
**Statement of Best Practice:
Working Relationships between the IASB
and other Accounting Standard-Setters**

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Statement of Best Practice

Contents

Sections:	<i>page</i>
1 Background	3
2 Communication	4
3 Project role	7
4 Comment role on IASB consultative documents	10
5 Application of standards	11
6 Interpretation	14
7 Working with regulators	15
8 Education	15
9 Review	16

1 Background

- 1.1 This Statement records an understanding between the International Accounting Standards Board¹ (IASB) and other accounting standard-setters.² It is particularly relevant to standard-setters in jurisdictions that have adopted or converged with International Financial Reporting Standards (IFRSs),³ or are in the process of adopting or converging with IFRSs. It identifies a range of activities that the IASB and other accounting standard-setters believe should be undertaken by them in the interests of facilitating the ongoing adoption of or convergence with IFRSs.⁴ Some accounting standard-setters may find it difficult to undertake certain of those activities with the resources at their disposal, but will use their best endeavours to do so.
- 1.2 Some of the activities are new or different from the way in which the IASB and other accounting standard-setters have operated in the past. Others are a confirmation of practices that are already being undertaken.
- 1.3 This Statement assumes that the ultimate aims of the IASB and other accounting standard-setters are:
- (a) to develop, in the public interest, a single set of high quality, understandable and enforceable global accounting standards that require high quality, transparent and

1 This Statement also relates to the International Accounting Standards Committee (IASC) Foundation in respect of education.

2 The expression ‘other accounting standard-setters’ refers to organisations that have responsibility for setting accounting standards at a national level, including those whose responsibilities include but are broader than convergence with or adoption of IFRSs, and at an international level, specifically the International Public Sector Accounting Standards Board. It also includes those organisations that have responsibility for, and those with a direct role in facilitating, the setting of accounting standards across a number of countries in a region.

3 International Financial Reporting Standards (IFRSs) are defined as Standards and Interpretations adopted by the International Accounting Standards Board (IASB). They comprise:

- (a) International Financial Reporting Standards;
- (b) International Accounting Standards; and
- (c) Interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC). [IFRS 1 *First-time Adoption of International Financial Reporting Standards*, Appendix A]

However, where necessary to enhance readability, separate reference is made to Interpretations.

4 These activities are shown in italicised text.

comparable information in financial statements and other financial reporting to help participants in the world's capital markets and other users make economic decisions;

- (b) to promote the use and rigorous application of those standards;
- (c) in fulfilling the objectives associated with (a) and (b), to take account of, as appropriate, the special needs of small and medium-sized entities and emerging economies; and
- (d) to bring about convergence of national accounting standards and IFRSs to high quality solutions.⁵

1.4 This Statement is based on the premise that, in order to achieve the above aims for the benefit of constituents,⁶ it is essential that the IASB and other accounting standard-setters work together in a spirit of openness and close co-operation. The activities identified in this Statement are important in building and maintaining the relationship between the IASB and other accounting standard-setters.

2 Communication

2.1 To achieve the objectives set out in paragraph 1.3, the IASB needs to establish and maintain strong communication links with its constituencies. However, because of the large number and wide variety of the IASB's constituents, the IASB is likely to have difficulty in communicating fully with all those constituencies. Accordingly, other accounting standard-setters have a role in communicating IASB activities and outputs to their constituents through educational and promotional activities, including publishing or distributing IASB consultative documents in their jurisdictions, and in both providing the IASB with feedback on these activities and outputs themselves and encouraging their constituents to provide feedback to the IASB.

⁵ These are the objectives outlined in the IASC Foundation's Constitution at paragraph 2.

⁶ The prime constituents of the IASB and other accounting standard-setters include the users of financial reports (including securities analysts), listed companies and other issuers of securities, their auditors and regulators. In some countries, the constituents of national standard-setters also include other types of reporting entities, such as unlisted companies and not-for-profit entities in the public and private sectors, and their auditors, regulators and other users of that financial information.

