

The proposed standards on Business Combinations and Interim Financial Reporting (IFR) were also reviewed, and it was noted that the IFR standard required the support of the Jamaica Stock Exchange in order to be effective. Efforts to obtain this support are being pursued.

## AUDIT PRACTICE

### Audit Committees

One of the significant accomplishments during the period under review was a major study on the use and benefits of audit committees in Jamaica. The research on audit committees was conducted both in the private and public sectors to ascertain the use and level of knowledge on this subject. The findings formed the basis for the preparation of a detailed paper entitled "Audit Committees: A Vehicle for Good Corporate Governance" which was presented at the CPE seminar on Corporate Governance in November 2001. The paper was also published in parts in the Financial Gleaner and the Daily Observer.

The Committee is now actively involved in the public promotion of audit committees as a vehicle for strengthening corporate governance.

### \* Adoption of International Standards on Auditing (ISA)

Following Council's approval for the adoption of International Standards on Auditing (ISA) with effect from July 1, 2002, the Committee embarked on an intensive programme to prepare members for the transition to ISA. Most noteworthy is the fact that the Institute has already adopted 34 of the 37 ISA and efforts to sensitise members about the new standards are ongoing. Minimal disruption is expected during the transition process.

#### Bank of Jamaica (BOJ) Regulations for Auditors

During the year, the Bank of Jamaica proposed very stringent regulations, including very restrictive criteria for the eligibility of auditors of Building Societies. In this regard, the Committee carried out a number of activities including a forum to discuss the proposals put forward by the BOJ. The forum assisted in formalising the Institute's objections to the proposals in its present form.

#### Code of Ethics

The compilation of a data bank of questions was carried out and a written test on the Code of Ethics was formulated. Prospective ICAJ members will shortly be required to take and pass a written test on the Code of Ethics before being admitted to membership. This will assist in ensuring that members are fully conversant with the requirements of the Code.

#### Reviews of Regulatory Documents

The Committee also reviewed a number of draft regulatory documents issued by the Government of Jamaica on matters affecting the accountancy profession. Based on the reviews, recommendations were made for amendments to the draft regulatory documents, which included the new Public Bodies Management and Accountability Act, 2001 issued by Ministry of Finance.



**Institute of Chartered Accountants of Jamaica**

**TO THE  
CHALLENGE  
OF GLOBALIZATION**

**2002-2003**

**ANNUAL REPORT**

## PRESIDENT'S REPORT

To our valued Members,

The past year has been challenging yet exciting for the accountancy profession in Jamaica. We have, however, risen to the challenges and have made great strides in meeting the increasing demands on the profession both locally and internationally.

Our efforts to effectively meet these demands resulted in increased levels of activity during the year in areas such as:

- Providing professional leadership in developing a more investor friendly business environment, through the adoption of International Accounting Standards, the strengthening of the regulatory framework of the profession and other initiatives.
- Increasing the influence of the Institute, nationally, regionally and internationally.
- Improving the image of the Institute as a trusted protector of the public interest and
- Increasing the Institute's membership.

L. Garth Kiddoe  
President



### New Beginnings:

#### Adoption of International Standards

July 1, 2002 marked a new beginning in Jamaica's financial reporting history as the Institute fully adopted International Accounting Standards (IAS), now International Financial Reporting Standards (IFRS), and International Standards on Auditing (ISA) as the national accounting and auditing standards. This is undoubtedly a step in the right direction and is consistent with the trend towards harmonisation of accounting and auditing standards globally. The implementation of IAS locally is important for the promotion of transparency and confidence in financial reporting and in developing a more investor friendly business environment.

Since 2000, the ICAJ has been preparing the business community, regulators and its membership for the transition to IAS. This included presentations and workshops targeting ICAJ members and various interest groups such as the Private Sector Organisation of Jamaica (PSO), the Bank of Jamaica, the Jamaica Chamber of Commerce and the Jamaica Stock Exchange to sensitise them about the new standards and how they would impact the reporting environment.

However, some stakeholders seemed to have underestimated the impact of the change and delayed their plans for early implementation. The result was that concerns were raised by some members of the PSO about the timing of the implementation of IAS. They further requested that the implementation be deferred to 2005. After extensive review and deliberations, Council decided not to defer the implementation of IAS. In



#### IAS SEMINAR:

Professor Christopher Nobes, International IAS Expert and former Director of the International Accounting Standards Committee (IASC) (left), discusses the implementation of IAS by Jamaican companies with Mr Garth Kiddoe, President of the Institute (right) during a two-day workshop on International Accounting Standards in January 2003 at the Jamaica Conference Centre. Also participating in the discussion (from left) are Mr John Waite and Mr Alok Jain, members of the ICAJ and Mr Dennis Brown, Council member.

recognition of the difficulty which some listed companies may experience, Council granted a concession, allowing listed companies to continue to apply the local interim financial reporting standard (Statement of Standard Accounting Practice C 3: 34) until June 30, 2003.

