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A Review of Accounting and Audit Practices

Report on the Observance of Standards and Codes (ROSC)

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MAIN ABBREVIATIONS AND ACRONYMS

A&A	Accounting and Auditing
AAN	Airport Management Company (<i>Autorité Aéroportuaire Nationale</i>)
APN	Port Management Company (<i>Autorité Portuaire Nationale</i>)
BRH	Bank of the Republic of Haiti (central bank)
CAMEP	Haiti's main water utility
CAP	Country Action Program
CEM	Country Economic Memorandum
CMEP	Council for the Modernization of Public Enterprises
CONACO	National Accounting Standard-setting Body
CPD	Continuing Professional Development
CSCCA	Haiti's Supreme Audit Institution
DGI	Tax Administration
EDH	National Electrical Utility
FDI	Foreign Direct Investment
FIDEF	International Federation of Francophone Accountants
FSAP	Financial Sector Assessment Program
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
GoH	Government of Haiti
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
MoF	Ministry of Finance
OCPAH	Institute of Licensed Professional Accountants of Haiti
PCN	National Accounting System (<i>Plan Comptable National</i>)
ROSC	Report on the Observance of Standards and Codes
SME	Small and Medium Enterprise
Teleco	National Telecommunications Company

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EXECUTIVE SUMMARY

The current Haitian administration of President Préval has emphasized the importance of fostering economic growth through private investment. Haiti is the poorest country in the Latin America and Caribbean region and, over the past 20 years, Haiti's gross domestic product per capita has declined by an average of 2 percent annually. Recent efforts to foster economic growth and reduce crime and violence are significant, positive steps for the country—improving public security is a prerequisite for a more enabling business environment. Haiti also enjoys a large flow of remittances from Haitians residing in the US or Canada that could be channeled more toward investment rather than consumption. Accurate and timely corporate financial reporting is essential to instill confidence in the local economy and encourage would-be investors to invest in private enterprises on a long-term basis. Furthermore, Haiti's state-owned enterprises are large and lacking in financial accountability and transparency. Sound financial reporting in public enterprises would serve as incentives for financial discipline, provide scope to improve service delivery to the Haitian public, and help the Government of Haiti to assign a more accurate value to these enterprises in the event they seek some amount of private investment.

This report analyzes corporate financial reporting and auditing practices in Haiti. It supports the Government's efforts to (a) improve financial sector stability and development; (b) encourage a business climate conducive to private investment and local companies' access to credit and long-term finance; and (c) enhance the governance and accountability of public enterprises. For the purpose of this study, the benchmarks that have been used include the International Financial Reporting Standards (IFRS) and the International Standards on Auditing (ISA). The report also draws on international experience and good practice in accounting and auditing, particularly in Latin America and the Caribbean.

Haiti's corporate sector accounting and auditing are still at an incipient stage of development, and they require significant strengthening as part of a broader effort to improve the investment climate. The statutory framework governing corporate accounting and auditing standards is incomplete and loosely enforced. The accounting profession faces a number of serious challenges, owing to the long and severe crisis from which the country has recently emerged. Furthermore, Haiti's accounting standards have not been updated in more than two decades—the standard that exists, while legally required, is now widely ignored.

There have been some recent steps forward with respect to corporate financial reporting. For instance, a tax decree published in October 2005 significantly strengthened accounting and audit requirements and aimed to bring the country more in line with international good practice. Moreover, banks are now subject to more stringent regulations governing accounting and auditing, and they must have their annual financial statements audited by an approved audit firm. This latter provision is in line with international good practice. These reforms demonstrate that political will exists to move the country closer to international standards for financial reporting, although much work remains to be done.

One of the major problems facing Haiti's accounting and auditing regime is that the National Accounting System (*Plan Comptable National* or PCN) is out of date and conflicts in many important respects with IFRS, which have constantly evolved since they were initially developed in the 1970s. In fact, representatives of the accounting profession expressed the view that the PCN is not adapted to current circumstances, and they do not appear to follow it, in spite of what the law dictates. Few companies and practitioners appear even to have a copy of the PCN.

Another significant weakness in the legal framework is that Haitian enterprises (except banks) are not required to publish their financial statements or publicly disclose their financial standing. This severely limits the role that accounting information plays in the economy. Further, the lack of a mechanism to monitor enterprise accounting and auditing creates an environment in which compliance with accounting obligations is low. This state of affairs hampers the level of financial transparency in the private sector and is, therefore, detrimental to Haiti's investment climate.

The Institute of Licensed Professional Accountants of Haiti (*Ordre des Comptables Professionnels Agréés d'Haïti*, or OCPAH), which represents the country's accounting and auditing profession, needs to be strengthened in order to perform effectively its role of promoting high quality accounting and auditing practices. Although OCPAH is a member of the International Federation of Accountants (IFAC), it does not comply with several of the Statements of Membership Obligations, including those regarding quality assurance, entry requirements, continuing professional education, and IFAC's code of ethics. The weakness of the professional body is exacerbated by a number of factors, including a severe "brain drain" over the last five years, a poor image vis-à-vis the business community, divisions within the profession, and, especially, OCPAH's severe lack of resources.

Improving accounting and auditing standards to achieve the necessary level of corporate sector financial transparency will take time and effort, particularly to develop the required technical capacity among the accounting and audit profession. Implementing these recommendations is expected to require significant assistance from the donor community. Any reform program must necessarily be incremental in nature and provide for appropriate sequencing of actions. In that regard, this report recommends the following:

- (a) **Short-term priority actions** include (i) adopt an accounting system that is both simple and easily enforceable while being broadly consistent with IFRS; (ii) clarify which accounting standards apply to which type of business entity and only subject large companies to the audit requirement; (iii) update the bylaws of OCPAH especially on all aspects involving the licensing of professionals, including by considering the introduction of an intermediate professional title of "accounting technician"; (iv) seek a twinning arrangement between OCPAH and a Francophone accountancy body; and, (v) move toward full IFRS adoption in the banking sector in the medium term.
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- (b) **Medium-to-long-term objectives** include (i) take steps to develop competition in the audit sector; (ii) develop a basic accounting and auditing framework for non-bank financial institutions; (iii) enhance professional education and training in line with IFAC's education standards; (iv) mandate and enforce continued professional education; and, (v) put into place measures that promote financial transparency and accountability in state-owned enterprises.

These actions should pave the way for addressing other longer-term challenges such as transforming OCPAH into a dynamic organization focused on quality service delivery and leveraging sound financial reporting practices to improve access to credit for small and medium enterprises.

In the immediate and short term, Haiti should develop a detailed Country Action Program (CAP) with assistance from international organizations. The CAP should consist of a limited number of achievable outcomes to support the objectives of (i) modernizing the country's statutory accounting and auditing framework and creating a regulatory and professional environment conducive to the observance of sound financial reporting practices; (ii) strengthening the country's accounting and auditing profession; and, (iii) helping to develop a cadre of adequately trained accountants and auditors who will contribute substantially to public enterprises' accountability and transparency. A Steering Committee should be established under the aegis of the MoF and the BRH to oversee the preparation and implementation of the CAP.

Within the framework of the CAP, OCPAH should design its own medium-term strategic plan to address issues of improving OCPAH's internal governance and compliance with its membership obligations vis-à-vis IFAC. Additionally, the strategic plan should focus on identifying solutions to ensure that OCPAH has adequate human resources and sufficient revenues to fulfill its role.

The attached table summarizes the short-term priority actions recommended by this ROSC as input for the preparation of the CAP.

SUMMARY OF RECOMMENDED SHORT-TERM PRIORITY ACTIONS

Objective	Recommended Action and Institutional Arrangements	Leading Institution(s)	Ref.
Develop a comprehensive strategy to improve accounting and audit practices in Haiti	Establish up steering committee to oversee the preparation of a Country Action Program (CAP)	BRH and MoF (technical support provided by OCPAH)	Para. 72-73
	Seek support of donors to fund the preparation of the CAP		
	Retain experts to assist in preparing and implementing initial of phase of the CAP		
	Develop a strategic plan for OCPAH and the accounting and audit profession identifying key reforms and sources of income. Consider the introduction of an intermediate professional title of “accounting technician”	OCPAH	Para. 79-80
Improve and update the statutory framework for A&A	Amend the 2005 tax decree clarifying which accounting standards apply to which type of business entity	MoF	Para. 75-76
	Revamp the regulations governing the accounting profession	OCPAH	Para. 77
Implement an accounting system adapted to Haiti’s current needs	Adopt an IFRS-compatible accounting system that is both simple and easily enforceable	MoF (with OCPAH’s support)	Para. 74
	Seek the support of fellow francophone accountancy bodies	OCPAH	Para. 81
Adopt IFRS in full in the banking sector	Conduct a comprehensive study for aligning BRH rules on loan loss provisions with IFRS	BRH, Banking Association	Para. 78
	Build capacity in banks on IFRS and internal controls		
	Require banks to publish electronically their audited financial statements in full		
	Introduce a standardized form for banks to publish their annual financial statements		
	Require bank boards and managements to certify their financial statements		

I. BACKGROUND

1. A review of corporate sector accounting and audit practices in Haiti has been carried out in connection with the Financial Sector Evaluation Program (FSAP) of the World Bank and the International Monetary Fund, as part of the Reports on the Observance of Standards and Codes (ROSC) initiative. The main focus of the review is the institutional framework and professional environment that underpin private sector accounting and audit practices. The review also entails a comparison of accounting and auditing standards mandated by the local legislation with the International Financial Reporting Standards (IFRS¹) and the International Standards on Auditing (ISA²), which are the benchmarks normally used for the reviews. The review does not cover government accounting standards and practices and the corresponding auditing issues.³

2. **With a population of 8.3 million, Haiti is the poorest country in the Latin America and Caribbean region and among the poorest in the world.** Located on the western side of Hispaniola, the country's recent history has been plagued by prolonged political conflict and violence, poor economic governance, cycles of high external assistance followed by withdrawal of economic support, and natural disasters. Gross domestic product (GDP) per capita has declined on average by 2% annually over the past 20 years. As noted in the World Development Report, Haiti's pattern of socioeconomic development has been characterized by marked inequalities in access to productive assets and public services.

