

Topic

A rethink of the process/timing for developing new standards**Overview**

1. This paper summarises issues for consideration by the Council relating to setting standards on a global basis. The paper has been prepared by a group of Council members led by Judith Downes and presents their personal views on the issues discussed in the paper. The purpose of this paper is to serve as a basis for potential further discussions of these issues at the next Council meetings in either February or June 2011.
2. With increased global coverage of IFRSs are there additional issues that need to be considered when setting standards on a global basis, and is the current standard-setting process robust enough to work effectively in that environment? These seem valid questions at this point, because of the increasing number of countries that are either using IFRSs or are in the process of adapting them. It is also clear that the diversity of constituents using IFRSs has increased, which will unavoidably bring increased pressure on the IASB to respond to different needs.
3. The current standard-setting process has remained relatively unchanged since the inception of the IASB and is largely based on the US/UK accounting standard-setting model. The biggest change to this process has probably come about in the last couple of years in the form of greatly increased outreach activities, which have been very much welcomed by the constituents of the IASB.

This paper has been prepared for discussion at a public meeting of the IFRS Advisory Council of the IASB.

The views expressed in this paper are those of the authors.

Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRS Interpretation Committee or the IASB can make such a determination.

The tentative decisions made by the IASB at its public meetings are reported in *IASB Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

What are the potential issues with the current standard-setting process?

4. There are areas within the standard-setting process that may need to be looked at. Firstly, accounting standards become part of the legislative framework in many jurisdictions. The main consideration is then whether the IFRS process is sensitive enough to the way in which regulators and legislators undertake their responsibilities. For example, effect analysis is essential in many jurisdictions, yet only now is it becoming a part of the IASB's due process. Should the IASB ask individual jurisdictions to conduct effect analysis and report back on it? Is the current process of developing standards as robust as that which countries use to develop other legislative requirements? As governments pay more attention to the IASB, it must be very confident that its processes are sufficiently accepted so that they can be defended in government circles.
5. This ties in with the issue of a potential conflict in specific jurisdictions between accounting standards and legal requirements. Individual countries need to be able to evaluate the IASB's proposals and identify potential conflicts with their existing legal requirements.
6. Another area of possible concern is the implicit assumption in the IASB's processes that there is a permanent infrastructure in individual jurisdictions to support continuous development and changes in the standards. Auditors, regulators, preparers and users all need constant updating of their knowledge to keep up with the developments in accounting standards. While the standards clearly must continue to improve and evolve, is the current process the best way to do this? Writing the standards is to some degree the easy part of the process. Making changes to software, disseminating the information on changes, retraining, and identifying company-specific changes all follow, and are a much broader task across the many jurisdictions using IFRSs. There may also be a need to consider whether new or different infrastructure is needed at national or regional level to support a global system. This could be a major issue as the US and Japan make their final decisions in 2011 on adoption of IFRS.

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7. Another issue to consider is timing. Are constituents given enough time to evaluate the IASB's proposals and respond to them? This becomes even more important in the context of translation. With more countries using IFRS, the documents that the IASB publish need to be translated into more languages. This also raises additional questions, such as who should take ownership of the translations? The IASB or individual countries or language regions? And how should this be controlled? Should all IASB documents be translated (this would include discussion papers) and into how many languages? Some countries have expressed concern about the lack of IASB-authorized official translations of IFRSs. In some countries, the laws/regulations require that all material must be translated into the specified languages. The current situation is forcing individual national bodies not only to translate the standards but also to guarantee the accuracy of the translation. Canada is an example of this situation because there is a requirement by law to publish all official material in both official languages (French and English). This is inefficient (eg multiple translations into the same language) and creates the risk of inaccurate and inconsistent interpretations.
8. This issue with translation may also suggest that constituents should be given more time to respond to IASB documents and that a minimum comment period, or else a fixed comment period, should be set that would always provide enough time for translation of documents.
9. Another aspect of the timing issue is the frequency of change to the standards. Should standards be changed as frequently as is currently being done? Should changes rather be staggered and made only at a predetermined interval? Constant minor changes (eg annual improvements) create costs (translations, training) that are perhaps underestimated by the IASB.

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10. There are additional issue that may require further consideration. These include interaction with auditing standards and re-exposure of the IASB proposals.
- (a) Interaction with auditing standards: accounting standards often raise significant audit issues (and vice versa). Are the arrangements for liaison between the IASB and national auditing standard-setters appropriate? Using translation as an example, apparently some auditors have refused to rely on national translations of IFRS unless the national standard-setter or some other authorised body guarantees the accuracy of the translations.
 - (b) Re-exposure of the IASB proposals: who should decide whether re-exposure of proposals is necessary? Should the IASB itself decide whether changes made between an exposure draft and a final standard should be re-exposed, or should other parties such as the Advisory Council be involved?

Question for Council members	
1.	Do Council members share the concerns about the current standard-setting process raised in the paper?
2.	Do you have any other concerns, of a similar nature, that are not raised in this paper.