

2 August 2019

International Accounting Standards Board  
Columbus Building  
7 Westferry Circus  
Canary Wharf  
London E14 4HD  
United Kingdom  
Email: [commentletters@ifrs.org](mailto:commentletters@ifrs.org)

Dear Sir/ Madam

**SAICA SUBMISSION ON PROPOSED AMENDMENTS TO THE IFRS  
FOUNDATION *DUE PROCESS HANDBOOK***

In response to your request for comments on Proposed Amendments to the IFRS Foundation *Due Process Handbook*, attached is the comment letter prepared by the South African Institute of Chartered Accountants (SAICA). This comment letter results from deliberations of SAICA's Accounting Practices Committee (APC), which comprises members from reporting organisations, regulators, auditors, IFRS specialists, investment analysts and academics.

We thank you for the opportunity to provide comments on this exposure draft.

Please do not hesitate to contact us should you wish to discuss any of our comments.

**Ahmed Mohammadali-Haji**  
**Chairperson: APC**

**Bongeka Nodada**  
**Project Director: Financial Reporting  
Standards**



## GENERAL COMMENTS

Although we agree with the proposed amendments to the IFRS Foundation *Due Process Handbook* (the Handbook), we are concerned about the introduction of Board agenda decisions. We view these as another avenue of decisions being communicated, given that the process around IFRS Interpretations Committee agenda decisions is giving rise to debate about their status, such as their enforceability and whether they should be given an effective date. We also see this revision of the Handbook as an opportunity for the IFRS Foundation (Foundation) to strengthen the wording around the authority of the Board and the IFRS Interpretations Committee (Interpretations Committee) agenda decisions and consider giving them effective dates.

## SPECIFIC COMMENTS

### 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?*

We broadly agree with the proposed changes to the wording of the ‘Effect Analysis’ section; however, we would like the Board to consider defining what ‘financial stability’ means and why this is being singled out. Without this clarity, challenges may arise from stakeholders that view financial stability differently or consider other items such as accountability and efficiency as crucial in effect analysis.

### 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?*



As discussed above, we believe that this as an opportunity for the Foundation to strengthen the wording around the authority of the Board and the Interpretations Committee's agenda decisions and consider giving them effective dates.

Agenda decisions have been a valuable source of guidance on many current issues and are considered to be useful for constituents in reducing diverse application of the Standards.

However, currently, they do not have effective dates, nor are they considered authoritative literature. Entities are thus uncertain when and whether they have to change their accounting policies to comply with an agenda decision. This uncertainty can cause diversity in practice which remain unresolved, or even escalated, by these proposed amendments.

We acknowledge that a change to the current procedures would be required to enable the above, however, given that the Interpretations Committee's agenda decisions go through the current limited due process, including seeking feedback from constituents, approval by the Interpretations Committee and an implicit acceptance by the Board, we see a difference from educational materials. We would therefore suggest that the Foundation use our proposal to strengthen the status of agenda decisions.

We are concerned that the proposed amendments include only the wording that "*companies should be entitled to sufficient time to implement changes in accounting policy that result from an agenda decision*". We are aware that Board members have stronger views and believe these would aid in reducing uncertainty and diversity.

Given that the process around existing agenda decisions is currently giving rise to debate about their status, as discussed above, we are concerned about the introduction of Board agenda decisions as another type of agenda decision.

A further uncertainty that arises for us is how implementation issues would be allocated to either the Board or to the Committee to be dealt with via the agenda decision process. It would be helpful if there were some guidelines provided as part of the proposed amendments to the Handbook, to ensure transparency of Due Process.

### **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?*

We agree with the proposed amendments to these sections of the Handbook.



**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?*

We are in agreement with this proposal, however we believe that further changes might be appropriate.

We also question whether the Handbook is the best place to change the authority of instruments or to add new instruments such as Board agenda decisions. Such amendments would in our view be better housed within the IFRS Foundation’s Constitution (‘the Constitution’), to provide them with the weight required. The Handbook is intended for the internal use of the IASB, these proposed amendments may not be visible to stakeholders, and we would suggest therefore that any changes to agenda decisions be included elsewhere as well, as part of the IFRIC Update, as an example.

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