



Our Ref.: C/FRSC

By e-mail ifricdueprocess@iasb.org and by post

6 October 2006

Mr. Thomas Seidenstein
International Accounting Standards Committee Foundation
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Tom,

Comments on IASC Foundation's Consultation Document - Due Process of the International Financial Reporting Interpretations Committee: Draft Handbook

The Hong Kong Institute of Certified Public Accountants welcomes the opportunity to provide you with our comments on the captioned draft consultation document. Our responses to the questions raised in the draft consultation document are set out in the appendix for your consideration.

In general, we support the provisions in the draft Handbook. We however consider there should be more transparency in the agenda setting process of the IFRIC as, currently, there is no information available about an issue that has been submitted for consideration by the IFRIC and its status in the agenda setting process until the IFRIC has made a tentative decision of whether or not to add that issue to its agenda.

In addition, we consider that the comment period for a draft interpretation should be at least 60 days unless there is a justification for having a shorter comment period because National Standard Setters and Interpretative Groups require time to consult their own constituents. Urgency does not necessarily provide that justification, especially for a complex and controversial issue where the IFRIC will already have spent months developing the draft interpretation and may spend further months revising the draft. If the option for a shorter comment period is retained, we believe that the IFRIC should specify the reason why a shorter comment period is necessary in any consultation document that takes advantage of this shorter period.

If you have any questions on our comments, please do not hesitate to contact me at patricia@hkicpa.org.hk.

Yours sincerely,

Patricia McBride
Director, Standard Setting

PM/EH/al

Hong Kong Institute of CPAs

**Responses to the questions raised
in the IASC Foundation's Consultation Document - Due Process of the
International Financial Reporting Interpretations Committee Draft Handbook**

Question 1 – Agenda Committee

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

Do you agree with the Agenda Committee process described in paragraphs 23 – 27? If not, what changes do you propose, and why?

While we appreciate that the Agenda Committee is not a decision making body, we believe that its recommendations would inevitably have some bearing on the subsequent decision of the IFRIC. These recommendations would be heavily influenced by the experience and background of the members in the Agenda Committee who are selected by the Chairman. We therefore consider that a balanced representation on the Agenda Committee, both in terms of the geographical representation as well as the mix of preparers, auditors and other users of financial statements, is necessary and suggest that guidance in selecting members for the Agenda Committee should be developed.

In addition, it is not clear from the Draft Handbook as to the approach to be used by the Agenda Committee in reaching its recommendations (ie. by vote or by otherwise). Regardless of process, we consider that any views dissenting from the recommendation should be drawn to the attention of the IFRIC as it would assist the IFRIC in making the final decision.

Moreover, we consider that there should be more transparency in the agenda setting process. In this regard, we believe that the public should, at a minimum, be informed of the issues being put forward to the IFRIC for consideration by members, observers and other outside parties, the stage at which these issues are being dealt with in the agenda setting process and the expected timing of reaching a final decision by the IFRIC. Currently, there is no information available to the public on the issues that have been submitted to the IFRIC for consideration until the IFRIC has made a tentative decision on whether or not to add those issues to its agenda. At that stage, we believe that it would be harder to overturn the decision of the IFRIC even if new information is provided. See also our response to question 3 below.

Question 2 – Agenda criteria

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

We agree with the proposed agenda criteria.

We however would suggest that the Draft Handbook should also indicate whether the IFRIC deals with the issues in order of the time the IFRIC decides to add each issue to its agenda or whether the IFRIC prioritises issues on the basis of exceptional urgency or importance. If the IFRIC prioritises issues, the Draft Handbook should include guidelines for the IFRIC.

Question 3 – 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?

We generally agree with the consultative process for issues that are not added to the IFRIC agenda. However, as mentioned in our answer to question 1, we believe that the public should be informed of the issues at the time they are submitted to the IFRIC for consideration rather than at the time after the IFRIC has made a decision on whether or not to add those issues to its agenda. This would allow more opportunities for the stakeholders to provide input to the IFRIC or its Agenda Committee and provide more time for them to consult and prepare material to support their view should the IFRIC decide not to include an issue, that is considered by them to be important to address, to its agenda.

In addition, we consider that the IFRIC should have a process of updating the published list of items not added to its agenda, including its reasons, in order to avoid any confusion or misunderstanding. In our view, users of IFRSs could reasonably assume that such technical material is current and the IFRIC should not attempt to avoid this responsibility through a disclaimer.

Question 4 – Relationship with national standard-setters and interpretative groups

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

We agree that NSSs and NIGs should be encouraged to refer interpretative issues to the IFRIC in the first instance. However, we do not consider it adequate for the IFRIC to have a policy of not considering local interpretations at all as this would not be in the interests of facilitating the ongoing convergence of national Standards with IFRSs. In the cases where a NSS or NIG decides to

develop a local interpretation to address an issue which the IFRIC has decided not to add to its agenda, we consider that the following processes should be put in place:

- ***The NSS or NIG should be encouraged to send the draft local interpretation to the IFRIC for comment during the comment period;***
- ***The IFRIC or IFRIC staff should be encouraged to provide comments on the draft local interpretation to the NSS or NIG within the comment period;***
- ***The NSS or NIG should take account of the comments made by the IFRIC or IFRIC staff when finalising the local interpretation and are encouraged to explain to IFRIC or IFRIC staff why any of their comments are not taken up in the final interpretation;***
- ***The NSS or NIG should however not make any reference to its consultation process with the IFRIC or IFRIC staff or the comments given by the IFRIC or IFRIC staff in the local interpretation; and***
- ***The IFRIC or IFRIC staff should also not comment publicly on any local interpretation issued by the NSS or NIG.***