3. **Even though much progress has been achieved since 2007, insecurity remains pervasive and plays as a deterrent against young graduates' embracing a professional career in Haiti.** In the context of continuing insecurity over a long period, many of these graduates chose to leave for Canada or the US. This brain drain has significantly hindered the supply of professionals, including auditors. Moreover, for the case of the audit profession, a compounding factor has been Haiti's weak rule of law, which creates an environment of increased uncertainty and risk for practicing auditors. Ongoing efforts to tackle insecurity, corruption and advance the rule of law under the administration of President Préval will need to be sustained over a long period in order for Haiti to reverse past trends and fully restore its ability to retain local talents.

4. **Consistent with the country's low level of development overall, Haiti's private sector is largely underdeveloped.** The current Haitian administration of President Préval has emphasized the importance of fostering economic growth through private investment, which requires improving the business climate significantly. Improving public security is a prerequisite in that regard, and recent efforts to tackle

¹ IFRS correspond to the pronouncements of the International Accounting Standards Board (IASB) and the International Accounting Standards (IAS) issued by its predecessor, the International Accounting Standards Committee, or amended by the IASB, as well as related interpretations.

² ISA are issued by the International Auditing and Assurance Standards Board, an independent board within the International Federation of Accountants (IFAC).

³ These issues were reviewed under the Public Expenditure Management and Financial Accountability Review conducted jointly by the World Bank and the Inter-American Development Bank.

crime and violence are significant, positive steps. However, as outlined in the June 2006 World Bank Country Economic Memorandum (CEM) for Haiti, efforts will need to be made to improve the enabling environment for business. This could help channel part of the large flow of remittances from Haitians residing in the US or Canada (estimated at US\$2 billion annually) into investment instead of just consumption. Accurate and timely corporate financial reporting is an essential ingredient of the confidence that would-be investors place in the local economy, and therefore of their willingness to invest on a long-term basis. What makes this even more important in a country like Haiti, is that judicial remedies are currently limited and/or difficult. Indeed, entrepreneurs and financiers are only ready to assume the significant risks of an investment in a foreign country if they can monitor performance in, and thus make informed business decisions related to, their investment.

5. Haiti’s public (i.e. state-owned) enterprises are large, and they present serious risks and issues for the Government of Haiti (GoH). A number of these state-owned enterprises currently operate as monopolies.⁴ The 2006 Haiti CEM underscores that these entities lack financial accountability and transparency, and recommends that further efforts be made to strengthen financial reporting by these public enterprises, so as to foster a basic level of financial discipline. As a by-product of financial discipline, the quality of the delivery of public services could be expected to improve, and the contingent liability these entities impose on the state’s budget would correspondingly be reduced.⁵ Moreover, as it plans to privatize these loss-making and underperforming public enterprises, it is essential for GoH and potential investors to know accurately the financial situation of these enterprises. This will help GoH to maximize the proceeds from each privatization, and to anticipate the potential residual liabilities related to its privatization program. Improving financial management and achieving a minimum level of financial transparency and accountability in these public enterprises require that each has basic processes in place to keep current and accurate accounts, which comply with minimum standards (i.e., not necessarily as demanding and precise as IFRS, but adequate to provide financial information of sufficient quality for management and Government authorities overseeing these public enterprises).

6. The 2006 Haiti CEM notes that “the tax burden is not a constraint on private sector activity in Haiti as taxes are low”. On the contrary, revenue collection needs to be strengthened to mobilize public resources for much needed social and infrastructure investments. It further notes that corporate income tax (*impôt sur les sociétés*) accounts for only 0.85% of GDP as compared with a regional average of 2%, due to numerous exemptions and, presumably, tax evasion. With a view toward modernizing the country’s

⁴ The five largest public enterprises are: (i) *Autorité Aéroportuaire Nationale* (AAN), which operates Haiti’s airports; (ii) *Autorité Portuaire Nationale* (APN), the port management company; (iii) *Compagnie Autonome Métropolitaine d’Eau Potable* (CAMEP) the water distribution and sewage systems; (iv) *Electricité d’Haïti* (EDH), the electricity generation, transmission and distribution; and (v) *Compagnie Nationale de Télécommunications* (Teleco), the company with monopoly over telephone land lines. Another significant state-owned, commercial entity is *Service National pour l’Eau Potable*.

⁵ The audit of the main public enterprises is highlighted as a key objective under the World Bank’s Economic Governance Reform Operations.

tax system, GoH issued a decree in September 2005 on personal and corporate income tax, which contained a series of provisions, to be implemented from 2007 to 2009, aimed at strengthening accounting and financial reporting requirements from the largest corporate taxpayers. While reducing tax evasion is not a direct objective of a financial statement audit, a competently conducted audit can contribute to stricter compliance with domestic tax laws by local companies and thereby improve tax collections.

7. More than 80% of Haiti's public investment projects during the 2004-06 period have been financed through donor assistance. Virtually all external assistance projects in Haiti are audited by private firms, most of which are local. The quality of the work performed by these private sector auditors is, therefore, directly relevant to the ongoing efforts to improve the financial management of donor-funded projects. One of the objectives of this review is to encourage the development of a cadre of properly skilled and trained accountants and auditors, through (i) enhanced institutional capacity of the officially sanctioned accounting organization, (ii) improved quality of accounting education, and (iii) a strengthened regulatory framework governing accounting and audit practices in Haiti.

8. Local banking groups dominate Haiti's financial sector. Two large foreign banking groups have each established a local branch to serve international clients. There are nine banks in total, with total assets of approximately US\$2 billion as of June 2007 (source BRH). The third largest bank, BNC, is state-owned. Haiti has no stock exchange and is not expected to develop one in the foreseeable future. The domestic insurance industry is small and relatively unsophisticated (life insurance policies are rare). The private pension sector is still underdeveloped. In the absence of institutional investors of any significance, there is currently no mechanism for channeling long-term private savings toward investment activities. Two second-tier banks, privately-owned Sofidhes and the BRH-controlled Industrial Development Fund, provide medium- and long-term loans to the local business sector along with other types of financial and related services.

9. Based on the above, the ROSC Accounting & Auditing for Haiti supports the following three key development objectives: (a) financial sector stability and development; (b) an improved business climate, conducive to private investment and local companies' access to credit and long term finance; and (c) improved governance and accountability in public enterprises. In this context, this ROSC seeks to assist the authorities in taking initial steps toward (i) modernizing the country's statutory accounting and auditing framework and creating a regulatory and professional environment conducive to the observance of sound financial reporting practices; (ii) strengthening the country's accounting and audit profession; and, (iii) helping to develop a cadre of adequately trained accountants and auditors who will contribute substantially to public enterprises' accountability and transparency.

II. INSTITUTIONAL FRAMEWORK FOR CORPORATE ACCOUNTING AND AUDITING

A. STATUTORY FRAMEWORK

A1. Private Enterprise Sector⁶

10. Until 2007, there were only two statutory requirements for accounting and auditing concerning commercial (non-financial) enterprises: (a) enterprises were required to apply a standard accounting system (*plan comptable*) and (b) practicing accountants were required to be affiliated with the national accounting professional body. Under a decree dating back to 1981, all industrial, commercial and agricultural enterprises, irrespective of their legal form, are required to keep books of accounts in French, in one of the country's currencies and in accordance with the National Accounting System (*Plan Comptable National* or PCN).⁷ A decree dating back to 1960 on joint stock companies (*sociétés anonymes* or SA) required that the directors of an SA submit, on an annual basis, a detailed report on the balance sheet and income statement to the shareholders. The same decree required that a “*commissaire aux comptes*” (the official title used for statutory auditors in France and Francophone countries in Africa) be appointed to “verify the truthfulness of the company's accounts.”⁸ In practice, this latter requirement was rarely complied with.

11. Whereas the stated objectives of the introduction of the PCN included the expansion of the private sector, in practice it was developed with an exclusive focus on taxation. This is evidenced by the fact that the recitals of the 1981 decree state that a system of accounting is prone to facilitate tax inspections. In addition, the designated user under this decree is the tax administration (Art. 2). The implication is that accounting was never really intended as a tool for enterprises to monitor their financial situation and performance, nor was the PCN designed to address the needs of external users of financial information for credit or investment purposes. It should be noted that since Haiti's fiscal year ends on September 30, in practice the majority of companies close their books of accounts as of that date.

12. A tax decree published in October 2005 significantly steps up accounting and audit requirements in Haiti. The decree's requirements became applicable for the financial year ending September 30, 2007 and superseded all previously enacted laws and regulations. Its main requirements are as follows:

⁶ For purposes of this report, “enterprise sector” refers to all commercial organizations (companies) operating outside the financial sector (i.e. other than banks, insurance companies, pension fund administrators, or other providers of financial services).

⁷ *Décret du 16 avril 1981 instituant le Plan comptable national, le Conseil National de la Comptabilité et l'Ordre des Comptables Professionnels Agréés d'Haïti*, Art. 1. This presidential decree (which has the force of a law) was published and therefore came in force on January 5, 1984. The Decree of October 11, 1983 to regulate the implementation of the PCN requires financial statements to be presented in Haitian Gourde.

⁸ *Décret du 28 avril 1960 sur les Sociétés Anonymes*, Art. 34-35.

- a) **Bookkeeping/accounting/financial reporting:** All companies and sole proprietorships with annual sales or total assets of HTG 1.25 million (equivalent to about US\$35,000) or more must prepare financial statements and file them with the tax administration (*Direction Générale des Impôts* or DGI) within 90 days after the end of their fiscal year. Those financial statements must be established “in conformity with accounting principles generally recognized by the Haitian State, as included in the (...) [PCN] and according to International Accounting Standards” (Para. 56).
- b) **Auditing/certification:** All companies and sole proprietorships with annual sales or total assets of HTG 15 million (equivalent to US\$420,000 approximately) **or** more must have their financial statements audited by an independent, authorized professional accountant or a duly authorized audit firm, and the auditor must be a member of the Haitian Institute of Licensed Professional Accountants (OCPAH—Para. 31). The financial statements must be filed together with the auditor’s report. For companies with sales **or**⁹ assets below HTG 15 million, their financial statements must be signed by the owner or a registered accountant (“*comptable patenté*”).
- c) **Sanctions:** Companies failing to submit their financial statements in time are subject to a fine of HTG 25,000 (approximately US\$700) per month, up to a maximum of HTG 300.000.¹⁰ However, the decree does not establish the responsibility of company managements and boards with regard to the fairness of the financial statements presented. Moreover, a fine of 1% of the amount assessed can be imposed on an accountant involved in the preparation of accounting records that contain errors leading to a significant assessment. Finally, a criminal court can impose a fine of up to HTG 1.5 million or sentence to imprisonment an accountant who prepared or helped prepare fraudulent financial statements.