2.2 *To facilitate the communication process, the IASB should ensure that its publications are made widely available on a timely basis and that its activities are regularly reported and updated in various media.*

Constituent feedback

2.3 *Other accounting standard-setters should encourage their constituents to comment on IASB consultative documents direct to the IASB as well as to themselves.*

2.4 Forms of communicating views other than comment letters are increasingly important in gathering views, including forums on specific issues. *Other accounting standard-setters should use these forums as a mechanism for encouraging their constituents to participate in the IASB's standard-setting process.* When resources permit, the IASB may be able to assist other accounting standard-setters by making personnel available to enhance the effectiveness of these local or regional forums.

2.5 Other accounting standard-setters can assist the IASB in identifying constituents who can be involved in round-table discussions and other forums and the issues of particular relevance to constituents.

2.6 Without limiting the direct communication of ideas to the IASB, other accounting standard-setters have a role in communicating the views and ideas of their constituents to the IASB through the consultation process—providing a focus for views. Other organisations, such as representative bodies with an interest in financial reporting, may also contribute to this process. *Other accounting standard-setters should make their own submissions to the IASB on consultative documents and should convey their views to the IASB rather than provide merely a synthesis of the views expressed by their constituents.*

Communication among other accounting standard-setters

2.7 *Other accounting standard-setters should also communicate with one another, particularly when there is an issue of common interest.* It would, for example, be helpful if standard-setters with a common problem requiring interpretation formulated a joint proposal for consideration by the IASB or the IFRIC.

- 2.8 Other accounting standard-setters working together should be able to develop a thorough understanding of issues raised by their constituents because they will have the relevant local knowledge and ready access to the constituents who raise the issues. By developing this understanding, standard-setters should be better able to work through and refine their issues for consideration by the IASB or the IFRIC.

Timing

- 2.9 *Although other accounting standard-setters acknowledge the IASB's discretion to set the appropriate comment period for consultative documents, the IASB should bear in mind the need for other accounting standard-setters to have enough time to prepare material that places the IASB documents in the national or regional context, to expose the IASB documents in their jurisdictions, to receive comment from their constituents and to formulate their own views with the benefit of constituents' comments.⁷ Any additional material should be designed to help stimulate debate.*
- 2.10 The IASB cannot wait for the slowest of processes to be completed. Accordingly, other accounting standard-setters may need to streamline their processes to the extent possible, which may require them to devote increased resources to the processes. The time available to undertake those processes is the time between the publication of IASB proposals and the end of the IASB's comment period. Closely monitoring a developing Exposure Draft should facilitate the preparation of any contextual material in time for the comment period, although translation from English into other languages can often be undertaken only when the final text of an Exposure Draft is available.

Due process

- 2.11 Other accounting standard-setters are best placed to understand the needs of their domestic constituents. Thus they can:
- (a) explain the work of the IASB to their constituents in an effective way; and
 - (b) explain the concerns of their constituents to the IASB.

⁷ Also see paragraph 5.3 about allowing sufficient time after a standard is issued or changed so that other accounting standard-setters can establish and maintain a set of national or regional standards that enable their constituents to continue to make an unreserved statement of compliance with IFRSs.

2.12 *The standard-setting environment that the IASB helps to create should be one that encourages critical analysis of the IASB's proposals, and provides an open and transparent standard-setting process.⁸ Other accounting standard-setters should make the IASB aware of any major conceptual differences of opinion they have with a project as early as possible in the life of a project. This would require other accounting standard-setters to monitor closely the development of the project and the IASB to continue to communicate publicly information about the project that will facilitate this monitoring process, for example by maintaining on its public Website up-to-date project summaries for all of its major current projects.*

Work programme

2.13 *The IASB's work programme is a subject on which it is particularly helpful for other accounting standard-setters to channel the views of constituents in a constructive manner. The IASB is unable to respond to every interested party's request to deal with a topic. Other accounting standard-setters should therefore seek the views of their constituents on work programme priorities and collect and summarise them for consideration by the IASB. The IASB should give other accounting standard-setters the opportunity to contribute to the periodic reviews of its work programme both at its annual meeting with world standard-setters, and at regional meetings of standard-setters with IASB representatives.*

2.14 *In the interests of facilitating useful discussion about the IASB's work programme, the IASB should ensure that its constituents and other accounting standard-setters are kept informed of current developments by continuing to publish its quarterly technical plan.*

3 Project role

3.1 *Direct involvement of other accounting standard-setters in the IASB's projects helps to ensure that a wide range of views and ideas is considered in the early stages of the development of a project.*

⁸ As noted in paragraph 1.2, some of the activities are a confirmation of practices that have been undertaken for some time. The IASC Foundation's Constitution and the IASB *Preface* outline a commitment to an open and credible process. The IASC Foundation's Handbook of Consultative Arrangements sets out the IASB's policies and procedures related to its due process.

