

PROACTIVE ACCOUNTING ACTIVITIES IN EUROPE

EFrag and the National Standard Setters

SUMMARY

- 1 At a meeting held in Athens on 15 June at which EFRAG and seventeen national standard-setters from Europe participated, an understanding was reached that EFRAG and the national standard-setters (NSS) should work much more closely together to improve the input from Europe to the global standard-setting process.
- 2 By working more closely together, it ought to be possible to enable some of the resources EFRAG and the NSS currently allocate to pro-active work to be pooled, thus enabling Europe to become more involved in the IASB's work from an early stage.
- 3 It is also hoped that this increased co-operation will encourage the development of common views and therefore will ensure, as far as is practicable, that the messages Europe gives the IASB are consistent.

THE DETAIL

- 4 Europe's input to the global standard-setting process is capable of improvement. There has been discussion recently about how this improvement can be achieved and, in particular, how Europe can maintain and improve its ability to work pro-actively on accounting issues, how Europe could speak more often with a single voice on accounting issues, and how the standard-setting and accounting thought leadership resources available in Europe can best be used and enhanced to ensure Europe's input to the IASB (and FASB) is both credible and influential.
- 5 The IASB and FASB now have some very major long-term projects involving new approaches on their agendas. Those projects could have a significant impact on European companies. If Europe wants to influence the work, it is best to get involved from the beginning, which means developing some original credible and coherent thinking on the subjects involved.
- 6 Currently, a number of NSS in Europe are trying to monitor the work of the IASB and FASB so that they can try to influence that work at an early stage. This effort by individual standard setters may lead to a duplication of effort, lack of focus and limited success. Yet it is very time-consuming work. It would be preferable if Europe could find a way of co-ordinating the work that does take place so that duplication can be reduced and coverage increased. Co-operating in this way ought also to mean that Europe will more often speak with a single voice and that as a result Europe's views will carry more weight.
- 7 In effect, EFRAG and the NSS will pool some of the resources they currently allocate to pro-active work. In many cases the pooled resources will be supported by

working groups. Although it is likely that the work carried out will largely mirror the work programmes of the IASB and FASB, it will be prioritised and managed so as to try to ensure a more comprehensive coverage of those work programmes. The activities proposed are described below.

8 The objectives would be:

- to stimulate, carry out and manage proactive development activities designed to encourage the debate in Europe on accounting matters and designed to enhance the quality of the proactive input to the IASB;¹
- to coordinate and resource monitoring work of IASB and FASB projects;
- to support Europe's active involvement in the IASB/FASB convergence project and participation in the convergence discussions;² and
- to try to ensure, as far as is practicable, that the messages Europe gives the IASB are consistent.

9 The output will comprise:

- draft discussion papers and draft position papers designed to encourage debate within Europe. The final versions of the papers will be issued by EFRAG, in some cases jointly with one or more NSS;
- issue papers and briefing notes to EFRAG and the NSS on IASB/FASB long-term projects;
- a European delegation in the IASB/US convergence discussions.

10 The intention is that this should be a joint effort designed to benefit Europe as a whole. For that reason, it is important for its success that all NSS in Europe participate actively and support the work. The involvement of the French, German and UK NSS is particularly important.

11 It is envisaged that the NSS will provide resources to carry out the work. Different NSS may provide different levels of resource: for example, the three largest standard setters (the ASB, CNC and GASC) have indicated that they might be willing to provide the equivalent of 2-4 staff members, while others may provide fewer staff than that, or provide committed part-time members to specific projects.

12 The staff involved in the activities would be situated in their own countries, although there would need to be (physical) meetings supplemented by frequent conference calls etc. It might be that some staff members might stay for a period in Brussels (or another place) when working together on a project.

13 It is likely that the working methods and proposal will evolve as better ways of organising the work are found. Flexibility and adaptability will be a key. It is envisaged that, at least initially, the activities will be coordinated by a designated small group. The coordinators will be chaired by the chair of EFRAG TEG and will comprise others, including a number of chairs of European NSS.

¹ For example, revenue recognition, the conceptual framework, insurance accounting, and performance reporting.

² The IASB is being encouraged, in the interests of ensuring a balanced debate, to extend an invitation to Europe to participate in these discussions.

- 14 The coordinators will prioritise the projects and issues to be addressed based on input from EFRAG TEG and the entire group of NSS.

Projects—long-term pro-active agenda

- 15 As already mentioned, the proposal is to enhance Europe's proactive work on the IASB's long-term agenda. In some cases the activities would be designed to stimulate a debate, in some others it might commission work, and in some other cases the pooled resources might carry out the work, perhaps supported by a working group appointed by EFRAG
- 16 The long-term pro-active work is important because:
- it is essential that the IASB's ideas and thinking are tested at an early stage from a European perspective;
 - it will help ensure that Europe continues to have the environment and the training to explore and develop new thinking on accounting issues. All new thinking on accounting issues, wherever it is done, will benefit the IASB and lead to better IFRS; and
 - it will provide the NSS and staff of NSS with challenging independent research and development projects and accounting thought leadership work, which will help EFRAG and the NSS to continue to attract high quality board members and staff (which will be to the benefit of Europe as a whole).
- 17 If a long-term project is carried out in conjunction with a working group, the members of that working group will be appointed by EFRAG following a public request for nominations.
- 18 Draft discussion papers or draft position papers prepared jointly will be issued for public consultation by EFRAG TEG or issued as joint papers of EFRAG and one or more of the NSS.
- 19 It will need to be made clear which body or bodies are issuing the paper. Ideally, the goal should be to achieve agreement on a paper's content, including the agreement of the Boards of the NSS. However, it might be very difficult to get full agreement on some sophisticated issues and in those circumstances it may be necessary for the papers to indicate the differing views of the various groups.
- 20 One issue still to be discussed is the possibility of the boards of two or more NSS (or subgroups of the Boards) meeting occasionally to discuss key projects and thereby enriching the outcome and each other's understanding of the issues.

Involvement in the IASB/FASB convergence and joint projects

- 21 One of the points Europe made when responding to the IASCF constitutional review was that it is essential that Europe is involved fully in the IASB/FASB convergence work. Apparently, Paul Volcker, Chair of the IASCF Trustees, has said that this would not be possible if Europe did not speak with one voice on IASB/FASB convergence issues.
- 22 The decision to work closely together in Europe and to carry out some proactive work jointly could be a tool to achieve this. The expectation is that EFRAG would be the official representative of Europe and would be supported by other key members from Europe. The participants in the discussions would need to understand the

issues in depth and would need to consult within Europe and agree the European positions before the meetings.

- Consulting will be a very delicate matter but the delegation will have to ensure support from EFRAG TEG before the meetings for the positions taken.
- This whole process is likely to be very resource-intensive for Europe, which is one reason why the NSS should be involved. It is proposed that Europe should use a relatively big delegation with different members of that delegation specialising in different aspects of the agenda.

Monitoring IASB and FASB work

- 23 Monitoring the other work of the IASB and FASB is a less complicated issue than other aspects of the pro-active work but is no less important or resource demanding. The intention is to co-ordinate the work carried out in this area so that resources can be shared, duplication can be reduced, and gaps can be eliminated. The results of the monitoring work would be shared amongst EFRAG and all the NSS.

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