13. **Small enterprises, defined as having annual sales below about US\$35,000,¹¹ are only required to keep record of their cash inflows and outflows, which is consistent with international good practice as these entities are very unlikely to need bank credit and equity capital.** Nevertheless, it could be useful for Haiti to develop a standardized approach for a cash basis accounting framework, as these enterprises are potential users of micro-credit services. Moreover, some of them will eventually need to scale up their activities and then will need to access bank credit.

14. **Haitian enterprises are not subject to any requirement to publish their financial statement or publicly disclose their financial standing. This severely limits the role that accounting information plays in the economy.** Civil law jurisdictions

⁹ Consistency with the previous requirement would require “and” instead of “or” (otherwise entities who exceed one of the threshold but not the other fall under both requirements).

¹⁰ *Décret du 29 septembre 2005 Relatif à l’Impôt sur le Revenu* (published on October 5, 2005), Art. 44, 45, 49 and 189. Financial statements are defined as the balance sheet, statement of income, statement of cash flow, notes and annexes including the list of fixed assets, depreciation and amortization, provisions and certain accounts related to foreign transactions (“*comptes relatifs aux opérations en portefeuille extérieur*”).

¹¹ HTG 1.25 million. Decree of September 2005, Art. 33-34.

often require that annual financial statements be filed with a corporate registry, which the public can access to for a nominal fee. No equivalent tradition seems to exist in Haiti, where there is no legal requirement for publication of company financial statements. For corporations (SAs), the commercial code of 1960¹² requires that a copy of the directors' annual report on the assets and liabilities position of the company be forwarded to the Ministry of Commerce and Industry.

15. In addition, in the absence of any mechanism for monitoring of enterprise accounting and auditing practices, incentives to comply with the PCN are weak. In the absence of a requirement to publish or other mechanisms to enforce the PCN, the consequences of not complying with accounting obligations are limited. The lack of a deterrent effect creates an environment where compliance is low, which seriously hampers the level of financial transparency in the private sector and is, therefore, detrimental to Haiti's investment climate.

16. The tax administration is not currently equipped to enforce the Tax Decree of October 2005 properly. The tax administration (*Direction Générale des Impôts* or DGI) has two enforcements divisions: (a) *Unité Contrôle et Gestion Fiscale* (UGCF), which deals with the larger taxpayers, defined as enterprises with sales of HTG 10 million (approximately US\$280,000) or more; and (b) *Direction de la Vérification* (DV), which covers all the others. DGI is facing severe capacity constraints, both within UGCF and DV, with regard to its capacity to enforce the provisions of the Tax Decree of 2005 involving accounting (Para. 12). These difficulties are compounded by the fact that tax returns are not standardized; therefore, any automated processing of the information contained in the returns is virtually impossible.

17. In sum, the statutory framework governing corporate accounting and auditing standards applicable to commercial enterprises is incomplete and loosely enforced. Given the growing emphasis on private sector development in Haiti, the corresponding increase of credit to mid-sized and small enterprises will require that these enterprises' provide reasonably good accounting information to local or foreign lenders or investors. This, in turn, requires clarity in the accounting rules prevailing, which is not the case at the moment. In addition, some form of enforcement, deterrent effect or a combination of the two will be necessary. Given the difficulty for a state as fragile as Haiti to sustain the necessary infrastructure for the enforcement of accounting obligations of hundreds of small local enterprises, a premium should be placed on transparency and the role of external auditors.

A2. Financial sector

18. Banks are subject to much more stringent regulations governing accounting and auditing; still, no clear definition of applicable accounting and auditing standards is provided. The decree on banking activities of 1980,¹³ Art. 57, requires

¹² Decree of August 28, 1960.

¹³ *Décret du 14 novembre 1980 réglementant le fonctionnement des banques et des activités bancaires sur le territoire de la République d'Haïti.*

banks to report to the BRH on their “monthly situation” and submit a profit and loss statement every six months. Detailed BRH-issued regulations dealing with accounting and auditing issues are contained in Circulars no. 61-1 on external audits, no. 87 on loan-loss provisioning, and no. 93 on monthly financial reporting to BRH. No circular deals specifically with accounting rules to be applied by banks. A paragraph in Circular 61-1, Section 5 states that “until accounting and auditing standards are established in Haiti, the independent auditor should conduct its audit in accordance with auditing standards generally recognized on an international level, and ensure that the bank has prepared its financial statements in accordance with accounting standards generally recognized on an international level”. The problem is that there is no clear and universal understanding of which standards are “generally recognized on an international level”, except for IFRS and possibly U.S. Generally Accepted Accounting Principles (GAAP). In addition, some BRH-issued circulars contain provisions that contradict IFRS on significant aspects including loan-loss provisioning (Para. 58).

19. All banks must have their annual financial statements audited by an audit firm whose appointment is approved by BRH. This latter provision, which is fully in line with international good practice, is meant to ensure that external auditors of banks meet minimum “fit and proper” conditions. Circular 61-1 also contains various requirements intended to ensure auditor independence, and sets guiding principles for the relationship between the BRH and the auditors, aimed at avoiding duplication and maximizing synergy between the audit work and bank supervision, which is broadly in line with a paper issued by the Basel Committee in January 2002 and the International Audit Practice Statement 1004 issued by the IAASB. Other important provisions include the requirement for auditors to provide the BRH with all information deemed useful by the BRH and the obligation for the auditor to “alert” the board of directors and the BRH when it becomes aware of facts that may indicate violations of the banking law or practices that may be detrimental to the bank’s ability to operate normally or to depositors.

20. A draft new banking law presented before the Haitian Parliament in July 2007 includes several provisions aimed at increasing external auditors’ accountability vis-à-vis the BRH. In particular, the new law would:

- (a) Require that at least two partners in a licensed audit firms have a minimum of five years of experience as senior staff or audit partner (Art. 61);
- (b) Set stringent prohibitions aimed at ensuring the auditor’s independence (Art. 62);
- (c) Enable the BRH to dismiss the audit firm with cause (Art. 63); and
- (d) Allow the BRH to notify the “appropriate disciplinary authority” in case of violations of law by an external auditor (Art. 72). However, since no institution is currently fulfilling any meaningful disciplinary role in relation to external auditors, the effectiveness of this provision is doubtful. This raises an issue with respect to the oversight of the audit function in Haiti (Para. 38).¹⁴

¹⁴ According to the BRH, at the time this report was being finalized (July 2008), the draft banking law was still before Parliament. It should be also noted that the BRH has the power to dismiss external auditors in the banking sector.

21. **Banks are required to make their financial statements and audit report available to the public,¹⁵ but there is no requirement to publish them.** The financial statements can be reviewed by the public at the bank's premises, but the bank is not obliged to provide a copy. The larger local banks prepare an annual report containing their full financial statements and audit report. One of the two larger banks also posts its full financial statements and audit report on its website. In order to facilitate the public's access to bank financial statements and thereby foster depositor' confidence and protection, the best solution would be for BRH to post all such financial statements and audit reports on its website. This practice is commonly observed among bank supervisors worldwide and contributes to market discipline, which is an important feature of a modern banking supervision framework.

22. **BRH monitors compliance by banks with accounting requirements, through off-site reviews and on-site inspections, complemented by regular meetings with the external auditors.** The staff of the Supervision Department within BRH generally has a strong background in accounting, and BRH's supervisory procedures are largely adequate. The natural evolution toward a more risk-based approach to supervision will require significant training for supervision staff in risk management, internal controls and IFRS.

23. **Insurance and pension fund administration are fundamentally unregulated activities and are only subject to the general accounting and auditing requirements applicable to commercial enterprises.** Because, historically, insurance policies were issued by international companies though local brokers, the insurance business was regulated as a trade activity; however, regulatory requirements were minimal. For tax purposes, October 2005 Tax Decree, Article 157, requires local insurance companies to file their financial statements, prepared in accordance with templates prepared by the DGI. The only specific accounting rules set in the decree has to do with the calculation of technical reserves.¹⁶

A3. Public enterprises

24. **Public enterprises operate under specific legal forms in Haiti, either as an *organisme autonome de l'Etat* or as a *société d'économie mixte* (SEM).** The former is a state entity¹⁷ with operational autonomy, not included in the general budget and operating as a commercial, for-profit entity. The latter operates as a corporation except that one of its shareholders is the State or a public entity. A SEM can be controlled by private investors as a result of privatization, as is the case of the national cement company and the mills.

25. **Public enterprises are subject to the same accounting, financial reporting and audit requirements as commercial enterprises. This approach is adequate**

¹⁵ BRH Circular 61-1, Section 7.

¹⁶ For life insurance policies, the decree states that formulas used must be approved by the Ministry of Finance. For other types of policies, the reserve must be equal to 40% of "issued premium".

¹⁷ These do not operate as corporation and, in general, their governance arrangements are potentially weaker than those of a SEM.

insofar as accounting is concerned; however, a higher level of accountability would be expected from public enterprises than from private ones. Under Article 1 or the Decree of 1981 establishing the PCN (Para. 10), all enterprise, irrespective of their form, legal status or nationality, must apply the PCN. Similarly, under the Tax Decree of 2005, Articles 1 and 150, all public enterprises must pay taxes on their income in the same manner as corporations or partnerships.

26. **Currently, public enterprises are not legally required to have their financial statements audited, but most of them will be because the 2005 Tax Decree requires that they do so on account of their size.** The country's Supreme Audit Institution (*Cour Supérieure des Comptes et du Contentieux Administratif* or CSCCA) is responsible for oversight of the public enterprises. However, it does not carry out the audit of these entities' financial statements, and it does not have the capacity to do so.¹⁸ Given the complexity and size of commercial entities such as APN, CAMEP, EDH or Teleco, the CSCCA cannot reasonably be expected to audit their financial statements under current circumstances; therefore, that function ought to be left to private audit firms.