3.2 *The IASB should, subject to the work being available, provide opportunities to other accounting standard-setters to be directly involved with IASB projects in the following ways:*

(a) *involvement in a 'research project' alone, or, in partnership with a team of other standard-setters (either as a leader of the team or as team member), under the guidance of IASB staff and selected Board advisers.*

(b) *involvement of staff in a 'project team' on an active IASB project under the direction of the IASB directors.*

Research projects

3.3 The IASB, in consultation with others, will identify topics it believes require research, including developing some general specifications for the project.

3.4 The IASB will select the lead researcher who will develop the detailed project plan for review by the staff and Board advisers and approval by the IASB. The plan will include information about:

(a) the project team

(b) the project timetable and milestones

(c) resource groups, if any.

3.5 The project team should comprise accounting standard-setters with a range of experience. This enables a wide group to be involved in the IASB's work, thereby gaining the benefit of a wide range of views and helping to spread acceptance of the IASB's work. Team members could be members of the boards or staff of accounting standard-setters. *All team members should be capable of contributing to the project.*

3.6 Board advisers will be appointed by the IASB for each project. The project team will consult IASB staff and Board advisers as necessary, particularly at crucial stages in the project and before documents are presented to the full Board for consideration.

3.7 The project team will manage the project including:

- (a) identifying issues and conducting research
- (b) identifying project milestones
- (c) briefing the IASB as major tentative conclusions are reached.

The IASB will convey to the project team any concerns it has with the tentative directions/conclusions.

3.8 The Discussion Paper will almost always be intended to be the first step in the IASB's due process in the development of a standard on the topic. Therefore, the Discussion Paper will be published under the IASB's logo and will contain preliminary views:

- (a) if they are to be the IASB's preliminary views, the conclusions will have to be discussed and agreed by the Board in public meetings; or
- (b) the IASB may decide that the Discussion Paper will reflect the project team's views. If so, the IASB will review the entire draft Discussion Paper with the objective of ensuring that the analysis (i) is complete and (ii) will generate the feedback the IASB needs on the topic. The IASB will also discuss and decide in one or more public Board meetings the questions that it believes need to be asked in the invitation to comment.

3.9 The project team will analyse the responses to the invitation to comment as a basis for the next stage of the project. Comment letters will be made available to IASB members for their independent review and analysis.

3.10 The project team, advisory group and constituents generally will need to understand that there may be a lengthy interval between the time the Discussion Paper is completed and the IASB's formal decision to add the project to its active agenda. In particular, before making such an agenda decision, the IASB will need to consider a full agenda project proposal package.

3.11 Other accounting standard-setters are encouraged to conduct research or develop thinking on a topic that has not been identified by the IASB as a current priority, and then present the results of that work for consideration by the IASB and/or other

accounting standard-setters. For there to be an expectation that those materials would be considered there would need to be some advance agreement both that the topic is worthy of consideration and that the IASB and/or other standard-setters have a common interest in the topic. In addition, the materials would need to be developed in the context of the IASB's conceptual framework.

Active projects

3.12 The IASB welcomes offers of staff assistance from other accounting standard-setters. To be effective, from both the IASB's perspective and that of the participating standard-setter, this involvement needs to be undertaken with a clear understanding of the staff member's role and responsibilities. In particular, the staff member would work under the direction of the IASB directors, would report to the project leader and would be expected to work as an independent member of the project team, not as a spokesman for his or her employer.

3.13 In addition to direct involvement in project work, other accounting standard-setters can interact with the IASB on specific projects in various ways, including written communication and meetings with staff and Board members.

