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Mr Tom Seidenstein
Director of Operations
IASC Foundation
30 Cannon Street
London EC 4M 6XH
UNITED KINGDOM

The Group of 100 Incorporated
Level 28, 385 Bourke Street
Melbourne VIC 3000 AUSTRALIA
www.group100.com.au
Telephone: (03) 9606 9661
Facsimile: (03) 9670 8901
Email: g100@group100.com.au
ABN: 83 398 391 246

Dear Mr Seidenstein

IFRIC – Draft Due Process Handbook

The Group of 100 (G100) is pleased to comment on the Draft Due Process Handbook for the IFRIC. The G100 represents the interests of the CFOs of Australia's major business enterprises.

The G100 is particularly concerned about the timeliness of the IFRIC processes for dealing with issue proposals and keeping constituents informed of the status of deliberations of the Agenda Committee. As indicated in the response to the questions below our members have been poorly served in this regard.

We would like to see a process which allows the IFRIC to have a pre-eminent position in relation to the interpretation of IFRSs. However, unless the IFRIC processes become more timely, user-friendly and informative there is a major risk that constituents will seek guidance from other less internationally authoritative sources, such as national standard setters, Big 4 accounting firms and regulators, which is likely to lead to an erosion of the benefits of adopting IFRSs in the first place.

Our specific comments on the questions raised are set out below.

Q1 Agenda Committee

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

Do you agree with the AC process described in paras 23-27? If not, what changes do you propose, and why?

The G100 considers that the following comments made in our submission dated 24 June 2005 are still relevant as transparency of the IFRIC processes is important to the acceptance of its decisions. We strongly believe that the AC must have protocols and disciplines to ensure that it addresses issue proposals within a specified time. It is unacceptable for issues to accumulate awaiting AC consideration. In respect of interpretations, timeliness is crucial.

In this regard we believe that:

- **a data base of issues should be publicly available. This would help signal whether issues are general or local for both preparers, national bodies and IFRIC. In addition, publication of the issues data bank and the AC agenda items may contribute towards a reduction in the time taken for a matter to be addressed by the AC;**
- **the list of issues for consideration by the AC should be made public before a meeting;**
- **subject to concerns about the quorum, membership and participation in the AC should be broader than the Big 4 accounting firms. We believe that all IFRIC members should receive copies of the AC agenda papers so that they are in a position to determine whether to participate;**
- **while the recently introduced process for publication of the AC's views is a welcome initiative the AC should be required to address an issue proposal within a specified period. In addition we believe that the AC recommendations should be placed on the website when they are forwarded to the IFRIC;**
- **IFRIC agenda papers and AC recommendations should be made publicly available on a more timely basis and available on the website before a meeting. Availability of these documents as the issues are addressed by the IFRIC should mean that the exposure period for Draft Interpretations can be reduced. We have found that the availability of such documents (as Issue Summaries) by the Australian Urgent Issues Group is extremely valuable in inducing preparers to participate in the development of an interpretation.**

Q2 *Agenda criteria*

The IFRIC assesses proposed agenda items against the criteria listed in para 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 para 28? If not, please specify the criteria you would add, alter or delete, and explain why.

While the G100 agrees with the criteria we believe that criterion (d) should also refer to the 'Framework for the Preparation and Presentation of Financial Statements' because the Framework is an integral part of a principles-based approach to Accounting Standards. Additionally, it is incongruous for the IASB to place considerable emphasis on the role and importance of the Framework in a principles-based system and for it not to be referred to in the agenda criteria.

Q3 *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?

While the process appears adequate it could be significantly improved. A major concern with the current process is the amount of time taken to achieve an outcome on these items. From the experience of some of our members an issue can reside with the AC for an extended period without any communication regarding the status of the deliberations. The G100 strongly believes that the AC should issue a status report after each meeting and that if it cannot determine a proposed action within, say, two meetings, the matter should be addressed by the IFRIC. In addition, it is suggested that the recommendations of the IFRIC AC be published on the website when forwarded to IFRIC rather than following an IFRIC meeting.

Q4 Relationship with national standard-setters and interpretative groups

The IFRIC's relationship with national standard-setters (NSSs) and interpretative groups (NIGs) is described in paras 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?

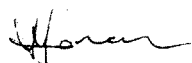
Yes. The G100 is strongly of the view that the IFRIC is the most appropriate authoritative body to interpret IFRSs. Where interpretations are undertaken by national equivalents to the IFRIC and regulatory bodies there will always be residual uncertainty as to whether they are IFRS compliant. The G100 believes that this position is equally relevant to the major international accounting firms. However, the risks of national interpretations will be minimised where the IFRIC and IFRIC processes deliver outcomes to constituents, whether as interpretations or rejection statements, on a more timely basis than has been the experience of some of our members. A continuation of previous practices is likely to create pressures from national constituents for other bodies to provide guidance – an outcome which is sub-optimal and potentially erodes the benefits of adopting IFRSs.

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.

No. While the G100 has previously indicated the desirability of a process whereby the IFRIC endorses or gives negative assurance in respect of national interpretations we recognise the operational difficulties of doing so while observing the IFRIC due process. However, the G100 believes that these issues can be resolved through increased co-operation and liaison between the IFRIC and national standard-setters as outlined in the IASB's Statement of Best Practice. We believe that there is significant scope for the IFRIC to leverage the resources of national standard-setters so as to streamline processes to deal with projects on a more timely basis. For example, this could be achieved by having national bodies manage projects on behalf of IFRIC such as those emanating from their jurisdiction, and developing a process under which IFRIC reviews and validates draft interpretations prepared by national bodies.

To enhance timeliness further, national bodies could be requested to submit their views on interpretation requests to the AC at the time of lodgement. In the final analysis the important issue for preparers is to be assured that an interpretation, whether developed by IFRIC or on its behalf by a national standard-setter, is IFRS compliant.

Yours sincerely

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

Tom Honan
National President

c.c. Richard Humphry, IASCF Trustee