27. **Publication of audited financial statements is not legally required from public enterprises.** Given the poor state of these entities' accounts at the moment (see a discussion of current accounting and auditing practices within the five largest public enterprises in Para. 67-68), publishing these accounts would not necessarily achieve much in terms of informing the public of the economic performance and financial condition of these entities. Nonetheless, a requirement to publish audited financial statements, which is a basic measure to establish the financial accountability of those types of entities,¹⁹ would create an incentive to management and public authorities to improve their financial management.

28. **Financial oversight of public enterprises by state entities is scattered among various entities and is very weak.** In addition to the CSCCA, several institutions are involved, to some extent and in different ways, in the financial oversight of public enterprises. First, public enterprises are required under a decree of July 20, 2005 to submit their financial statements to the Ministry of Economy and Finance's *Unité de Programmation* (UP) within three months after the end of the fiscal year. Second, the Council for the Modernization of Public Enterprises (*Conseil pour la Modernisation des Entreprises Publiques* or CMEP) established in 1996,²⁰ has been actively involved in the audit of financial statements and in providing accounting assistance, with engagements commissioned by the GoH in relation to donor-funded projects. The CMEP has very limited powers over public enterprises (especially the *organismes autonomes de l'Etat*) when it comes to monitoring their efforts to restore an acceptable level of accounting and financial management. Finally, public enterprises being subject to taxation of their

¹⁸ According to a recent study by the World Bank on public financial management in Haiti, the CSCCA had yet to complete the audit of central government accounts for fiscal year 2003/04.

¹⁹ See in particular the OECD Guidelines on Corporate Governance of State-Owned Enterprises (2005).

²⁰ *Loi Portant sur la Modernisation des Entreprises Publiques*, published in the official gazette (*Moniteur*) on October 10, 1996. The CMEP's mandate is defined as follows: "to promote and manage the process for the modernization of public enterprises". Financial management and reporting aspects are not specifically mentioned.

income, the DGI receives their financial statements and is authorized to carry out inspections to verify the accuracy of these statements. Coordination between the MoF and CMEP is nonexistent.

B. THE ACCOUNTING AND AUDIT PROFESSION

29. **Haiti’s accounting and audit profession services is still at a very early stage of development and faces a number of serious challenges.** In a country, which just recently emerged from a long and severe crisis and where the private sector has been facing huge difficulties to develop its activities, one would expect the local accounting and audit profession to be fairly weak overall. Constraints to the profession’s development are varied, including:

- ***A very narrow market base for statutory audits*** – Because the law only requires a very small number of enterprises to have their financial statements audited, professional accountants in Haiti have few opportunities to carry out audits. This makes it difficult for them to acquire the specific skills needed to conduct audits, which are fundamentally different from those needed for bookkeeping or tax return preparation. The recently enacted Tax Decree creates new opportunities for the auditing profession, as several hundred companies will be required to have their financial statements audited;
- ***A poor image vis-à-vis the business community (Para. 70) coupled with local entrepreneurs’ reluctance to provide financial information,*** leading to low demand for sophisticated accounting services beyond basic bookkeeping and low fees;
- ***A severe “brain drain” over the last five years caused by acute security problems*** – Accounting/audit firms have been unable to retain junior professionals, many of whom have left the country to go to Canada or the US. Future efforts to develop the profession should include specific measures aimed at reducing this phenomenon;
- ***Divisions within the profession,*** between sole practitioners and the half a dozen or so firms that carry out financial statement audits, reviews of donor-funded projects and other more sophisticated assignments. The latter are generally not active within the profession’s representative body; and
- ***An incomplete and often confusing statutory framework,*** especially regarding which accounting standards should be applied.²¹

30. **There is no real competition for audit services at the moment, as one local firm has established itself as virtually the sole supplier for large entities in Haiti, including almost all the banks.** That firm has a correspondence arrangement with one of the “Big 4” international network of audit firms, and has established close relations with

²¹ OCPAH points to a “lack of engagement” of the firms, attributable “mainly to the *bénévolat* (i.e. the activities of its different bodies are not remunerated) and, to a lesser extent, to other factors such as social and political instability”.

that network's French and Canadian member firms. It also audits the annual accounts of BRH. This situation reflects a significant investment in training by that firm, and the continuing involvement of one of the four networks of audit firms; in contrast the other three networks have discontinued all direct presence in Haiti. This is problematic insofar as this dominance of one firm creates a serious barrier to entry for others wishing to provide audit services, as those other firms lack the staff and knowledge base to be credible providers. Three or four mid-sized firms have some presence on the audit market, and two of them have established some contacts with other Big 4 networks; these relationships are helpful, but not sufficient, should these firms seek to acquire a more meaningful market share.

31. Public accountants must be registered with the Institute of Licensed Professional Accountants of Haiti (*Ordre des Comptables Professionnels Agréés d'Haïti* or OCPAH) in order to practice in the country. OCPAH was established by the same decree of April 1981 that introduced the PCN. Only registered members of OCPAH are authorized under the law to certify accounting documents or to offer accounting services except for bookkeeping (Art. 8). Moreover, independent audits for the purposes of the 2005 Tax Decree must be conducted by a member of OCPAH (Art. 44). As of September 2007, OCPAH membership totaled 426 individuals—160 of whom were in public practice or in business—and 25 firms, most of which are based in Port-au-Prince.²² OCPAH's organizational structure is established by a presidential Order (*Arrêté*) dated November 11, 1983. It includes a General Assembly of members, an Executive Board (*Conseil de l'Ordre*), which also operates as a disciplinary body, and a series of technical and professional committees (e.g., continuing education, ethics, and admissions). The current structure is broadly adequate, the issue being however that the various committees do not sustain an active work program, except the one that administers the entry exam (see below).

32. The laws and regulations governing OCPAH are set out in the so-called “*Livre d'Or*” published in 1988. However, different versions appear to be in use among the membership, which is a source of significant confusion and uncertainty. The *Livre d'Or* is a short book containing (a) OCPAH's organization chart; (b) OCPAH's regulations; (c) the code of ethics; and, (d) copies of the three laws and decrees governing accounting and auditing in Haiti. The cover of the *Livre d'Or* states that it was adopted by OCPAH's General Assembly in May and June 1988.²³

33. OCPAH membership requirements are not in line with international good practice and IFAC standards. In terms of entry requirement, the November 1983 Order states, in order to be admitted, a candidate must pass an exam organized by OCPAH (Art. 13-4) but s/he can be exempted if s/he meets certain conditions set in OCPAH regulations (Art. 12). Also, per OCPAH regulations, a candidate with five years of professional

²² Outside Port-au-Prince, 12 accountants are established in Cap Haïtien.

²³ OCPAH considers for its part that these additions to Art. 51 and 63 of its regulations and spelling mistakes have a limited effect and insufficient to represent a source of confusion or uncertainty.

practice in Haiti can be exempted from the exam.²⁴ This falls short of IFAC's standards, which require a minimum educational background and the passing of a final exam for all licensed professional accountants. In addition, continuing professional development (CPD) is not mandatory to retain OCPAH membership,²⁵ whereas this is required by IFAC under SMO 2 and International Education Standards for Professional Accountants (IES) no. 7.

34. **OCPAH's role in promoting high quality accounting and audit practices is hampered by its severe lack of resources.** Annual member dues are HTG 2,500 (less than \$80) for individuals and HTG 5,000 for firms, which represents a very modest stream of revenue for OCPAH. Fees charged to exam candidates and for training seminars, which account for less than 50% of its revenues, cover specific activities and, therefore, cannot fund OCPAH's general activities. As a result, OCPAH is poorly equipped to engage in the type of outreach activities vis-à-vis the business community or the authorities that would be necessary in order to promote high quality financial reporting, or to support any meaningful research activities. **In short, OCPAH lacks the financial capability to fulfill its mandate at present.**

35. **OCPAH Regulations open possibilities to admit Haitians who have studied abroad, but the nationality requirement for admission to OCPAH membership may significantly limit the positive effect of this provision on the supply of trained professionals.** The November 1983 Order regulating OCPAH limits its membership to Haitian nationals (Art. 13). In many countries, such limitation does not exist. In the case of Haiti, this measure precludes former Haitian nationals, who emigrated to Canada or US, from practicing, even though these persons' expertise could be useful to the country.

36. **OCPAH's ethics code is broadly adequate but lacks precision and guidance on sensitive issues such as auditor independence and conflicts of interest; in addition, it contains several outdated provisions.** The ethics code was adopted through a resolution of the General Assembly dated June 9, 1988. By comparison, the international code of ethics for professional accountants was significantly revamped by the Ethics Committee of the International Federation of Accountants in June 2005. Given the inherent complexity and sensitivity of issues involving auditor independence and conflicts of interests, the IFAC code provides very thorough indication on these issues; for instance, Section 290, Independence – Assurance Engagement is 44 pages long, where the OCPAH ethics code is very thin on these issues.²⁶ Article 2-7 of the code forbids members from giving a clean opinion on financial statements if these have not

²⁴ OCPAH Regulations, Art. 63. Candidates who have obtained a diploma that is equivalent in substance to the OCPAH exam can also be exempted (Art. 63.4).

²⁵ It should be noted that, in one of the versions of the OCPAH *Livre d'Or*, an item under Article 51 which does not appear in other versions states that members are required to show proof of at least 45 hours of CPD per year in order to retain their membership. Considering that several other versions of the *Livre d'Or* do not contain that provision, noting also that Article 51 is part of Chapter III which deals with Discipline, the ROSC team concluded that it could not consider such provision to be valid.

²⁶ Under Article 4-5 of the OCPAH code, a licensed accountant who has an economic interest or family linkage with the owner or a shareholder or manager of an enterprise is prohibited from "rendering a professional opinion on that enterprise".

been prepared in accordance with “the accounting standards and principles generally recognized and accepted by the profession.” This language is vague and confusing since no reference is made to the official set of accounting standards, the PCN, and considering that under the law, OCPAH has no authority to set accounting standards. Besides, the issue of the auditor’s responsibility in relation to the appropriateness of accounting standards applied by a company is not an ethics issue and should be addressed in the relevant auditing standards. Another example of an outdated provision is the outright prohibition of any type of contingent fee (Art. 3-4); this type of remuneration is considered acceptable for certain non-assurance engagements.

