



## **International Federation of Accountants**

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Mr Thomas Seidenstein  
Director of Operations  
IASC Foundation  
30 Cannon Street  
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UNITED KINGDOM

By email: [ifricdueprocess@iasb.org](mailto:ifricdueprocess@iasb.org)

Dear Thomas,

### **Draft Due Process Handbook for the IFRIC, May 2006**

The International Federation of Accountants (IFAC) commends the International Accounting Standards Committee Foundation for publishing the draft handbook of the International Financial Reporting Interpretations Committee (IFRIC) for public comment. We consider that it is an important step in ensuring that the work of the IFRIC will meet its objectives and command widespread international support.

Our responses to the questions raised in the invitation to comment are presented below. There are two issues, however, which were not raised in the questions that we would like to address: the need for the IFRIC to reach a consensus and the relationship between the IFRIC and the IASB.

The paper emphasizes that it is important for the IFRIC to reach a consensus in developing and issuing interpretations. We agree that this is important. However, the due process proposes the likelihood of reaching a consensus as a criterion for considering whether the IFRIC should commence or continue work on an issue. If the IFRIC decides to discontinue work on an issue it has the option of recommending to the IASB that the IASB takes up the issue. Our concern is that there are likely to be issues on which it is difficult to reach a consensus within five meetings of the IFRIC, and these issues are likely to be those which are causing the most difficulty in practice. It may be that the timeline will discourage the members from attempting to seek a solution to difficult issues or that a consensus can be reached if more time were devoted to the issue. The due process of the IFRIC should allow for an extended process in exceptional circumstances. If the IFRIC is unable to reach a consensus, then the IFRIC should have no option but to recommend that the issue be taken up by the IASB. Otherwise there is a risk that the issue would not be dealt with at all, which would undermine the effectiveness of both the IFRIC and the IASB.

Within the described due process, the IASB decides whether a draft IFRIC interpretation should be issued for public comment, and the IASB also votes on and issues IFRIC interpretations. For both draft and final interpretations the IASB has the power to decide whether the issue should be referred back to the IFRIC, added to the IASB agenda or not be the subject of any further action. We consider that if the IASB determines that any issue is not to be the subject of any further action it should provide an explanation of this decision to the IFRIC and this explanation should be made public.

## **Question 1 – Agenda Committee**

*The Agenda Committee assists the IASB staff in presenting issues to the IFRIC so that the IFRIC can decide whether to add an issue to its agenda (paragraph 23). The Agenda Committee is not a decision-making body and does not meet in public (paragraph 26). The Agenda Committee reports to the IFRIC at its regular meetings on the issues the Agenda Committee considered and the Agenda Committee's recommendation on each issue (paragraph 27).*

*Do you agree with the Agenda Committee process described in paragraphs 23–27? If not, what changes do you propose, and why?*

In general, we agree with the Agenda Committee process, however, we do have some specific comments which are discussed below.

The relationship between the IASB staff and the Agenda Committee, and their respective roles, needs to be clarified. Paragraph 20 states that the IASB staff considers whether an item meets the agenda criteria, assesses the issue and provides analysis and recommendations to the IFRIC. Paragraph 23 states that the role of the Agenda Committee is to assist the IASB staff in presenting issues to the IFRIC. But paragraph 24 states that the Agenda Committee may recommend an issue for addition to the IFRIC agenda, and that the Committee's role is limited to the presentation of analyses and recommendations to the IFRIC.

The role of the IASB staff and the Agenda Committee therefore appears to be the same. It is not clear who is responsible for making recommendations to the IFRIC. IFAC is of the view that the IASB staff should assess all the submissions made to the IFRIC against the criteria and provide analyses and recommendations to the Agenda Committee. The Agenda Committee should then consider the submissions and the staff analyses and recommend to the IFRIC which issues should be placed on the IFRIC agenda.

We agree with the comment in paragraph 23 that the source of a suggested agenda item is not revealed to the Agenda Committee or to others. However, paragraph 55 states that national standard setters (NSSs) and national interpretative groups (NIGs) are encouraged to refer interpretative issues to the Agenda Committee. The two paragraphs are therefore inconsistent. To resolve this NSSs and NIGs should be encouraged to refer issues to the IASB IFRIC Co-ordinator so that the source of an issue can remain confidential.

A final minor point is that the second half of the sentence in paragraph 24, which reads “...although an issue does not have to satisfy all the criteria as a precondition for recommendation,” could be deleted as the same comment is made in paragraph 28.

## **Question 2 – Agenda criteria**

*The IFRIC assesses proposed agenda items against the criteria listed in paragraph 28. For inclusion in the agenda an issue does not have to satisfy all the criteria.*

*Do you agree with the agenda criteria listed in paragraph 28? If not, please specify the criteria you would add, alter or delete, and explain why.*

In general, we agree with the agenda criteria in paragraph 28, however we do have concerns in regard to the need for IFRIC to reach a consensus as discussed above.

## **Question 3 – Consultation regarding issues not added to the IFRIC agenda**

*A consultative period applies to issues that are not added to the agenda. The draft reason for not adding an item to the agenda is published in IFRIC Update and electronically on the IASB Website with a comment period of about 30 days.*

*Do you agree with the consultative process for issues that are not added to the IFRIC agenda? If not, what changes do you propose, and why?*

We agree that the draft reason for not adding an item to the agenda should be published and that a comment period of about 30 days be allowed.

## **Question 4 – Relationship with national standard-setters and interpretative groups**

*The IFRIC’s relationship with national standard-setters (NSSs) and interpretative groups (NIGs) is described in paragraphs 54 and 55.*

- a) Do you agree that NSSs and NIGs should be encouraged to refer interpretative issues to the IFRIC? If not, why not?*
- b) Do you agree that the IFRIC should not consider local interpretations and comment on whether they are either consistent or inconsistent with IFRSs? If you disagree, please explain why.*

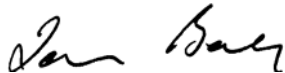
IFAC agrees that NSSs and NIGs should be encouraged to refer interpretative issues to the IFRIC as we consider that it is important for IFRIC to serve as the interpretative committee for IFRSs. However, we consider that NSSs and NIGs should make submissions to the IASB IFRIC Co-ordinator rather than directly to the IFRIC for reasons of confidentiality as noted above.

We agree that IFRIC should not consider local interpretations and comment on whether they are either consistent or inconsistent with IFRSs as we consider that issues of interpretation of IFRSs should be dealt with by IFRIC at an international level and not by NSSs and NIGs.

IFAC welcomes the opportunity to comment on this paper.

Please do not hesitate to contact me if you wish to discuss any of the matters raised in this submission.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ian Ball', written in a cursive style.

Ian Ball  
Chief Executive