



The South African Institute of Chartered Accountants

24 June 2004

Sir David Tweedie
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International Accounting Standard Board
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Dear Sir David

STRENGTHENING THE IASB'S DELIBERATIVE PROCESSES

In response to your request for comments on the international consultation paper, *Strengthening the IASB's Deliberative Processes*, I attach the comment letter prepared by the South African Institute of Chartered Accountants (SAICA). Please note that SAICA is not just a professional body, but also secretariat for the Accounting Practices Board (APB), which is the official standard setting body in South Africa.

We would like to thank you for the opportunity to provide comments on this document.

Please do not hesitate to contact me should you wish to discuss any of our comments.

Yours sincerely

Sue Ludolph
Project Director – Accounting

cc: Doug Brooking (Chairman of the Accounting Practices Board)
Geoff Everingham (Chairman of the Accounting Practices Committee)

SAICA COMMENT ON DELIBERATIVE PROCESSES

1. GENERAL COMMENTS

- 1.1 We wish to commend the IASB on what it has achieved over the past three years and on undertaking a review of its own due process, in response to its experience to date and comments received from interested parties.
- 1.2 We further wish to acknowledge the positive steps the IASB has already taken to enhance public confidence in its procedures. Areas where we believe the IASB's process and deliberations to address industry concerns were particularly useful were in the instances of IAS 39 – *Financial Instruments: Recognition and Measurement* and the banking/financial institution industry as well as the field testing undertaken on proposed amendments (i.e. business combinations and reporting comprehensive income).

2. SPECIFIC COMMENTS

The comments in this section are based on the three main areas covered in the Consultation Paper.

2.1 Accessibility and transparency of the IASB's deliberative process

We welcome the IASB's improvements to access to its meetings and availability of the documents/observer notes. We also concur with the change to make comment letters freely available on its website as soon as they are received and scanned into .pdf format.

2.2 The IASB's responsiveness to constituents' comments

- 2.2.1 As the IASB is not proposing to reply specifically to issues raised in individual comment letters, we believe it will be very useful if a summary of the Board's position on the major comments that were raised in the submission process can be posted on the IASB website, once the issues raised have been addressed.

We concur with the decision to allow constituents to see the draft text of standards before the text is finalised, because there may be a lengthy period between the publication of an exposure draft and the issuing of the standard. The interim step to update the effect of particular Board decisions made will allow interested parties to track the likely effect of proposed changes on specific text. The two-column format proposed, will be useful to follow the cumulative effect of IASB decisions before a final text is agreed.

The decision to make near-final drafts of forthcoming exposure drafts and standards available on its website before the Board approves them for publication is a very bold move. We believe the IASB needs to consider the potential for opening up another avenue for a deluge of further comments, at

SAICA COMMENT ON DELIBERATIVE PROCESSES

a very late stage in the process, especially where the proposals are not popular or significantly affect an entire industry. Should the IASB follow this route in the interests of transparency and to allow tracking of the process, there should be clear communication that the period for comment has expired and that the IASB will not consider further comments.

This section of the Consultation Paper addresses the issue of documents, deliberations of IASB, summaries, etc. being made available on the IASB website. The IASB should ensure that this is available in a section that is accessible to the public and not just subscribers, for the sake of transparency. Not all interested parties are subscribers.

2.3 The extent of consultation before releasing proposals and standards

We support and welcome proposals for the use of public hearings, field visits and field-testing as well as the greater use of discussion papers in the future on new projects that address complex topics which would require a major shift from existing international (or national) practice.

3. OTHER COMMENTS

3.1 Regular communication of activities of Board members

In order to enhance the perception of the role of Board members and acknowledge the effort of each member, their activities between Board meetings should be communicated. This could be in the form of publishing the main activities in diaries of Board members. This would be useful, as we are aware of some of the background work done by Board members in liaising and consulting with industries, regions and various organisations. However, many are not aware of the full extent of the role that Board members play and unfairly criticise them for their lack of consultation.

3.2 Liaison functions of Board members

We believe the IASB requires a far more comprehensive and structured out-reach programme to all standard-setters around the world. The current liaison responsibilities are too focussed on the partner national standard setters, at the exclusion of other national standard setters, especially those who have already adopted IFRS. These standard-setters face particular difficulties and as they carry the IASB flag their needs should be afforded greater attention. In the past these standard-setters, mostly from developing economies, were mostly neglected and their role disregarded.

3.3 IASB's advisory role to IFRIC

With a vast number of standard setters already having adopted IFRS and a significant number expected to adopt IFRS by 1 January 2005, the need for

SAICA COMMENT ON DELIBERATIVE PROCESSES

interpretations on IFRS has already increased to a level way beyond the capacity of IFRIC to deal with them timeously and effectively.

We believe the IASB should therefore play a large role in determining what issues the IFRIC take onto its agenda and the speed and effectiveness with which interpretations are issued.

Our personal experience has shown that IFRIC has not been keen to take issues onto its agenda and it appears as if IASB staff have the power to decide what issues will be considered by the IFRIC agenda committee and what will not be considered. In our view, all matters referred to IFRIC should be listed on the website with the staff's response (where a matter is not referred to the agenda committee) and the agenda committee's response (where a matter was rejected). There is a hazard that if IFRIC is unresponsive to requests for interpretations, issues will in practice be decided by informal agreement among the big 4 auditing firms, without the exposure and communication that accompanies an IFRIC Interpretation. We would regard this as an undesirable development.

The responsiveness and quality of interpretations has a direct correlation to the effectiveness and consistency with which IFRS are adopted globally and therefore the IASB has a vital role to play in the issuing of interpretations of their standards.

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