37. **No provision of the statutes or OCPAH regulations requires statutory auditors, let alone licensed accountants, to take professional indemnity insurance.** Given the current stage of development of Haiti’s insurance market, such insurance policies cannot be easily procured locally. However, such type of insurance is a necessary feature in a system where accountability is expected from licensed practitioners for negligence or failure to adhere to applicable legal provisions and professional standards. This seems especially relevant in light of the significantly more stringent sanctioning regime introduced by the Tax Decree of 2005 (Para. 12).

38. **OCPAH does not carry out any quality control of the accounting or audit practice among its membership, and is currently unable to do so.** Chapter III of the OCPAH regulations deals with “discipline”, but no provision is made for the monitoring of compliance with the ethics code or accounting standards. OCPAH simply does not have sufficient staff or funds to carry out these functions.

39. **The current disciplinary regime is broadly adequate, but would need to be updated, strengthened and enforced.** Situations that can lead to a sanction against a member include breaching OCPAH’s regulations and dishonorable conduct. Non-compliance with auditing standards and professional negligence do not necessarily warrant sanctions. Sanctions range from reprimand to permanent exclusion from membership but do not include fines. The latter form of sanction can be useful insofar as it has much more of a deterrent effect than the relatively lenient reprimand, and it is less harsh than a temporary suspension.

40. **The fact that OCPAH is not subject to any form of public accountability or oversight is detrimental to the profession’s image and credibility.** OCPAH does not publish any annual report on its objectives, activities and achievements. In addition, no government or public entity oversees OCPAH’s or its membership’s performance. A minimum level of transparency and oversight of the professional body is necessary to maintain stakeholders’ confidence in the statutory audit function.²⁷

²⁷ OCPAH cites its annual general meeting, the distribution of financial information (audited financial statements, etc.) to different public institutions (DGI, etc.) and to “certain social or professional associations”, and the fact that it has a weekly televised and radio program (« OCPAH Magazine ») as evidence of its willingness to be transparent.

41. **OCPAH does not comply with several of the seven Statements of Membership Obligations (SMO) issued by IFAC in April 2004.** OCPAH has been a member of IFAC since 1998. The SMOs²⁸ are meant to ensure that IFAC membership make their “best efforts” to observe certain basic standards and practices required for the profession to function properly and necessary to “enhance the performance of accountants worldwide”. Currently, OCPAH does not comply with several of the SMOs, especially with regard to (i) monitoring the quality of practice among the membership (SMO 1)—Para. 38; (ii) entry requirements and requiring continuing professional development (SMO 2)—Para. 45; and, (iii) the adoption of IFAC’s code of ethics (SMO 4).

C. PROFESSIONAL EDUCATION AND TRAINING

42. **A registered member of OCPAH must have acquired appropriate higher education and passed the OCPAH examination or been exempted.**²⁹ Exemptions from the OCPAH examination could be granted if the candidate has five years of professional experience or a degree equivalent to this examination. The higher degree’s requirement is the “*Licence en Sciences Comptables*” obtained after four years of higher education from a University recognized by the Ministry of Education in Haiti or a foreign University.³⁰

43. **Although there are five major educational institutions³¹ in Haiti that provide an accountancy curriculum for the “*Licence en Sciences Comptables*”, no minimum requirement governs the content of the academic curriculum leading to the accounting degree.** Each training Institute has its own curriculum, degree and teaching materials. The different training Institutes are registered in the Ministry of Education. But the registration process does not include any assessment—by the Ministry or OCPAH—of the accounting and auditing curricula. The training institutes are also constrained by the lack of capacity and resources. They are having difficulties in attracting and maintaining qualified trainers.

44. **Professional education and training is not adequate.** Although OCPAH is a member of IFAC, the curriculum for its entrance examination does not meet the International Education Standards (IES). IES 2 requires that the content of the professional accounting education be made of (i) accounting, finance and related

²⁸ The seven SMOs are (1) Quality Assurance; (2) International Education Standards for Professional Accountants and Other EDCOM Guidance; (3) SMO 3: International Standards, Related Practice Statements and Other Papers Issued by the IAASB; (4) IFAC Code of Ethics for Professional Accountants; (5) International Public Sector Accounting Standards and Other PSC Guidance; (6) Investigation and Discipline; and, (7) International Financial Reporting Standards.

²⁹ The admission process was established in the Order of January 5, 2004 and in the minutes of the first general assembly in May-June 1988.

³⁰ OCPAH points to the fact that the Committee for Accounting Education (“COPEC”), which was introduced by the PCN Decree, no longer exists, as an impediment to the harmonization of accounting curricula.

³¹ The five major training institutions are INAGHEI, Université de Port-au-Prince (or “IGC”), Université Notre-Dame, IHECE, and UNIQ.

knowledge, (ii) organizational and business knowledge, and (iii) information technology and related competences. The last two themes are not covered by OCPAH's examination. The courses on accounting, finance and related knowledge do not include international accounting and auditing standards.³²

45. **Continued professional development (CPD) is not mandatory.** There is a CPD department in OCPAH's organization chart but CPD is not mandatory. It is not even mentioned in the different legal or regulatory texts. The lack of CPD is contrary to the international best practice and IES 7. Although the different auditing firms are claiming that they have their own CPD, there is no assurance that auditors have adequately updated their professional knowledge.

D. ACCOUNTING AND AUDITING STANDARD-SETTING

46. **Haiti has not had a functioning accounting standard-setting body for more than two decades and, therefore, no attempts have been made to promote the application of the PCN and to update it.** The Decree of April 1981 on the PCN had established a National Accounting Board (*Conseil national de la Comptabilité* or CONACO), under the Ministry of Economy and Finance. The functions assigned to the CONACO included: reviewing and providing an opinion on proposed accounting standards, and to interpret accounting standards and propose improvement to existing standards. It was set up with a multi-disciplinary membership, comprising representatives of various ministries, the court of accounts, OCPAH, and the chamber of commerce. However, shortly thereafter, the CONACO ceased to operate. This has left a vacuum and explains, to a large extent, the very limited observance of the PCN at the moment.³³ The implication of this is that, apart from a few large companies, there is a lack of standardization of accounting data in Haiti, which impedes its efficient use for credit, tax, statistical and other purposes.

47. **OCPAH's apparent decision to adopt IAS, the predecessor of IFRS until 2001, is a purely virtual one.** According to OCPAH, such decision was made in December 1997, shortly before it was admitted to IFAC membership. The decision is not featured in the compendium of laws and regulations governing the profession. In any event, OCPAH is not legally empowered to set accounting standards, it does not have the required structure and human resources to carry out a standard-setting function, and no

³² Moreover, OCPAH's council can decide to have two sessions of the examination in the same year if the percentage of successful candidates is low. Thus in 2001, 2002 and 2004 the candidates were allowed to take the exam in a second session. In commenting upon the draft report, OCPAH provided the following precisions: "starting in 2001, the Council decided to establish an additional session (*session de reprise*) due to an increase in requests for admission. In 2004, entry exams were postponed due to the disruption resulting from the fall of President Aristide. (...)"

³³ Para. 59-0. Current accounting practices in Haiti could be characterized as accrual accounting strongly influenced by tax rules, with a varying degree of sophistication in the methods followed to measure and recognize assets and liabilities and the disclosures provided in the notes. In practical terms, it ranges from basic and often incomplete accrual accounting among small companies to practices "close to IFRS" in the case of the larger companies.

preparation or plans were made for this adoption to be effective. Moreover, it does not have the funding to carry out this function if asked.

48. **The 2005 tax decree did not make any provision regarding the way IFRS should be adopted and implemented in Haiti, especially considering that the PCN is still mandatory.** The decree seems to assume that the CONACO is still in existence, which is clearly not the case.

49. **On the audit side, OCPAH claims it has adopted ISA as mandatory standards but there is little evidence that it is the case.** No law or regulation or OCPAH-issued text provide for any mechanism by which auditing standards are adopted. In addition, OCPAH's organization chart does not feature any committee on professional standards or equivalent.

E. ENFORCEMENT OF ACCOUNTING AND AUDITING STANDARDS

50. **Mechanisms to enforce preparers' compliance with applicable accounting standards in Haiti are limited.** Even though the tax decree places a strong emphasis on financial reporting by large corporate taxpayers, the tax authorities (DGI) are not equipped to, and do not, monitor compliance with applicable accounting standards. And, nobody else has the needed enforcement capability over commercial entities.

51. **The only sector where some level of monitoring exists is banking.** The BRH's Department of Banking Supervision (DBS) is a credible enforcer and has an adequately skilled and well-prepared staff. Nonetheless, the DBS is constrained in terms of the human resources allocated to it. In addition, in the context of a gradual switch from a compliance-based to a risk-based approach to supervision and the embedding of IFRS within the commercial banks' own processes, the DBS will need to modify and strengthen its approach to monitoring local banks' financial reporting.

52. **OCPAH does not monitor the quality of practice among its membership, and there is no requirement for internal quality review to ensure that accounting and audit firms are meeting acceptable standards of quality regardless of the standard used in compiling accounts.** OCPAH's published organization chart mentions a Committee of Professional Practice (*Comité de Contrôle Professionnel*), but such a committee does not exist. The BRH reviews from time to time the work papers of audit firms regarding bank audits, but these reviews cannot be considered an adequate substitute for a system of professional quality assurance.

53. **The sanctioning regime within the profession appears weak.** OCPAH has a disciplinary body, the *Conseil de Discipline*. It is governed by Chapter III of the OCPAH bylaws, which provides for a variety of sanctions ranging from reprimand to permanent exclusion. No due process for reaching a decision is established in the bylaws, and

54. sanctions are not required to be made public.³⁴ Finally, there is no history of sanctions taken against a member. OCPAH could not staff or fund this function up to now.

