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From: Keith Reilly [<mailto:Keith@icaa.org.au>]

Sent: 05 August 2005 06:57

To: Commentletters

Cc: dboymal@aasb.com.au; McGregor Warren

Subject: Invitation to Comment - The Role of Accounting Standards Setters and their Relationships with the IASB

Dear Warren,

The Institute of Chartered Accountants in Australia (Institute) appreciates the opportunity of providing comment to the Australian Accounting Standards Board (AASB) and the International Accounting Standards Board (IASB) on the IASB's February 2005 Invitation to Comment - The Role of Accounting Standards Setters and their Relationships with the IASB.

The Institute broadly supports the Proposals contained in the Invitation to Comment which are designed to ensure that Accounting Standard-Setters work co-operatively and effectively in achieving on-going International Accounting Standards. 2 specific Issues that the Institute believes are needed to be considered in the finalized Memorandum of Understanding are:

1. Role of the National Accounting Standard-Setters (i.e. for Australia - the AASB) Whilst the AASB has acknowledged that it has yet to consider 'its own strategy' as an Accounting Standard-Setter post adoption of IFRSs, the reality is as far as the IFRS framework is concerned, Australia has to effectively accept authoritative pronouncements from the IASB if it is to maintain compliance with IFRSs.

Whilst the Institute continues to support the other current Roles of the AASB in developing Accounting Standards for the Government and Not-For-Profit Sectors (and specialized areas such as Superannuation), the medium term goal is for even those Sectors to adopt the IFRSs or in the absence of specific IASB Pronouncements, variants such as the IFAC's IPSASB, or other Accounting Standard-Setter Pronouncements.

This means that from an Australian perspective, all IASB Documents should be automatically issued by the AASB/UITG as soon as the Documents are publicly available from the IASB, as such Documents form part of the Australian Financial Reporting requirements. Given the nature of the relationship that Accounting Standard-Setters have with the IASB, in most cases 'Local Commentary' should be able to be provided on any IASB Documents without delaying their release, however if a delay is likely, the Document should be issued immediately, with Local Commentary to follow.

2. Interpretations of IFRS

During the transition to IFRSs, it is clear that the transition will require more immediate action on Interpretations as the Australian experience of adopting IFRSs for financial periods commencing 1 January 2005 has indicated. Once the IFRS Platform has been

successfully adopted, it is expected that there will be less need for urgency on Interpretations. However the Institute believes that there will still be a role for the AASB/UITG to provide Interpretations of IFRSs (i.e. AIFRS), given that Australia may have a more pressing need for Interpretations, or where there are local Regulatory reasons.

Specific Comments on each Section of the Invitation to Comment follow. Should you require any further information, please contact me - keith@icaa.org.au

Section 1 - Background

The Institute supports the need for a Memorandum of Understanding between the IASB and other Accounting Standard-Setters.

Section 2 - Working with Regulators

The Institute supports Accounting Standard-Setters taking the prime responsibility for dealing with Domestic Issues on adoption and convergence with IFRSs and encouraging National/Regional Regulators in their participation with IFRSs.

Section 3 - Communication

The Institute supports the Proposals for communication between the IASB and the Accounting Standard-Setters. However the Institute believes that the proposed 'up-to-date' database of technical issues as detailed in Paragraph 3.16, should be a publicly available database and not just restricted to Standard-Setters.

Section 4 - Project Role

The Institute supports the Proposals for the IASB to utilize the resources of Accounting Standard-Setters for Projects. However this area requires further details of exactly how this will work in practice, which appears to be acknowledged in Paragraph 4.7(b) which refers to Accounting Standard-Setters involvement 'under the direction of IASB staff and/or FASB staff'. This assumes that the current Convergence Program between the IASB and the FASB will continue to operate effectively.

Section 5 - Communication

The Institute supports the Proposals for communication between the IASB and the Accounting Standard-Setters.

Section 6 - Application of Standards

The Institute supports the Proposals for the IASB to continue to provide reasonable lead times for the promulgation of Standards and the obligation on Accounting Standard-Setters to not modify IFRSs in such a way that there are areas of non-compliance with the IFRS Framework.

Section 7 - Interpretation

As detailed in our Opening Comments (2 above), during the transition to IFRSs, it is clear that the transition will require more immediate action on Interpretations as the Australian experience of adopting IFRSs for financial periods commencing 1 January 2005 has indicated. Once the IFRS Platform has been successfully adopted, it is expected

that there will be less need for urgency on Interpretations. However the Institute believes that there will still be a role for the AASB/UITG to provide Interpretations of IFRSs (i.e. AIFRS), given that Australia may have a more pressing need for Interpretations, or where there are local Regulatory reasons.

Therefore the Institute suggests that Paragraph 7.7 needs amendment. If IFRIC/IASB is unable to resolve an Interpretation in the time scale necessary for a National Accounting Standard-Setter, the National Accounting Standard-Setter should reserve the right to issue its own Interpretation that it believes is compatible with the IFRSs, and be prepared to re-visit the local Interpretation if and when the IFRIC/IASB resolves its own view.

Similarly Paragraph 7.8 could be re-worded so that where an Interpretation Issue has been raised by an Accounting Standard-Setter and the IFRIC/IASB decides to not address the Issue, an explanation of the IFRIC/IASB decision 'must' rather than 'should' be made, and the Accounting Standard-Setter can only consider this resolved, where there is a clear publicly available and maintained database of the resolution as this will effectively be seen as an Interpretation even if the Interpretation is that the particular Standard is clear.

Section 8 - Education

The Institute supports on-going liaison between the IASCF and Accounting Standard-Setters on Education Issues.

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