



Australian Government
Australian Accounting
Standards Board

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Yael Almog
Executive Director
IFRS Foundation Trustees
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Dear Yael,

Invitation to Comment: Proposal to Establish an Accounting Standards Advisory Forum (ASAF)

Thank you for the opportunity to comment on the above proposal.

The Strategic Direction

The AASB strongly supports the Trustees' recommendation for a network to bring more closely together the IASB and the national, and regional groupings of, standard-setters. It has become increasingly evident that such a network is vital for the establishment and maintenance of a global set of standards. Having the global standard-setter, operating at some distance from national and regional groupings of standard-setters, is not desirable, for legal, change management and cultural reasons.

The AASB supports the principle for the network being proposed by the Asian-Oceanian Standard-Setters Group in its submission, namely:

In order to develop a single set of high quality global standards, the relationships between the IASB, the national standard-setters and the regional groupings of those standard-setters, should be as strong as possible, with cooperation and assistance being provided in all directions, whilst maintaining the independence of all the standard-setters involved.

Implicit in this wording is a shared responsibility to develop the capacities of all standard-setters. Acceptance of such a responsibility should remove the threat sometimes experienced by national standard-setters when others question the need for their existence following the adoption of IFRS. The AASB's experience is that the responsibilities we have as a national standard-setter have expanded since IFRS was adopted in Australia.

The ASAF Proposal

The IFRS Foundation proposal is seen by the AASB as one strategy for the achievement of the Trustee's recommendation for an effective network. The proposals themselves recognise that the ASAF proposal is not a substitute for a broader relationship model between the IASB and national standard setters and regional groupings thereof. We think this context should not be allowed to drift into the background or be obscured.

The AASB strongly supports the ASAF concept because we see it as a way for national standard-setters to engage very directly with the IASB, early in the IASB processes, on the major issues involved. This will both increase understanding and enable the national standard-setters to convey views more effectively. For this to be optimal, the culture of the ASAF will need to be very respectful of differences of view, transparent and constructively minded. Such a co-operative culture will be a function of how ASAF is managed and its membership, and not of the structure.

We acknowledge the risks and challenges listed in the proposals and agree they will need to be managed. More importantly, we think they can be managed if the objectives are shared.

Membership

The AASB has considered the proposed membership structure and accepts that it is reasonable. We think the world will change and that the number of national standard-setters and regions that could contribute significantly is likely to increase over time. This has been the history of international standards. If that happens, the number of seats may have to be lifted, but we would hope this will not be beyond a workable number. Some leeway, therefore, needs to be maintained now to allow for natural growth within the model now being established. In saying this, we believe that in the future regionally stratified ASAF positions will increasingly be the way to proceed, rather than a mixture of positions for certain major standard-setters and others for national standard-setters from regions.

The AASB would be very concerned if membership of the ASAF became a bargaining chip for encouraging jurisdictions to accept IFRS. We think the criteria for membership of the ASAF should remain functionally focussed and care should be taken not to allow membership to be politicised.

The AASB actively participates in the AOSSG and is pleased to see that the regional allocation of members treats the region equitably when compared to other regions. We do think there are more than three strong candidates within the AOSSG region but, as indicated above, think the Foundation should start cautiously in terms of numbers and should never allow the membership to become unworkably large.

The AASB would certainly like to be a member of the ASAF and we believe that we have demonstrated capacity to contribute.

Chairmanship

The AASB believe that the IASB should chair ASAF, given that the forum's primary focus is to assist the IASB with its agenda.

Proposed Commitments to Global Standards

The AASB has reviewed the proposed commitments in paragraph 6.4 of the proposal and supports them. We think that the IASB should also commit to helping national standard-setting, in part through the ASAF.

The wording of the proposed memorandum will need careful attention. We do not wish to see the wording exclude a jurisdiction moving towards IFRS if they would otherwise meet the criteria for membership (including having appropriate IFRS technical expertise). Further, in an endorsement model such as is used in Australia, it is critical that the legal responsibilities of the standard-setter to thoroughly review a proposed IFRS for adoption not be compromised by the MoU.

