

July 29, 2019

Due Process Oversight Committee of the Trustees of the IFRS Foundation Committee
Columbus Building
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Subject: Comments on the Exposure Draft on Proposed Amendments to the IFRS Foundation Due Process Handbook

The Canadian Securities Administrators Chief Accountants Committee appreciates the opportunity to comment on the IFRS Foundation Exposure Draft on Proposed Amendments to the IFRS Foundation Due Process Handbook (the proposed amendments). Our comments focus on the proposed amendments relating to agenda decisions.

The Canadian Securities Administrators (CSA) is an organization of Canada's provincial and territorial securities regulators whose objective is to improve, coordinate and harmonize regulation of the Canadian capital markets. The CSA Chief Accountants' Committee (CAC) is comprised of the Chief Accountants from the provinces of British Columbia, Alberta, Ontario and Quebec.

Question 2 – Agenda decisions

The Due Process Oversight Committee has proposed the following amendments relating to agenda decisions:

- *to provide the International Accounting Standards Board (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 Due Process 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?

Board agenda decisions

We do not agree with the proposal to provide the Board with the ability to publish agenda decisions. However, if this is introduced, we recommend the Due Process Handbook describe what are the "rare circumstances" when the Board may issue an agenda decision.

Role and status of IFRS Interpretations Committee agenda decisions

Authority

Paragraph 8.1 of the proposed amendments to the Due Process Handbook states that agenda decisions, including any explanatory information, do not add or change requirements in IFRS Standards and therefore do not have the same status of IFRS Standards. Further, paragraph 8.5 states that entities might determine that they need to change an accounting policy because of an

agenda decision. This statement appears unsupported because it does not consider relevant guidance in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (IAS 8).

Paragraph 14 of IAS 8 states:

“An entity shall change an accounting policy **only if** the change:

- (a) is required by an IFRS; or
- (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity’s financial position, financial performance or cash flows.”

(emphasis added)

Considering the limited circumstances when an entity can change an accounting policy under IAS 8, it is unclear from the proposed amendments how Agenda Decisions fit into IAS 8, including their status and level of authority.

We recommend the Due Process Oversight Committee clarify the authority of agenda decisions in the context of IAS 8, specifically whether a change in accounting policy as a result of an agenda decision fits into paragraph 14(a) or 14(b) of IAS 8, and whether agenda decisions are considered “integral guidance” and mandatory, as per paragraph 9 of IAS 8.

As regulators, it may be difficult to enforce entities’ compliance with agenda decisions if the change in accounting policy is categorised as a change within paragraph 14(b) of IAS 8.

Representational Faithfulness

In our experience, agenda decisions tend to be too narrowly focused and, at times, fail to consider whether the agenda decision will result in, among other things, information that is representationally faithful.

We recommend that a similar process, as outlined in paragraph 7.6 for IFRIC Interpretations, be implemented for agenda decisions and included in Section 8 of the proposed amendments. We stress that prior to issuing an agenda decision, among other things, the Interpretations Committee consider whether the agenda decision is consistent with the IFRS *Conceptual Framework for Financial Reporting*, particularly the qualitative characteristics of useful financial information such as faithful representation.

When a potential agenda decision will produce a financial reporting outcome that does not faithfully represent the substance of the phenomena that it purports to represent and is therefore inconsistent with the IFRS *Conceptual Framework for Financial Reporting*, we believe the Interpretations Committee should not issue the agenda decision. In this case, the IASB should be responsible for developing an appropriate solution and not rely on the Interpretations Committee.

Helpful

As articulated in paragraph 8.3-8.4 of the proposed amendments, agenda decisions, among other things, aim to improve the consistency of application of IFRS Standards and are meant to provide explanatory material that is helpful, informative and persuasive. In our experience, agenda decisions are not always helpful and informative because, among other things, they are often too narrow and do not provide sufficient explanatory material – such as integrating and connecting IFRS Standards within the agenda decision. For example, the recent Tentative Agenda Decision on Subsequent Expenditures on Biological Assets does not explain or integrate other relevant IFRS Standards, such as IAS 8, IAS 2 *Inventories*, or IAS 16 *Property, Plant and Equipment*. Such lack of integration and explanation is not helpful.

Timing of implementation of agenda decisions

Proposed paragraph 8.5 of the amendments to the Due Process Handbook states, “it is expected that an entity would be entitled to sufficient time to make that determination [that it needs to change an accounting policy as a result of an agenda decision] and implement any change...”. However, the Due Process Handbook does not provide any guidance on what is considered “sufficient time.” We note an article authored by the Chair of the IFRS Interpretations Committee and Vice-Chair of the International Accounting Standards Board (the May 2019 article) provides the author’s view of “sufficient time”. We think that addressing the issue of timing to implement changes relating to agenda decisions by way of the proposed paragraph 8.5 in the Due Process Handbook and the May 2019 article are insufficient in terms of transparency and authority.

Since the guidance in the May 2019 article is not incorporated into the Due Process Handbook or the IFRS standards, we question whether it is reasonable to expect preparers and their auditors to consider such guidance in the application of IFRS standards. In Canada, a significant number of reporting issuers that we regulate are not audited by the Big Four firms; these practitioners may not be aware of the May 2019 article and do not consider the Due Process Handbook in applying IFRS standards. As regulators, it would be difficult to enforce the “months not years” concept of “sufficient time”, and the difficulty would be exacerbated by the uncertainty around the authority of an agenda decision. We urge that the expectations relating to the timing of implementing agenda decisions be included in IAS 8.

If you have any questions about this letter, please do not hesitate to contact us.

Yours truly,

The CSA Chief Accountants Committee

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