



Accounting Standards Review Board

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23 November 2009

Ms Tamara Oyre
Assistant Corporate Secretary
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Sent via email: toyre@iasb.org

Dear Ms Oyre

PART 2 OF THE CONSTITUTION REVIEW – PROPOSALS FOR ENHANCED PUBLIC ACCOUNTABILITY

The Accounting Standards Review Board (ASRB) is pleased to submit its comments on Part 2 of the Review of the Constitution. Very few of the proposals are fundamental to the role or status of the IASCF, the IASB or other associated bodies and we do not have any objections to them.

The Board wishes to comment only on the proposed changes to sections 2 and 38 (previously 37).

Section 2

In our submission of March 2009 we argued that the Trustees should make amendments to the Constitution now to enable the IPSASB to become a separate board operating within the IASCF structure at some appropriate future time. We appreciate that the IASB and the IPSASB are now working more closely together, which we applaud. We have read and understand the comments made by the Trustees on this issue. However, we remain of the view that the Constitution should allow structural change at some future time of the type we have already suggested.

The failure to make such a change will leave ongoing doubt about whether a bringing together of the two international accounting standards bodies will be possible. This in turn will necessitate strengthening of IPSASB structures, processes and oversight without regard to what would be appropriate if it were a separate board within the IASCF structure. Finally, and to the detriment of users of financial reports, this seems likely over time to lead to differences in accounting and reporting between the for-profit and public sectors which are not based on differences in user needs. That will be unfortunate.



We note that the Trustees propose a minor amendment in the wording of Section 28 to provide more flexibility in the Constitution to acknowledge the benefits of co-ordination with a wide range of organisations (including IPSASB). While we support this change we remain of the view that as the only other international accounting standard-setter of which we are aware, IPSASB warrants specific reference in this section.

Section 38

We note the comments by the Trustees about accelerated due process and interpret them as an acknowledgement that the suspension of due process in October 2008 should not occur again. We remain of the view that the Due Process Handbook already provides appropriate mechanisms for acceleration; the Trustees have acknowledged those provisions. However we acknowledge that some further acceleration may be appropriate in extremely rare circumstances and are willing to support that with the protections proposed (a formal request approved by the Trustees and without eliminating due process entirely).

The ASRB is concerned however that:

- There is no definition of “exceptional circumstances”. Some indication of the type of circumstance which would be envisaged to fall within the clause is necessary so that the Board, the Trustees and stakeholders may have a basis for assessing a decision and the process which led to it. A circumstance in which the ASRB would support an accelerated due process is the case of the withdrawal of a requirement or the deferral of an application date. This may be necessary where issues were not identified during due process and emerge later and without such fast-track action there may be significant negative effects on entities arising from the unforeseen issue. However it is unclear to us what the Trustees consider to be exceptional circumstances.
- As best we are aware, the Due Process Handbook is not referred to elsewhere in the Constitution. We find it strange that a document developed by the Board outside the Constitution (albeit with approval of the Trustees) is referred to in this way. It would be far preferable if the role and status of the Due Process Handbook was directly referred to in the Constitution rather than being implied by the proposed amendment to clause 38 (previously 37). The proposed amendment infers that there will always be a Due Process Handbook, when there is no requirement for such a document. Furthermore the proposed amendment relies on the current process in the Handbook, when that process can be amended independently.

As a statutory adopter, the ASRB continues to have serious concerns about the possibility of any amendment to a standard or a new standard being introduced which imposes an obligation or additional requirement which has retrospective effect. The Trustees have noted these concerns but concluded there is no necessity to change the Constitution and that the IASB will attempt to take appropriate account of the concern. We are not satisfied with this response because it allows the possibility that the IASB does make a retrospective change which (depending on the nature of the change) could compromise the ability of New Zealand entities to assert compliance with IFRS. In our view the Constitution should preclude standards or changes to standards which have mandatory retrospective effect.



If you have any queries or require clarification of any matters in this submission, please contact me.

Yours sincerely

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Chairman

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