

AGENDA PAPER

IFRS Advisory Council Meeting

LONDON 18 – 19 June 2012

Agenda ref 6D

TOPIC	External involvement in the IASB's standard setting process
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This paper has been prepared for discussion at a public meeting of the IFRS Advisory Council. 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.

Improving Due Process – The Auditors' Perspective **Presentation for June 2012 IFRS Advisory Council meeting**

Improving Due Process

The Auditors' Perspective

Auditors and Due Process

- Input is requested at various stages of projects with a focus on:
 - Obtaining views on difficult issues
 - Auditability of proposed approaches
 - Understanding practice
 - Input is provided on projects through various IASB outreach activities
 - Comment letters
 - Roundtables
 - Discussions with IASB and IASB staff
 - Participation on IASB working groups and expert panels
 - IASB and IASB staff participate in external events hosted by auditor
 - Meetings are held with IASB and IASB staff to discuss emerging issues
 - Fatal flaw reviews are provided on selected documents
- ...But improvements are more about execution than new structure...**

Improving Auditor Involvement in Due Process

- Input should be obtained throughout the standard-setting process
 - From agenda discussion to post-implementation review
 - When Board struggles with an issue such as leases
- Questions to auditors should not focus solely on auditability
 - Auditors often perform own outreach and can provide input on operationality, cost-benefit and decision-usefulness
- Outreach with auditors – Consider:
 - Establishing consultative groups for all major projects
 - Maintaining “approved” list of subject matter experts
 - Conducting education sessions more often
 - Soliciting examples of transactions from auditors
 - Requesting fatal flaw reviews of all documents
 - Discussion papers, exposure drafts, final standards, effects analyses, educational papers
- Field testing objectives should include auditability
- Coordinate with the networks’ global IFRS leadership on communication with network members in individual countries

Improving Due Process – Auditability

- 2008 Whitepaper by CEOs of International Audit Networks:
Principles-based Accounting Standards
 - Key elements of high-quality standards
 - Faithful presentation of economic reality
 - Responsive to users’ needs for clarity and transparency
 - Consistency with a clear Conceptual Framework
 - Based on an appropriately-defined scope that addresses a broad area of accounting
 - Written in clear, concise and plain language
 - Allow for the use of reasonable judgment
 - Result: higher quality standards, and reduced criticism from stakeholders or need for additional standard-setting