55. **As previously mentioned (Para. 12.c), the tax decree of 2005 provides for stringent sanctions against errant accountants, but no arrangements have been made by the DGI to carry out the corresponding necessary enforcement.**

III. ACCOUNTING AND AUDITING STANDARDS AS DESIGNED AND AS PRACTICED

A. ACCOUNTING

56. **The statutes do not provide a clear definition of which accounting standards are to be applied by Haitian companies.** As previously mentioned (Para. 12.a), the tax decree of 2005, which is the main statute dealing with accounting and auditing, provides the following definition of national standards: accounting principles generally recognized by the Haitian State as included in the National Accounting System [PCN] and according to International Accounting Standards [IAS]. Applying such definition of accounting standards is virtually impossible due to the fact that the PCN, which was developed in 1970s, conflicts in many important respects with IAS (now IFRS), which in turn have constantly evolved since they were initially developed in the 1970s. Also, it is unclear what is meant by accounting principles recognized by the State of Haiti, as such principles do not seem to exist at the moment.

57. **The main difference between the PCN and IFRS is that the former is based strictly on the historical cost model, whereas the latter emphasizes the notion of fair value, which is meant to represent a more current, economic measurement of assets and liabilities. In addition, the level of disclosure in the accompanying notes is much lower in the PCN than under IFRS.** The PCN does allow exceptions to historical cost, provided it is duly justified in the notes. However, what constitutes an acceptable reason for applying the fair value rather than the historical cost is unclear. Other significant differences relate to:

- ***The capitalization of costs:*** the PCN allows start-up costs to be capitalized, which IAS 38 prohibits. In addition, PCN is much less precise than IAS 23 regarding how borrowing costs can be capitalized. The issue of cost capitalization is a sensitive one insofar it can lead to the recognition of “soft assets” that can ultimately distort the presentation of a company’s financial situation by overstating profitability and performance;
- ***Depreciation and amortization policies:*** in the PCN, the methods and rates for the depreciation and amortization of fixed assets are the ones set in the tax code, whereas IAS 16 requires using a methods that reflect the pattern in which the

³⁴ According to OCPAH, over the last six years, more than 200 members have been excluded for lack of participation and/or non-payment of dues.

- asset's future economic benefits are expected to be consumed by the reporting entity and a rate reflecting the asset's estimated useful life;
- ***Accounting for a transaction according to its form rather than substance:*** the PCN focuses on the legal form rather than the substance of a transaction. It treats finance leases or employee benefits as “off-balance sheet” commitments, where IFRS requires a liability to be recognized. This means that the level of indebtedness, a major indicator of a company's finances, of a company that follows the PCN can be much lower than if it complied with IFRS;
 - ***Consolidation and business combination:*** these concepts are not addressed by the PCN. Paragraph 19 of the PCN states that investments in companies in which the reporting entity owns 50% or more of the shares are accounted for under the equity method. Under IAS 27, most such companies would have to be consolidated. Failing to consolidate controlled entities can lead to presenting significantly distorted figures with regard to key indicators of a firm's economic performance or financial position (in particular understating its aggregate indebtedness);
 - ***Presentation of the financial statement:*** the PCN makes a distinction between ordinary and extraordinary items in the income statements, which is prohibited by IAS 1 because it often involves judgment and is difficult to do on an objective basis;
 - ***Disclosure in the notes to the financial statements:*** the level of disclosure required by IFRS is much higher than in the PCN. These disclosures are essential to the financial statement user's ability to properly interpret the financial information and represent sensitive information (for instance, with respect to related-party transactions), which is key to the confidence of investors and lenders. The PCN is silent on several types of fairly common transactions such as financial instruments or long-term concessions.

58. **For the banking sector, the main difference between the local accounting standards and IFRS has to do with loan loss provisioning.** BRH Circular 61-1 on financial statement audits, Section 5, requires banks to apply “accounting principles generally accepted on an international level, pending the implementation of accounting principles in Haiti.” However, BRH Circular 87 requires banks to compute loan loss provisioning using a “matrix” approach, which takes into account the number of past-due days (e.g., more than 30 days) plus some other indicators of the quality of the loan, with predefined loss rates applied to the total amount for each category of loans within the matrix. This approach, which is similar to the one bank supervisors follow for prudential purposes (especially with respect to the determination of regulatory capital requirements), is likely to lead to results different from a calculation based on future cash flows by loan or group of loan as established in IAS 39, *Financial Instruments: Recognition and Measurement*. A typical example of the differences in approach is the general provision of 0.75% of the amount of loans for which no credit risk has been identified. Such general provision is not permitted under IFRS.

59. **The number of Haitian enterprises (excluding banks) that actually issue general-purpose financial statements at the moment is very low, possibly being no more than 20 to 25.** In the absence of compulsory publication of financial statements for non-financial enterprise, actual financial reporting practices in Haiti are very difficult to evaluate. The project team was only able to obtain nine sets of financial statements issued by local enterprises other than banks. Only three of these met the broad requirements of a set of financial statements, i.e., followed the usual presentation of assets, liabilities, revenues and charges with appropriate details and included a statement of cash flows, explanatory notes and detailed disclosures. The other financial statements were filed apparently purely for tax purposes and did not follow any standardized format. These did not meet even some of the most basic requirements of IFRS, such as to include a set of explanatory notes or a statement of cash flows.

60. **Although PCN is legally required, it is in fact widely ignored.** Few companies and practitioners appear even to have a copy of the PCN. OCPAH's leadership and members expressed the view that the PCN is outdated and not adapted to current circumstances.

61. **The review of a small sample of financial statements noted a high degree of compliance with IFRS, although a number of departures were noted. The sample included four financial institutions and three large private, non-financial enterprises, all of which were prepared with reference to IFRS.** Observed departures from IFRS involved several aspects including the presentation of financial statements, the nature and depth of disclosures, as well as a number of valuation and recognition aspects. The main departures are summarized hereafter:

a) Presentation

- The balance sheet did not distinguish between current and non-current assets and liabilities;
- Cash and investment were presented as one category of asset instead of two;
- Current and deferred income tax liabilities were not separated on the balance sheet; similarly, tangible and intangible fixed assets were at times not distinguished.

b) Measurement

- Loan loss provisioning calculated according to prudential rules (including 0.75% general provision; Para. 58 above);
- A number of financial instruments stated at cost (e.g., securities investment, and unremunerated mandatory bank reserves), without appropriate explanation;
- Depreciation of fixed assets calculated using tax rates.

c) Recognition

- Provisions on assets acquired as a result of a business combination were maintained in the consolidated financial statements of the acquiree, whereas the assets should have been presented at their fair value (i.e., net of provisions).
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d) Disclosures

- A number of disclosures were omitted or incomplete with regard to related-party transactions, the percentage of interest in investees, the calculation of earnings per share, and the date of authorization of the financial statements.
- No details or explanation were provided on captions with significant balances in the financial statements, or items presented as “other” in the notes.
- The notes indicated that a number of assets were valued “at cost” without further precision.

62. These departures could be significant overall in terms of the financial statements users’ ability to make properly informed decisions. They call for stronger monitoring of corporate financial reporting by public interest entities in Haiti. They are also indicative of a need for training accounting and financial staff within the commercial banks and the other large corporate entities.

B. AUDITING

63. **There are currently no national auditing standards for audits in the private sector in Haiti, except for some references in the Banking law applicable to the financial sector.** The banking circular 61-1 of March 25th 1998 stipulates that, pending the establishment of national auditing standards, bank auditors must conduct their functions following international auditing standards.

64. **According to OCPAH, given its affiliation to the IFAC, members are recommended to apply the International Standards on Auditing (ISA).** However, this is not mandatory and there is no monitoring on the compliance with ISA. Based on interviews conducted by the ROSC team, most audit firms do not comply with the ISA, mostly from lack of skilled human resources. This is due in part to the inherent complexity of ISA and also to difficulties to generate and retain a critical mass of practitioners.

65. **The analysis of the audit reports relating to the financial statements covered by the ROSC review as well as interviews with practicing auditors³⁵ raise several issues on the quality of the audit practice in Haiti:**

- Audit reports do not indicate clearly which standards were followed and the text of the audit reports do not always adhere to the IAASB model,
- Lack of independence of the auditors due to the high competition in a small market, the lack of standards and code of ethics, and some familiarity or close association with the clients,
- Lack of quality control arrangements,
- Most of audit reports are unqualified. There is a tendency to report most of the issues in the management letter to avoid the issuance of a qualification on the audit reports,

³⁵ Interviews were conducted with the six largest audit firms in Haiti and the leadership of OCPAH.

- Lack of clarity on the accounting standards particularly for specific transactions such as the effects of changes in foreign exchange rates, and
- Although there is a general compliance with the content of the financial statements, significant elements are missing (Para. 61).

66. **There are clear indications that, to a large extent, financial statements are prepared by the external auditors, not by the companies themselves.** This impedes external auditors from being independent as they are expected to be when auditing the company's financial statements. It also makes the companies dependent on the auditors, which amplifies the dominant position of the current leading firm. The accounting and financial staff of the preparers should receive training on IFRS in order to be able to prepare their financial statements without depending on the support of their external auditors.

C. OVERVIEW OF THE SITUATION OF PUBLIC ENTERPRISES

67. **As previously noted, Haiti's public enterprises have grappled with meeting even basic standards of accounting and financial management, in the context of weak state oversight and limited resources available to these critical processes.** These public enterprises provide basic, essential services to the Haitian population and businesses. Therefore, their proper management is critical to Haiti's ability to develop private sector activities and achieve sustainable development. In addition, these entities are significant State assets, which must be safeguarded, and they are significant potential liabilities, which must be properly recorded and mitigated. Haiti's public enterprises have been plagued with chronic operational difficulties and weak management practices, which have prevented them from delivering quality services to the population. None of these enterprises has been able to publish financial statements.

68. **Since 2005, efforts have been made, with the support of the donor community, to improve the capacity of public enterprises, including their conduct of financial management and reporting.** Audits and internal control reviews have been carried out at APN, EDH and Teleco over the last two years as part of donor-supported projects aimed at improving the performance of these enterprises (Table 1 summarizes the current situation with regard to the five largest public enterprises). The conclusions of these audits confirmed the presence of severe weaknesses in the financial management of these enterprises, with respect to information system, staffing, training of accounting personnel, funding, corporate governance, etc. **Following up on the recommendations of these audits and ensuring that adequate resources are mobilized are critical, which require addressing current weaknesses in the financial oversight of public enterprises (Para. 28).**

Table 1. Audits of Public Enterprises

	AAN	APN	CAMEP	EDH	Teleco
Latest prepared accounts (fiscal year) / accounting standards applied	2003 “GAAP” ^a	2006 “GAAP”	2006 “GAAP”	2005 “GAAP”/ “IAS”	2005 “GAAP”
Latest audited accounts	2003	2005	2004	2005	2005
Auditors’ opinion on the accounts	Unknown ^b	Adverse ^c	Qualified	Disclaimer ^d	Adverse
Follow-up actions in progress	None / not applicable	e	N/A	Possible project to revamp IT system	To be defined as part of the privatization process

^a. Generally Accepted Accounting Principles (GAAP), a generic term that does not indicate what methods have been applied in preparing the accounts.

