



AFA in collaboration with the World Bank Group, the Malaysian Institute of Accountants (MIA), and the Lao Chamber of Professional Accountants and Auditors (LCPAA) embarked in a two week mission in the Lao PDR. The mission is part of the joint project on supporting the IFRS transition plan in the Lao PDR. The objective of the mission was to complete the IFRS gap analysis fieldwork, through discussions with key stakeholders including relevant regulators, selected major companies and their respective advisors (and auditors).



The project is part of the World Bank Group's Financial Sector Integration Work Stream, focusing on support to developing countries in the Southeast Asia region. It is funded by a Korea Trust Fund and World Bank's Kuala Lumpur Office program.. AFA was represented by Executive Director Pratama.

As a follow up to the first visit to Lao PDR in December 2016, and a realisation of the Lao PDR stakeholders' commitment to support the project, an IFRS Steering Committee has been established under the Ministry of Finance of the Lao PDR, consisting of representatives of key stakeholders in the country. The Committee will be expected to lead the Lao PDR stakeholders in embarking in the IFRS implementation journey.

Through understanding the financial statement preparation processes used by selected entities', and discussions with key personnel who are involved in the preparation of the reports, the team obtained a better understanding of the key issues for the IFRS transition process and identified the common challenges relevant to regulators and preparers, and specific challenges affecting the different sectors such as banking, insurance, and public interest entities.

Some of the key findings were:

- 1) The need for capacity building for key stakeholders involved in the implementation, including but not limited to; regulators (with supervisory role), preparers (with

- emphasis on decision makers / senior management), and practitioners supporting the industry (e.g. advisors, auditors, valuers, etc).
- 2) The importance of identifying varying requirements in the regulations including those potentially conflicting with IFRS requirements. Regulators in particular need to work together to create an environment that can better facilitate implementation of international standards for the purpose of improving the quality of financial reporting.
 - 3) The need for stakeholders to come up with a strategic IFRS transition plan that will include details on a feasible transition timeframe, the budget required, and a step-by-step plan of activities required in order to move towards full compliance with IFRS. Regulators will also need to require entities, particularly PIEs within their sectors, to come up with their own IFRS transition plans which can be used to monitor progress.

Preparation for IFRS implementation in banking, insurance, and publicly listed companies was the focus for the mission. Only a very limited



number of entities in the Lao PDR either have or in the process of transition to IFRS. Sharing these entities' implementation journey to date would be a great learning opportunity for other stakeholders, so they can be better prepared for the many challenges that are likely faced in building the right infrastructure to support the implementation of IFRS.

Specific accounting issues such as employee benefits, financial instruments, consolidation, and implementation of fair value accounting have been identified as some of the key technical issues commonly faced by most entities.

Lao PDR as a relatively small and still developing country which needs to also build its technical resources, including local human resources that can support the implementation process. The role of national PAO LCPAA, with support from PAOs in the region and AFA as the regional body, is important in ensuring that accountants are well equipped with the latest and up-to-date knowledge and expertise, particularly in the application of

international accounting and auditing standards. LCPAA is currently embarking in a number of agreements for example with FAP, in building the IFRS capacity in the Lao PDR.

AFA in communication with LCPAA and the World Bank will be sharing some of the key findings from the mission to the Lao PDR stakeholders and members of AFA at the 20th AFA Conference, to be held back-to-back with the 125th AFA Council Meeting (December 9, 2017). As part of the project, an IFRS Conference hosted by the World Bank will also be held close to the 20th AFA Conference in Vientiane, with the objective of providing opportunity to disseminate more broadly key findings and recommendations to both local stakeholders and interested parties from the ASEAN region.



Based on the findings, a set of case study based training materials will be developed, focusing on transition to IFRS in banking, insurance,

and publicly listed entity sectors in the Lao PDR. A series of Train-the-trainers programs will then be held using these materials, aimed at representatives from selected key stakeholders of the Lao PDR. AFA will work together with the World Bank to make the training materials are also available to AFA member organisations.

AFA seeks to continue its communication with the World Bank Group and other donor bodies to explore potential collaborations in capacity building initiatives in the region. The success of this project will hopefully build the foundation for future implementation of similar collaboration model between AFA member organisations and donor bodies, thereby contributing to the development of the profession in developing countries in the ASEAN region.
