

Our Ref: STA/001

26 July 2019

Mr. Erkki Liikanen
The Chair
IFRS Foundation Trustees
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Submitted via website

Dear Mr. Liikanen,

EXPOSURE DRAFT AND COMMENT LETTERS—DUE PROCESS HANDBOOK REVIEW

The Institute of Certified Public Accountants of Uganda (ICPAU) appreciates the opportunity to respond to **Exposure Draft and Comment Letters—Due Process Handbook Review**.

ICPAU is supportive of the Board's proposal to amend the Due Process Handbook to ensure it is up-to-date, remain fit for purpose and continues to reflect best practice.

ICPAU's detailed comments on the Exposure Draft are provided in Appendix 1. We hope that you find them helpful.

Please do not hesitate to contact CPA Charles Lutimba (clutimba@icpau.co.ug) incase additional input is required.

Sincerely,



CPA Derick Nkajja
SECRETARY/CEO

Encl (ICPAU's comments on the proposed amendments to the IFRS Foundation Due Process Handbook.)

NNN/.....

Appendix 1: ICPAU's comments on the proposed amendments to the IFRS Foundation Due Process Handbook.

Question 1: Effect analysis

The DPOC proposes to amend the section 'Effect analysis' to:

- *embed explicitly the process of analysing the effects throughout the standard-setting process;*
- *explain the scope of the analysis;*
- *explain how the Board reports the effects throughout the process; and*
- *differentiate the effect analysis process from the final effect analysis report.*

Do you agree with these proposed amendments?

Our comments

Embed explicitly the process of analysing the effects throughout the standard-setting process

With exceptions, ICPAU agrees with the proposal to amend the IFRS Foundation Due Process Handbook (Handbook) to reflect how the International Accounting Standards Board (Board) assesses and reports the likely effects of a new or amended IFRS and also to incorporate the Effects Analysis Consultative Group's recommendations.

Explain the scope of the analysis

ICPAU agrees with the proposal to amend the IFRS Foundation Due Process Handbook (Handbook) to emphasize, with respect to the scope of the Board's work, that the principal focus of the Board's analysis remains on assessing and reporting how general purpose financial statements are likely to change because of new financial reporting requirements, whether those changes will improve the quality of financial statements and whether those changes are justifiable taking into consideration costs.

However, in regard to the scope of analysis, we take concern with the DPOC's proposal to ensure that the Handbook reflects that the Board also analyses how greater transparency in financial reporting is likely to affect financial stability.

We believe that financial stability in the global economy is a matter for prudential regulators and not accounting standard setters. Further to this, the interests of the prudential regulator will occasionally differ or conflict with the interests of primary users of financial statements as defined in the conceptual framework to whom general purpose financial statements are directed (see paragraph 1.5).

Whereas IFRS promote high quality transparent and comparable financial information that enhances financial stability in financial markets, the Board has the risk of unintentionally expanding the primary users of financial information within the conceptual framework to include prudential regulators.

We propose that the effect analysis should consider the financial stability in the global economy only as an ancillary analysis and largely focus on the fundamental qualitative characteristics of needful financial information as set out under paragraph 2.5 of the conceptual framework.

Explain how the Board reports the effects throughout the process

ICPAU agrees with the proposal to amend the IFRS Foundation Due Process Handbook (Handbook) to explain how the Board reports the effects throughout the process.

Differentiate the effect analysis process from the final effect analysis report

ICPAU agrees with the proposal to amend the IFRS Foundation Due Process Handbook (Handbook) to more clearly differentiate between two related but different matters: the process of assessing the effects of a new or amended IFRS Standard throughout the standard-setting process as those new requirements are developed, and the effect analysis report that is published on issuance of a major Standard or amendment. We agree with the view that this will avoid giving a false impression that the Board's analysis of the effects takes place only at the end of the standard-setting process when the effect analysis report is published; rather than occurring throughout the standard-setting process.

Question 2: Agenda decisions

The DPOC has proposed the following amendments relating to agenda decisions:

- *to provide the Board with the ability to publish agenda decisions;*
- *to better explain the objective and nature of explanatory material in an agenda decision; and*
- *to reflect in the Handbook that an entity should be entitled to sufficient time both to determine whether to make an accounting policy change as a result of an agenda decision, and to implement any such change.*

Do you agree with these proposed amendments?

