



18 January 2006

The Chairman
Australian Accounting Standards Board
Email: standard@asb.com.au

Dear David,

**Invitation to Comment -
Proposed Interpretations Model for Australian Accounting Standards**

The Institute of Chartered Accountants in Australia welcomes the opportunity to make a submission on the Australian Accounting Standards Board's (AASB) Invitation to Comment (ITC) and concurs with the AASB's objective which 'is to develop an interpretations function that best enhances its ability to provide timely guidance to constituents in the context of interaction with the IFRIC while maintaining a capacity to deal with issues relating to public sector and not-for-profit entities and interpretations of Australian equivalents of IFRSs.'

As such the Institute confirms its overall support for the proposed Interpretations Model. The Institute's specific Comments on the 4 Questions raised in the ITC are as follows:

- (a) The proposal to establish advisory panels on issues is a more flexible and adaptive approach than having a formally established body;

An Advisory Panel structure has the advantage that it would be used only where there is a particular Issue to be considered, and the UIG Structure was more formal given the fixed Meeting dates. However the ASB will need to carefully manage the operations of the Advisory Panels given that the 'experts' that the AASB wants for the Advisory Panels will have their own time commitments.

- (b) The proposed size and composition of advisory panels and appointment on the basis of professional competence and relevant experience is preferable to appointment on the basis of representation;

This suggests that the existing UIG did not always have the 'competence and relevant experience' when it was considering Issues. This could be seen as being unfair on the existing UIG Members as whilst there was at times a need for some background education to get some Members 'up to speed',

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there is no evidence that the UIG made the wrong decision or took too long to consider an Issue. The advantage that the UIG had is that given the truncated 'due process' for an Interpretation and the limited public knowledge on a particular Issue under consideration, it is important to ensure that the Key Constituent Groups have an opportunity to participate in the process. The Institute therefore suggests that both the Agenda Committee and Audit Advisory Panel Meetings be held in public and that such Meetings should be Webcasted.

- (c) The formation of an Interpretations Agenda Committee, its role and the manner in which requests for guidance are dealt with will facilitate more timely responses on issues;

The Institute supports the Agenda Committee Structure however it is suggested that the IFRIC Agenda Committee Process is the appropriate way to run an Agenda Committee, given the very limited due process and lack of significant public scrutiny. For the AASB Agenda Committee, it should report back to the AASB given the absence of an equivalent IFRIC/UIG.

- (d) The manner of the interaction with the IFRIC and its processes is appropriate.

The Institute is satisfied that the existing process adopted by the UIG in its 'interaction' with IFRIC has worked well, and suggests that this be continued by the AASB.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Neil Faulkner', with a large checkmark-like flourish at the end.

Neil Faulkner FCA
President
The Institute of Chartered Accountants in Australia