Working groups

3.14 The IASB establishes working groups for some projects, and invites constituents to nominate candidates for membership of these groups. The working groups are a source of expert advice and ideas for the staff in progressing a particular project. *Accounting standard-setters may be able to assist in the process of making nominations to, and in facilitating the operations of, working groups by identifying and encouraging suitable individuals to nominate themselves and, if appointed, to liaise actively with those individuals and assist them when needed.*

4 Comment role on IASB consultative documents

4.1 The views of other accounting standard-setters can be a valuable source of independent thought in the development of IASB documents. *Other accounting standard-setters should provide comments to the IASB on consultative documents such as Exposure*

Drafts and Discussion Papers. If time does not permit board-level input, comment from staff of the standard-setter can be provided.

- 4.2 *If an accounting standard-setter is unable to comment on each consultative document, it should focus on those projects that are of particular importance to its constituents, or those on which that standard-setter believes it can best contribute.*
- 4.3 It may also be helpful for other accounting standard-setters to comment on other IASB documents, such as issues papers and draft Discussion Papers when they believe the IASB would benefit from their input at an early stage. However, it may not be practicable for a standard-setter to comment on all such papers or for the IASB to digest input to a project at that stage.

5 Application of standards

- 5.1 *Other accounting standard-setters should aim to achieve full adoption of IFRSs.*
- 5.2 Some standard-setters may be required to undertake one or more of the following processes in adopting IFRSs:
- (a) translation;
 - (b) determine whether each standard meets specified criteria set out in local legislation;
 - (c) endorse the standards for the local regulatory framework;
 - (d) present the standards for parliamentary approval.

Therefore, adopting IFRSs is an ongoing process in many jurisdictions.

- 5.3 *Accordingly, the IASB, in setting the application date of new or amended standards, should bear in mind that other accounting standard-setters need enough time to perform those functions and are thus given every opportunity to establish and maintain a set of national or regional standards that enable their constituents to continue to make an unreserved statement of compliance with IFRSs. IAS 1 Presentation of*

Financial Statements is clear that an entity must comply with all applicable IFRSs in order to make an unreserved statement of compliance with IFRSs.

- 5.4 In some cases, other accounting standard-setters have the capacity to amend IFRSs for application in their own jurisdictions. Amendments that preclude users of those standards from making an unreserved statement of compliance with IFRSs thwart the aim of promulgating a single set of high quality accounting standards that are globally accepted. *Accordingly, in adopting IFRSs to apply in their own jurisdictions, other accounting standard-setters should not change requirements contained in IFRSs.*
- 5.5 In some cases, other accounting standard-setters that are in the process of converging with IFRSs may decide to delete certain requirements temporarily because of legal impediments or to allow time for the business community to make the transition to full IFRSs. *In such cases, where possible, other accounting standard-setters should permit the full application of IFRSs so that constituents in a position to meet the full requirements can elect to conform fully with IFRSs. Because the financial statements of constituents who apply such amended standards could not contain an unreserved statement of compliance with IFRSs, those standard-setters should seek to achieve full conformity with IFRSs as soon as circumstances permit.*
- 5.6 *When other accounting standard-setters follow a policy of converging with IFRSs rather than adopting them verbatim, the ultimate objective should be to enable the entities applying the standards that have converged with IFRSs to make an unreserved statement of compliance with IFRSs.*

5.7 In some cases, other accounting standard-setters have a policy of removing optional treatments and adding disclosure requirements to IFRSs when they believe doing so provides more comparable and useful information in that jurisdiction.⁹ For example, in some jurisdictions:

- (a) entities may have been required to use one of the optional treatments for many years and introducing a choice when adopting IFRSs may be regarded as inappropriate; or
- (b) the standard-setter may be trying to achieve convergence with another national or regional standard-setter at the same time as adopting IFRSs.

5.8 *When another accounting standard-setter makes any changes to an IFRS, for example adding a disclosure that is considered necessary in the local environment, or removing an optional treatment, this should be made clear so that users of the standard are aware of the changes.*

5.9 In some cases other accounting standard-setters may wish to use IFRSs, either in their entirety or as a base, for establishing financial reporting requirements for not-for-profit entities in the private or public sectors.¹⁰ This is a matter for those standard-setters and is beyond the scope of this Statement.

5.10 The IASB is developing standards for small and medium-sized entities. The matters discussed in this Statement apply equally to such standards.