Our comments

To provide the Board with the ability to publish agenda decisions

ICPAU does not agree with the proposal to provide the Board with the ability to publish agenda decisions as this would lead to duplication of the work of the Interpretations Committee. Further, we are concerned with the possible distortion

this would bring arising from lack of guidance on which agenda decision would be superior to the other in the event that the Board and the Committee both publish conflicting agenda decision. We believe that the Interpretations Committee's current practice for dealing with application questions is sufficient and thus recommend that where an application question is raised before the Board, the Board should submit the same to the Interpretations Committee.

To better explain the objective and nature of explanatory material in an agenda decision

ICPAU is opposed to the inclusion of explanatory material in an agenda decision because this is already included in the Standard. In our view, an agenda decision should be published for the sole purpose of providing explanation regarding the application of an already existing Standard. There is already a mixed approach to reception and/or application of agenda decisions. Whereas paragraph 8.4 of the Handbook is to the effect that agenda decisions (including any explanatory material contained within them) do not have the status of the standards therefore cannot add or change requirements in the standards, some jurisdictions have applied them as mandatory.

The significant risk with this proposed amendment is failure to promote consistency in application of IFRS, as it would be hard to obtain an understanding of facts or a particular scenario based on descriptions included in the consultation. Therefore suggestions to include explanatory material - paragraph 8.3 of Appendix A - Proposed amendments to the IFRS Foundation Due Process Handbook and additional information - paragraph 8.4 is likely to result in some form of standard setting project instead of a process for developing a non-mandatory and non-binding agenda decision.

We further believe that for the benefit of preparers and users of financial statements, the Handbook should include a definition for an agenda decision and an IFRIC Interpretation and the purpose for each.

To reflect in the Handbook that an entity should be entitled to sufficient time both to determine whether to make an accounting policy change as a result of an agenda decision, and to implement any such change.

We do not support the above as it contradicts provisions within paragraph 8.4 of the Exposure Draft which emphasize that agenda decisions (including any explanatory material contained within them) do not have the status of the Standards. If agenda decisions are non-mandatory and non-binding, it would thus be inordinate and unreasonable to establish time limits for implementation of any changes by an entity since all this would be at the entity's own discretion.

Question 3—other matters

The DPOC has proposed to amend the Handbook on other matters including:

- *the type of review required for different types of educational material;*
- *consultation in connection with adding projects to the Board’s work plan;*
- *clarifications of the IFRS Taxonomy due process and Taxonomy updates and the role of the DPOC in overseeing Taxonomy due process.*

Do you agree with these proposed amendments?

Our comments

The type of review required for different types of educational material

ICPAU agrees with the two proposals: to update the Handbook to specify three broad categories of educational material; and that all educational material should be subject to at least some level of Board member review since the material is now more focused on supporting those using IFRS Standards than in the past. However, to avoid the confusion and provide clarity on the status of education materials, we would suggest inclusion of a clear indication that education materials are neither standards nor is their application mandatory. This should be similar to the expunged paragraph 8.9 of the current Handbook.

Consultation in connection with adding projects to the Board’s work plan

ICPAU is in support of the requirement that the Board should consult before formally adding a major project to its work plan (either a research programme or a standard-setting programme) if the project was not specifically contemplated in the most recent agenda consultation.

Clarifications of the IFRS Taxonomy due process and Taxonomy updates and the role of the DPOC in overseeing Taxonomy due process

Relatedly, ICPAU agrees with the proposal to amend the IFRS Taxonomy due process annex to specify the DPOC’s role of overseeing the due processes associated with IFRS Taxonomy content. We also agree with the proposal to add a table to summarise the approval and review process associated with IFRS Taxonomy updates.

Question 4—consequential amendments to the IFRS Foundation Constitution

The Trustees of the IFRS Foundation have proposed to amend the IFRS Foundation Constitution as a result of the proposed amendments to the Handbook relating to the role of the IFRS Advisory Council.

Do you agree with these proposed consequential amendments?

Our comment

ICPAU agrees with the proposed consequential amendments to the IFRS Foundation Constitution that the Advisory Council acts as a strategic advisory body to the Trustees and the Board.