In addition, the Institute has been providing leadership and technical support, to members and other stakeholders during the transition period. We have also held discussions with various stakeholder organisations, including the Bank of Jamaica, the Financial Services Commission, the Jamaica Stock Exchange and the Jamaica Securities Dealers Association to address the challenges attending the implementation of IAS as well as any conflicts that may exist between IAS and the financial regulations of these entities. The Bank of Jamaica, for example, has requested, inter alia, disclosure guidelines for recognising the principles applied in loan provisioning under BOJ's regulations as distinct from those applied under IAS.

It has been recognised that the financial sector has been experiencing difficulties in identifying an appropriate methodology for determining the fair value of financial instruments in the absence of a well-developed financial market. In an effort to assist in resolving this issue, an international data service provider has been approached to establish an appropriate mechanism for use locally. The ICAJ will continue to provide support to the various stakeholders during this transition period.

### Historical Development – Grant Funding Secured

Another historic development for the profession was our success in securing donor funding from the Inter-American Development Bank (IDB) for a technical project aimed at strengthening the Institute's regulatory and enforcement framework and to reinforce the integrity, transparency and reliability of information provided to investors.

Institute  
of Chartered  
Accountants of  
Jamaica





**Institute of Chartered Accountants of Jamaica**

**2003-2004**

**ANNUAL REPORT**

**International Accounting & Auditing Standards**

Following the decision of Council to adopt IFRS and ISA as Jamaica's national accounting and auditing standards, with effect from July 1, 2002, we continued to give priority attention to the implementation and use of these standards locally.

We are pleased to note that some companies published their first IFRS-compliant financial statements for the December 2003 year-end. We have, however, noticed that, in some cases, there were published interim and annual financial statements that were still not fully compliant with IFRS.

In an effort to assist members and stakeholders in overcoming the challenges being experienced in applying the standards, several workshops were held during the year, aimed at providing hands-on training in the application of the new standards. The workshops were led by international trainers, Professor Christopher Nobes, former director of the International Accounting Standards Committee (IASC) and Mr Ian Charles, Director, Emile Woolf International and specialist in IFRS and ISA.

Discussions were also held with various stakeholder organisations, including the Bank of Jamaica, the Financial Services Commission, the Jamaica Stock Exchange and the Jamaica Securities Dealers Association to address the challenges of implementing IFRS and any conflicts that may exist between IFRS and the laws/regulatory requirements that these entities are expected to enforce.

Compliance with IFRS is critical for the promotion of transparency, reliability and credibility in Jamaica's financial reporting systems. The Institute will continue to actively monitor the implementation and use of IFRS locally and provide leadership and technical support to members and other stakeholders in applying the new standards.

**ICAJ/IDB Technical Project**

In March 2003, an Agreement for the implementation of a Technical Co-operation Project was signed between the Institute and the Inter-American Development Bank (IDB). The Board of Directors of the IDB had approved funding in the amount of US \$650,000 through its Multilateral Investment Fund (MIF) in November 2002 and the ICAJ is to provide US \$350,000 in counterpart funding for this

three-year project.

Following the signing of the Agreement, efforts were concentrated on contracting a Technical Project Manager to enable the start of the planning process for stakeholder consultations and other activities. A Technical Project Manager, Mrs Bevelyn Brodber, has been contracted and assumed responsibilities in April 2004.

The technical project is intended to assist the ICAJ in its drive to disseminate information on, and provide training in the application and implementation of IFRS and ISA as well as to strengthen the enforcement and compliance framework of the accountancy profession in Jamaica.



Mr. Alok Jain, Partner, PricewaterhouseCoopers (centre) discusses aspects of the IFRS and the impact of the new standards on companies with (from left to right) Mr. Ian Charles, Director, Emile Woolf International & Specialist in IFRS and ISA and Mr. Dennis Brown, Partner PricewaterhouseCoopers. Also present is Mr. Neil Robinson, Group Financial Controller, Guardsman Group (second from left).

**Impact on National Development**

The ICAJ was a very vocal participant in national issues particularly as it related to matters of critical importance to members.

The Institute, through its Current Affairs Committee,

hosted two successful public fora during the period under review. The first forum, which was held in April 2003, focussed on an analysis of the national budget and its impact on the economy. The other forum entitled, "Accounting for Crime" facilitated far-reaching discussions on the cost of crime, in terms of its impact on the productivity and profitability of businesses and other contributors to the economy.

In recognition of the need for greater collaboration with the public sector in the modernisation of its Financial Reporting systems, the Institute has been supporting the public sector following the decision by the Government to convert from cash basis accounting to accrual basis accounting. The Government has committed, in principle, to adopting International Public Sector Accounting Standards (IPSAS), which are published by the International Federation of Accountants (IFAC). The changeover process will, no doubt, require significant training and modernisation. In this regard, the Institute has committed to assisting the public sector in this endeavour.

The Institute was also involved in evaluating and providing feedback to the Minister of Commerce, Science & Technology on the new Companies Bill, which seeks to modernise company law in Jamaica. Both houses of Parliament subsequently passed the Revised Companies