⁹ Adding disclosure requirements or removing optional treatments does not create non-compliance with IFRSs. Indeed, the IASB aims to remove optional treatments from IFRSs. Nevertheless, removal of an option may increase preparation costs for multinational companies if the option removed is the global accounting policy, because the information from the subsidiary using one option needs to be changed to the option used by the group globally.

¹⁰ Some standard-setters have a policy of using IFRSs and/or International Public Sector Accounting Standards (IPSASs) as the basis for establishing financial reporting requirements for not-for-profit entities in the private or public sectors. Many of the IPSASs are themselves based on IFRSs.

6 Interpretation

- 6.1 Inevitably, questions of interpretation will arise when IFRSs are applied. *Accordingly, other accounting standard-setters should be familiar with the implementation of IFRSs in their jurisdictions.* This familiarisation process may involve, or depend upon, close liaison with local capital market and industry regulators.
- 6.2 *If a standard-setter believes that an issue requires interpretation of IFRSs, it should request the IFRIC to address the issue.* The IFRIC or IASB staff may decide that an amendment to an IFRS is the more appropriate course to follow. As part of this process, other accounting standard-setters that face a common issue could work together to formulate a possible approach to the issue for resolution by the IFRIC or the IASB.
- 6.3 IFRSs are intended to apply worldwide regardless of local legislative and regulatory environments. However, some issues may affect only one or two jurisdictions and may relate to particular legislative or other local requirements—for example, a tax law that is unique to a jurisdiction. In these cases, which are likely to be rare, other accounting standard-setters may decide to issue their own interpretations. Care needs to be exercised, however, to ensure that the issues are not more widely relevant. *In considering their own issues, other accounting standard-setters should liaise with the IFRIC, and if they believe it is necessary to issue an interpretation, they should avoid incompatibility with IFRSs.*
- 6.4 *If the IFRIC decides not to address an issue that has been considered for inclusion on its agenda, a public explanation should be given so that the basis for the decision is clear.*¹¹

¹¹ This could include the explanation that the issue is already dealt with in existing IFRSs. There would be no need for an explanation if the issue were considered trivial.

7 Working with regulators

- 7.1 Financial reporting regulation in many jurisdictions is linked to other forms of regulation. For example, accounting standards may be given legal status under legislation that also sets out a broad framework for financial reporting. *Other accounting standard-setters can help to identify and promote the removal of domestic or regional regulatory barriers to adopting or converging with IFRSs, such as legislative impediments.* In many cases, this will require the co-operation of regulators (including relevant legislators). The IASB can also facilitate the removal of regulatory barriers through its relationships with international and regional capital markets and industry regulatory bodies.
- 7.2 In some jurisdictions, financial reporting regulation is the first form of regulation that is being harmonised or is converging internationally. *Other accounting standard-setters should keep those domestic regulators that regulate in areas related to financial reporting informed of relevant IASB initiatives and encourage them to embrace international convergence efforts in their own regulatory areas.* This may help to remove potential barriers to adopting IFRSs, because there are sometimes linkages between financial reporting and other regulatory reporting. This is not to say that all forms of reporting need to converge, because they will often be different to suit different objectives.

8 Education

- 8.1 *Other accounting standard-setters should make the IASC Foundation aware of educational needs in their jurisdictions and provide information about the types of programmes that are likely to be most useful and successful in their jurisdictions, and the IASC Foundation should be sensitive to those needs.*
- 8.2 *Other accounting standard-setters should also provide the IASC Foundation with material that they believe may be helpful in creating educational materials, such as guidance they have used in their jurisdictions in the past on particular topics.*

8.3 Other accounting standard-setters may find it useful to develop their own educational material as regards the implementation of IFRSs—for example, in order to cater for local needs and issues. *Because the material may have relevance to other jurisdictions, standard-setters should keep the IASC Foundation informed of any such material.*

9 Review

Accounting standard-setting is a dynamic activity against a backdrop of constant changes in the financial reporting environment, including changes in financial reporting requirements, the processes by which those requirements are developed and the structure within which standard-setting takes place. *To ensure that this Statement reflects the current standard-setting environment, it should be periodically reviewed by the IASB and other accounting standard-setters.*