



21 December 2013

IFRS Foundation
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Dear Sir/Madam

PROPOSAL TO ESTABLISH AN ACCOUNTING STANDARDS ADVISORY FORUM

Firstly, I would like to apologise for the late submission but I hope you will consider the comments in this letter. Secondly, I would like to applaud the Trustees for taking the bold step to continuously review the governance of IFRS standard-setting.

Avante Advisory Services (Pty) Ltd is a boutique advisory services firm based in South Africa. We have an interest in the development of IFRS and we are affected by the promulgations of the IASB.

The global spread of IFRS, while being the desired objective, requires enhanced governance mechanisms that enhance the legitimacy of the standards. Current governance arrangements are insufficient and tend to favour the powerful countries. G-20 countries currently dominate seats on governance structures (Monitoring Board, Foundation, IASB and IFRIC). The backing of powerful nations is desirable but may as well become the Achilles heels to the worldwide acceptance of IFRS. The right balance is required. Below we provide answers to the two specific questions:

Question 1 – Commitments to be made by ASAF members.

Generally, the five commitments are noble but would be desirable if certain changes to the composition and operations of the Forum are made as pointed below:

- Consistent application is a function of both the competence of preparers and the regulatory framework with proper enforcement. The competence of preparers is affected by education systems and the involvement of preparers in standards development among other factors. Nothing is said in the proposal about how the Foundation's education activities would interface with the Forum.
- The decision to endorse/adopt IFRS is a regulatory (political) decision. Technical considerations play a role but are not the deciding factor. The EU endorsement process is a case in point (EFRAG recommendation (technical) and ARC decision (political)). The Forum, with membership limited at 12, will not achieve much. Of the over 100 countries requiring or permitting the use of IFRS, there is only a small number of countries with representation across the Monitoring Board, the Foundation, IASB and IFRIC. Part of the solution may be to achieve greater diversity regarding representation on existing structures.

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- Resource constraints are a major hindrance to effective participation. A number of developing countries will struggle to fund their participation. Will the Foundation consider financial assistance? Additionally, there is a concentration of IFRS technical expertise in mostly Anglo-Saxon countries. A review of comment letters submitted so far during the development of IFRS 9 shows that the UK dominates Europe, Australia dominates Asia/Oceania, South Africa is in the same position for the Africa region and the US dominates the Americas. These countries already have representation on other governance structures. The inclusiveness that the Foundation seeks may be achieved by looking elsewhere for representation. However such a stance may compromise the technical competence of representatives.

We therefore recommend that these commitments be reworded accordingly.

Question 2 – Size of the Forum

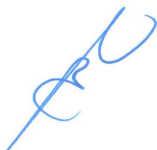
The proposal is to limit the size of the Forum to 12, below the current size of both the IASB and IFRIC. There are merits in doing so but the proposal is contradicted by what is proposed elsewhere. The Forum will not vote, will meet four times a year and the IASB will have the final say on technical matters. We propose two options:

- Option 1. If representation will be that of countries, we propose that the Forum be at least the same size as that of the Trustees (22). However, membership should exclude countries already represented on the IASB and IFRIC as they already have a chance to give technical input. The argument that IASB members do not represent countries does not hold, perception matters.
- Option 2. The Forum stays at 12 but only regional bodies (EFRAG, AOSSG, GLASS and PAFA) appoint representatives. The Foundation will have to deal with the North America nominations. No region should have less than two members. One member would be elected every two years while the other seat will be filled by a subject matter expert depending on the agenda of the specific meeting.

We also urge the Foundation to seriously consider the role of the Advisory Council possibly not now but when the Forum is operational. There is also a risk that constituents may perceive the Forum as a ploy by the Foundation to appease them but with no real influence. If that perception holds, commitment to the Forum may be difficult to sustain.

Please feel free to contact the writer on advisory@avanteadvisory.com for clarification.

Best Regards,



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