^b. A copy of the audit report was not obtained.

^c. The financial statements do not give a true or fair view of the company’s financial position.

^d. The auditor was unable to provide an opinion and declined to do so.

^e. A *tableau de bord* was set up to monitor the resolution of the issues raised by the audits. Several follow-up actions in progress including physical inventory and reconciliation with BRH accounts.

D. PERCEPTIONS ON THE QUALITY OF CORPORATE FINANCIAL REPORTING

69. **The demand for high quality corporate financial reporting in Haiti is relatively weak.** There is no securities market in Haiti, no tradition of financial analysis in the country, and no credit rating agencies. Since they place limited reliance on financial statements, banks and other lenders tend to manage credit risk through the use of collateral—even if sureties are difficult to exercise—rather than through the cash flows of would-be borrowers. This situation is not uncommon in an emerging economy. Also, since local businesses are family-owned, personal relations are considered more important for business decisions than access to reliable financial information.

70. **Perceptions on the accounting profession in the business community are mixed at best.** Based on interviews with more than 20 local business executives from a variety of sectors (industry, banking, insurance, etc.), the profession needs to undergo a transformation in order to improve image which, in turn, will increase the demand for accounting and audit services in the country. Areas for improvement mentioned during the interviews include: (a) strengthening entry requirements so as to bring ultimately the “CPAH”³⁶ designation to par with its Canadian or US equivalents; (b) delivering some measure of accountability on the part of OCPAH; (c) building a stronger technical level of accountancy overall, requiring training and continuing professional development on the part of licensed practitioners; and, (d) adopting a policy of active outreach toward the business community.

³⁶ *Comptable Professionnel Agréé d’Haïti* (i.e., a full member of OCPAH).

IV. RECOMMENDATIONS

71. **Corporate sector accounting and auditing in Haiti are still at a very incipient stage of development and requires significant strengthening as part of a broader effort to improve the investment climate.** The banking sector is the only exception, with a relatively high degree of sophistication in its financial reporting practices. The following main weaknesses in Haiti's accounting environment at present need to be addressed as a matter of priority:

- a) Haiti has not had a functioning standard-setting body for over two decades, and the PCN adopted in the early 1980 has neither been adapted over time nor actually implemented;
- b) The country's statutorily recognized accounting professional body faces severe capacity constraints and lack of resources, to the effect that it cannot fulfill its mandate;
- c) Stringent accounting and auditing obligations have been introduced as part of a tax decree of 2005. These will affect a number of relatively small business entities, which are not prepared to meet these obligations. This requires a combination of actions, including improving the capacity of medium-sized firms to meet basic financial reporting requirements and reducing the scope of the decree so as to provide relief to small entities.

72. Considering the magnitude of the efforts that will be necessary to bring accounting and audit practices at an acceptable level overall, these efforts must be gradual and properly sequenced, starting with a limited set of immediate, achievable priority actions. These actions would pave the way for further medium- to long-term measures to develop the local accounting practice. A workshop is expected to be held in Port-au-Prince with the participation of the Ministry of Finance, the BRH, OCPAH, the business community and academics to discuss the findings and recommendations of this study. Later on, a detailed action plan based on the recommendations of this report should be developed, under the aegis of the Haitian authorities and with the assistance of the World Bank, the Inter-American Development Bank and bilateral donors. **Implementing these recommendations is expected to require significant assistance from the donor community.**

73. **This report highlights four priorities for the Haitian authorities:**

- i. ***Improve the existing legal framework to facilitate its implementation.*** This means, in particular, clarifying the language regarding applicable accounting standards and increasing the thresholds of the 2005 tax decree regarding which companies are required to have an independent audit.
 - ii. ***Revive the accounting standard-setting body and selecting an accounting system that is workable for Haitian companies including SMEs.***
-

- iii. ***Support OCPAH in its efforts to function normally and effectively***, including by clarifying and strengthening entry requirements and implementing a continuing professional development and quality assurance program for its membership. A means must be developed to supplement OCPAH's insufficient income.
- iv. ***Continue the efforts undertaken in recent years to strengthen financial reporting practices in the domestic banking sector.***

A. SHORT-TERM PRIORITY ACTIONS

74. **A prerequisite to any future development of accounting in Haiti is to adopt an accounting system that is both simple and easily enforceable, and is consistent with IFRS for SMEs. This system should also set different levels of requirement according to the various degrees of accountability within the corporate sector.** The international community recognizes that IFRS have been developed with a focus on listed companies and other “public interest entities” (e.g., banks, insurance companies, undertakings of collective investments and large corporations), and that they are not adapted to SMEs, particularly in the context of an emerging, low income country. A project led by the IASB was under way at the time this report was prepared to develop a set of simplified international accounting standards based on IFRS, for use by SMEs around the world. A practical solution for Haiti would be to update the PCN taking into account what other Francophone countries, especially Canada, have done to implement the proposed IFRS for SMEs, and possibly drawing on the experience of the 16 countries of Western and Central Africa that are signatories of the OHADA³⁷ treaty (Box 1). Haitian authorities should seriously consider adopting a similar, three-tier system, with some amendments to make these more up-to-date, suitable for the local environment and consistent with IFRS. Figure 1 provides a visual illustration of a system reflecting varying degrees of corporate accountability from micro-firms to public interest entities.

Box 1. Overview of the OHADA Accounting Framework

The OHADA countries, which consist of 16 states of Western and Central Africa, have adopted a common accounting system since 2000; the system was first developed in Western Africa in 1996 and then extended to Central Africa in 2000. This system, developed under the aegis of the Central Bank of Western African States, is based on the General Accounting Plan, which is traditional in the Francophone world. It incorporates some elements of IFRS (e.g., accounting for finance leases).

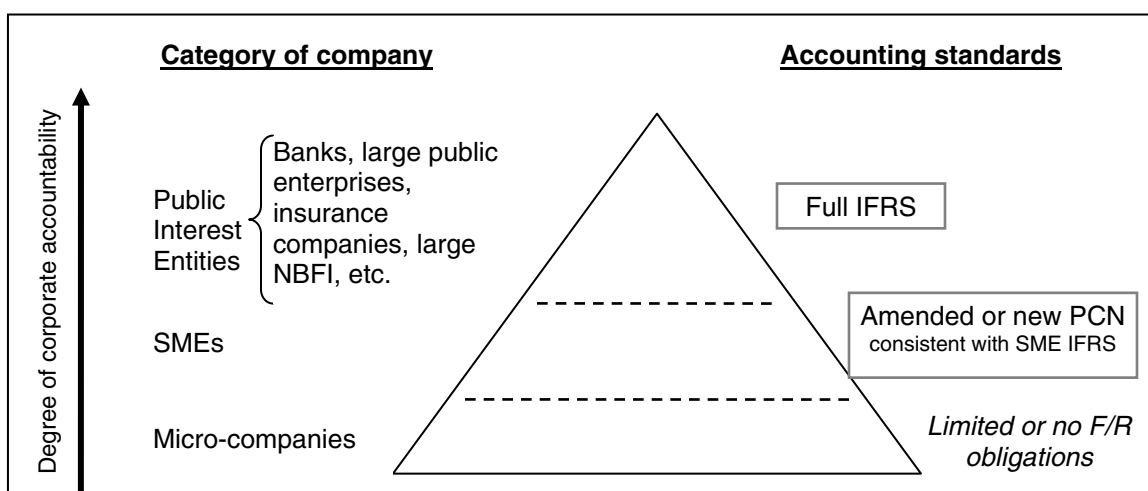
It is a comprehensive system in the sense that it includes (a) standards for presentation of the financial statements, (b) principles for the recognition and measurement of assets and liabilities, and (c) detailed, practical guidance regarding the accounting of specific transactions. Moreover, the OHADA accounting system was supplemented with training and teaching materials to facilitate its dissemination and enable users to gain a proper understanding of the system from the outset.

³⁷ *Organisation pour l'Harmonisation en Afrique du Droit des Affaires* (Organization for the Harmonization of Business Law in Africa).

Possibly the single most interesting feature of the OHADA accounting system is its modular structure, with three levels of requirements depending on the size of the company³⁸—companies with high turnover use the full reporting module; medium-sized companies use a much simpler basis of reporting, and small companies report on a cash basis. This three-tier approach was endorsed by the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) hosted by the United Nations Conference on Trade and Development (UNCTAD), in its Accounting and Financial Reporting Guidelines for SMEs published in June 2004. These guidelines were developed with a focus on developing countries and countries with economies in transition.

The system was introduced at the initiative of the central bank of Francophone Western Africa, which sought to standardize corporate financial reporting in order to provide the basis for strengthened initial credit assessments and credit risk monitoring. At the same time, the central bank established a registry of corporate financial statements (*centrale de bilans*) which plays the role of a credit bureau for commercial banks.

Figure 1. Financial Reporting Framework Reflecting Varying Degrees of Corporate Accountability



75. **An amendment to the 2005 tax decree is necessary to clarify which accounting standards apply to which type of business entity.** The current language of the decree, referring at the same times to GAAP, the PCN and IAS, is confusing and impractical for local companies.

76. **The tax decree should be amended to adapt the thresholds for the audit requirement in a way that only subjects large companies to such an obligation.** The level at which the current limit is set (HTG 10 million, equivalent to less than US\$300,000—Para. 12.b) will impose an unnecessary burden on relatively small entities.

77. **Regulations governing the accounting profession and OCPAH should be revamped and published in such a way that no doubt may exist as to the**

³⁸ The main criteria used are the revenues and amount of assets of the company.

requirements which licensed practitioners are to observe. OCPAH's Regulations need to be re-issued in a publication that would supersede the *Livre d'Or*. As part of that process, specific issues that would need to be addressed include continuing professional development obligations, the sanctioning regime and the governance of OCPAH. In particular, the new Regulations should ensure that the most representative audit firms can play a leading role and make a contribution to the development of the profession. Moreover, in order to avoid any confusion and to ensure adequate dissemination, the revamped Regulations should be made accessible to the public through the Internet.