We think that paragraph 6.4 (4) implies that carve outs may only be a function of the move towards adopting IFRS. Conceptually, every endorsement process reserves the legal responsibility to not adopt some part of IFRS when to do so would not be in keeping with the relevant legislation. Expressed differently, even though Australia fully adopts IFRS we could not commit, under current legislation, never to require a carve out or variation of IFRS. We have an ongoing responsibility to assess each proposal for extending or changing IFRS, even though we have a strong and demonstrated commitment to IFRS. We suspect many national standard-setters would face the same issue if the wording was inappropriate.

We do think the "best efforts" phrasing goes some way towards meeting our point above, but it may have an implication that it is some external factor inhibiting the efforts of the standard-setter to fully embrace IFRS, when it might simply be that the independent judgement required of the standard-setter is the reason.

Timing of Implementation

The AASB encourages the Foundation to endeavour to meet the proposed timetable for implementation. We believe it is critical for the ASAF to be involved as early as possible in the various new projects being contemplated as a result of the future agenda consultation. This is an unusual window in standard-setting and one that will be open for a relatively short time. We acknowledge that the core projects will still be live, but think that the ASAF need only be used by the IASB to cover the very high level remaining issues that may exist after the ASAF is formed. The ASAF should not become a vehicle for returning to the basics of those projects.

Rationalisation of International Forums

We note the structure of the forums that the IASB intends to use with the various groupings of stakeholders and support the architecture proposed. However, from a national and regional standard-setting perspective, we do think that the respective roles and functions of the IFRS Advisory Council, IFASS and WSS conferences need to be reconsidered. Participating in these vehicles, in addition to our involvements in AOSSG, the IFRS Regional Policy Forum, the IFRS Interpretations Committee, multi-regional coordinating meetings, the IFRS regional office and the regional IASB technical conferences, are already quite onerous and can involve redundant sessions spent considering the same matters. It would be better if the rationale for each was clearer and more complementary.

Given a free choice, the AASB would want to use its resources primarily in supporting the IASB and in the AOSSG region. We would also like to continue to benefit from dealing with the other regions, but probably on a more rationalised basis. In this context we would like to see the IFRS Advisory Council and WSS further reassessed. We think IFASS could accommodate those national standard-setters that currently only attend WSS.

We do not see the reasoning behind the existing selected national standard-setters being part of the Advisory Council after ASAF comes into being, though we can well understand the Advisory Council having a strong interest in how the relationship between the IASB and standard-setters is being managed.

As the IASB wishes to expand its research agenda, we can see ASAF, IFASS and individual national standard-setters serving pre-agenda roles. We can also see IFASS helping develop standard-setting and governance for national standard setters. But maybe these functions could be largely achieved by IFASS using more working parties, informal meetings, and having only one annual formal IFASS global meeting. AOSSG follows that approach.

Not all these matters are within the province of the IFRS foundation, or the scope of the ASAF proposals, but they are part of the more general issue of the overall relationship between the IASB and national standard-setters.

Regional implications of the Proposed ASAF

AOSSG is commenting on the proposals and will raise the issue of how the ASAF might impact the culture of the AOSSG. The AASB is conscious that some members of AOSSG are worried that the ASAF might break down the culture of the AOSSG, dividing us between those at the ASAF table and those not. This is largely a matter for the AOSSG to manage. But we do think the IFRS Foundation and IASB need to find ways, under the broader relationship model alluded to above, to stay engaged with the AOSSG (and other regions) as a whole. Thus while the ASAF offers some rationalisation and focus of effort for the IASB, this rationalisation is probably limited. The payoffs will need to come more from greater effectiveness and timeliness of engagement.

Conclusion

The AASB strongly supports the proposals for the formation of the ASAF and the proposed membership structure. Subject to careful wording, it also supports the commitments proposed.

The AASB encourages the IFRS Foundation and the IASB to see the proposals as one element of the wider model of relationships with national standard-setters and regional groupings thereof, and to be mindful of the need to continue to support the regional groupings and national standard-setters who do not find their way to the ASAF table.

I would be pleased to provide further comment or elaboration if needed.

A handwritten signature in black ink, reading "K. M. Stevenson". The signature is written in a cursive, flowing style.

Yours faithfully,

Kevin Stevenson
Chairman and CEO