78. **In the banking sector, the BRH should take further steps toward the medium-term objective of adopting IFRS in full.** This makes much sense for the local banks as they continue developing international ties in connection with their retail and commercial businesses. In addition, one of the benefits of moving toward full IFRS is that it requires the banks to improve their risk management practices and internal controls, which are essential elements of an effective risk-based banking supervision system. The following measures should be part of the plans to move gradually to IFRS:

- (a) ***Conduct a comprehensive study for aligning BRH rules on loan loss provisions with IFRS;*** the study should seek to assess the impact of full IFRS adoption and the corresponding changes to the financial institutions' organizational structure, management information systems, risk management policies, and training needs.
- (b) ***Build capacity in banks on IFRS and internal controls.***
- (c) ***Require banks to publish their audited financial statements in full, in an electronic format.*** The current system whereby depositors are entitled to review the financial statements at the bank's premises is cumbersome and impractical. Most countries today require publication either in a newspaper or electronically. The latter form seems more appropriate in the case of Haiti and could be easily implemented, using BRH's website. This measure would contribute to depositors' confidence in the stability of the banking system.
- (d) ***Introduce a standardized form for banks to publish their annual financial statements.*** This would help automate the processing of the financial data by the BRH and facilitate comparability across institutions.
- (e) ***Require that banks' board of directors and management certify to the BRH that the financial statements contain no false information and are prepared in accordance with applicable standards.*** Considering that responsibility for the fair presentation of the financial statements lies with the management and board, not with the banks' accountants, it is important that management and board fully recognize such responsibility and represent to the BRH that they have fulfilled this responsibility.

79. **OCPAH should develop a strategic plan (four to five years), identifying key reforms, their cost and the resources needed to carry out these reforms.** In order to ensure that the strategic plan takes into account the public interest, representatives of the business community and relevant government agencies should be invited to participate in its elaboration. Based on the findings of this review, the priorities should include:

- Updating OCPAH Regulations (Para. 77);
- Supporting the adoption/development of an appropriate national accounting system consistent with IFRS and adapted for SMEs (Para. 74);
- Developing a comprehensive training program for OCPAH members, business executives, tax inspectors, and relevant others;
- Strengthening the entry examination, by embedding the principles laid out in IES and recent developments in the field of accounting and auditing on an international level into the CPAH exam syllabus;
- Engaging in outreach activities vis-à-vis the business community; and
- Securing sufficient recurrent funding for OCPAH to be able to fulfill its statutory mandate. Ultimately, it would seem natural that the audit firms' financial contribution be increased given the importance and public interest dimension of external audits compared with bookkeeping activities.

The measures included in the plan would be implemented during the next phase of reform.

80. **Considering the low number of Haitian practitioners with a qualification comparable to international benchmarks, the possibility should be considered to establish an intermediate professional title (“accounting technician”).** Such professional would be dedicated to services less sophisticated than audits, especially checking the tax returns of small enterprises. S/he would be licensed to issue audit reports on financial statements. Brazil, Guatemala and Honduras are examples of countries whose accounting profession has a two-tier structure.

81. **OCPAH should seek the support of a fellow accounting professional body in a Francophone country through a twinning arrangement.** Support could be by way of providing training material or technical assistance to (a) the adoption of an accounting system adapted to local circumstances and compatible with IFRS (Para. 74); (b) strengthen OCPAH's organizational structure and governance; (c) generate sufficient recurrent funding for OCPAH to fulfill its statutory mandate (Para. 79); (d) establish a continuing professional development program (Para. 85); and/or (e) introduce quality assurance arrangements (Para.86). OCPAH's affiliation with the International Federation of Francophone Accountants (FIDEF) would be a useful step in that direction. OCPAH should seek guidance from IFAC on establishing such twinning arrangement.

82. **Regarding public enterprises, an immediate priority should be for each of them to develop a formalized action plan to implement the recommendations of the audits.** This has been done, at least in part, in some of the larger SOEs, but not in a systematic and properly coordinated way. These action plans, should include an assessment of the resources needed and the corresponding costs, should be submitted to the CMEP who should be given sufficient authority to monitor their implementation. The CMEP should be given sufficient resources to carry out these important tasks.

B. MEDIUM-TO-LONG-TERM OBJECTIVES

83. **Efforts should be made to develop competition in the audit industry.** Actions aimed at fostering competition and generating the presence of new providers of audit services in Haiti should include:

- a) *Requiring banks to invite foreign firms to tender for their audits at least every four years;*
- b) *Setting a minimum number of years for the engagement of external auditors.* Awarding audit engagements on a multi-year basis (e.g., four years), would provide an incentive to new players to enter the market for the provision of audit services in Haiti, since longer term engagements could provide a sufficient basis for these firms to recover the considerable investment of time and quality that a financial statement audit requires; and
- c) *Introducing a substantive accreditation process for bank auditors under the BRH.* The inherent complexity of bank audits and the importance of ensuring that banks provide accurate accounting reporting call for more stringent requirements on external auditors in banks.

84. **Develop a basic accounting and auditing framework for non-bank financial institutions and insurance companies.** These sectors are still at an incipient stage of development and mostly unregulated. Therefore, it would be unrealistic to seek to impose stringent requirements on them. Initial steps should include establishing an accounting system (*plan comptable*) adapted to these particular industries, drawing on the experience of Francophone and/or neighboring countries. Later on, some form of external review—and ultimately a full audit—should be required from the larger entities operating in these industries in Haiti.

85. **Enhance professional education and training in line with IFAC’s education standards and ultimately make continuing professional development (CPD) mandatory.** A comprehensive review of the accounting curriculum provided by the local training institutions should be undertaken to determine key areas where accounting education at the university level should be updated and improved. This review could serve to establish a harmonized curriculum for the bachelor degree in accounting which is prerequisite for the OCPAH exam. The review should also seek to identify the training and material needs of the different institutions. In the long run, OCPAH Regulations should include a requirement for a minimum number of hours of CPD.

86. **Later on, a system of quality assurance for the OCPAH membership should be introduced in order to ensure compliance with applicable standards.** Quality assurance is a complex issue as it involves legal questions of due process and requires adequate resources. In the current circumstances, OCPAH does not have any capacity to monitor compliance with auditing standards and code of ethics, and it cannot be expected to do so in the near to medium term. Effort to foster quality should first focus on the auditors of the banking sector, public enterprises and large corporate firms. This could include periodic reviews of licensed firms and individuals, under the supervision of an

ad-hoc commission which would include non-practitioners and representatives of the BRH and other relevant authorities.

87. In parallel, efforts should be made to leverage sound financial reporting practices to improve access to credit for small and medium enterprises in Haiti. These efforts could include training Haitian entrepreneurs on accounting and financial management and developing credit bureau activities locally.

ANNEX – SUMMARY OF RECOMMENDATIONS (in the order they appear in the report)						
Action	Para.	Objective (see below)	Leading Institution(s)	Timing of Implementation		
				Short-term (1 year)	Medium-term (2 to 3 years)	Long-term (4 to 5 years)
1. Develop detailed Country Action Program (CAP) for the strengthening of A&A practices in Haiti	72-73	All	OCPAH, BRH and MoF			
2. Adopt an IFRS-compatible accounting system that is both simple and easily enforceable	74	1, 2	MoF with OCPAH's support			
3. Amend the 2005 tax decree clarifying which accounting standards apply to which type of business entity	75-76	1, 2	MoF			
4. Revamp the regulations governing the accounting and audit profession and publish them	77	1, 3	OCPAH			
5. Take steps for full IFRS adoption within banks	78					
a. Conduct a comprehensive study for aligning BRH rules on loan loss provisions with IFRS		2, 4	BRH			
b. Build capacity in banks on IFRS and internal controls		2, 4	BRH, Banking Association			
c. Require banks to publish their audited financial statements in full, in an electronic format		4	BRH			
d. Introduce a standardized form for banks to publish their annual financial statements		4	BRH			
e. Require bank boards and managements to certify their financial statements		4	BRH			
6. Develop a strategic plan for OCPAH and the accounting and audit profession identifying key reforms and corresponding resources	79	3	OCPAH			

ANNEX – SUMMARY OF RECOMMENDATIONS (in the order they appear in the report – continued)						
Action	Para.	Objective (see below)	Leading Institution(s)	Timing of Implementation		
				Short-term (1 year)	Medium-term (2 to 3 years)	Long-term (4 to 5 years)
7. Consider the introduction of an intermediate professional title (“accounting technician”)	80	3	MoF, OCPAH			
8. Seek the support of a fellow accounting professional body in a Francophone country through a twinning arrangement	81	3	OCPAH (with IFAC’s support)			
9. Develop a formalized action plan to implement the recommendations of the audits of public enterprises	82	5	MoF and CMEP			
10. Develop competition in the audit industry	83					
a. Require banks to invite foreign firms to tender for their audits at least every four years		4	BRH			
b. Set a minimum number of years for audit engagements		4	BRH			
c. Introducing a substantive accreditation process for bank auditors		4	BRH			
11. Develop a basic accounting and auditing framework for non-bank financial institutions and insurance companies	84	1	MoF, BRH			
12. Enhance professional education and training in line with IFAC’s education standards and make continuing professional development mandatory	85	3	OCPAH			
13. Introduce a system of quality assurance to ensure compliance with the standards and high quality of practice	86	3, 4	OCPAH (in cooperation with BRH)			

- 1: Improving the statutory framework for accounting and auditing
 2: Accounting standard-setting and accounting system for enterprises
 5: Enhancing the governance of public enterprises
- 3: Supporting OCPAH’s efforts to function normally and effectively
 4: Strengthening financial reporting practices in the domestic banking sector

MAP SECTION

HAITI

- SELECTED CITIES AND TOWNS
- ⊙ DEPARTMENT CAPITALS
- ⊛ NATIONAL CAPITAL
- RIVERS
- MAIN ROADS
- RAILROADS
- DEPARTMENT BOUNDARIES
- - - INTERNATIONAL BOUNDARIES

