



ASB's Communication Strategy

FOR DISCUSSION AT ASB PUBLIC MEETING ON 19 JANUARY 2006 AND/OR FOR WRITTEN COMMENT

This paper sets out a proposed strategy for the ASB in influencing the direction of IFRS and communicating with its constituents. It has been prepared to provide a basis for discussion at our public meeting on 19th January 2006. Comments may also be submitted by e-mail to strategy@frc-asb.org.uk.

Background

1 In our new world, where Europe has adopted international accounting standards for its listed consolidators and where we are moving towards convergence with those standards for our other entities, it is important that we have a more timely and coordinated approach to our communications if we are to be influential and have our views properly taken into account. Timely communication is required because we need to be forming and communicating views early in the standard setting process.

2 Our communication strategy needs to ensure that:

- We demonstrate thought leadership in being well informed and setting the agenda with our research.
- Our constituents are made aware of and kept up to date on important matters and as projects commence and progress.
- We encourage a dialogue with our constituents in real time.
- We influence the decision making process of the IASB by working with and inputting into the process of international, European and national bodies involved with standard setting and interpreting.
- We are open and transparent in our processes.



Questions

Q1 Do you agree that the ASB should seek to influence the setting of international financial reporting standards in addition to its constituents?

Research

3 To ensure we have real influence in the international arena, we need to have adequate and appropriate resources to keep up with current thinking and to be involved in developing that thinking. We are presently regarded by our international colleagues as a leading standard setter and have a reputation for innovative thinking and high quality in our work and responses. The ASB believes this reputation must be maintained and enhanced.

Questions:

Q2 Do you agree that the ASB well placed to be a national accounting research centre?

Q3 Are there any specific topics you believe the ASB should be concentrating on?

Keeping our constituents informed

4 The ASB is closely involved in the development of international accounting standards from the time when projects are initially thought of, through to when they are undertaken and eventually to the issue of a standard. Its constituents have a strong interest in this process, as the resulting standards will be used by UK and Irish entities— either directly or as reflected in UK accounting standards. ASB should therefore strive to ensure that it shares with its constituents the information that they need, when they need it.

5 Once an international project has reached the stage of a formal exposure draft, it is difficult to change its fundamental direction. It is therefore important that information on developing projects is available on a timely basis.



6 Standard-setters have open and transparent processes, so that it is relatively easy for those who wish to monitor developments to do so.

Publicity arrangements of IASB, for example, include:

- A summary of IASB decisions is published in *IASB Update* following each IASB meeting (and in *IFRC Update* following each IFRIC meeting).
- IASB's website maintains details of progress on all its projects.
- Meetings are open to the public, and may be viewed on the internet.
- Increasingly, the use of round table events to discuss its proposals.

7 It would be of limited value for ASB to merely reproduce information that is available elsewhere. Instead, ASB will strive to highlight developments that seem particularly relevant to its constituents and to do so as early as possible in the process.

8 ASB's views should not be restricted to technical considerations. Because a majority of ASB members are part-time, and because of its links with its constituents who prepare, audit and use financial statements, ASB is well placed to comment on the practical implications of proposed accounting standards and to form a view as to whether the technical merits of proposals are outweighed by practical concerns.

9 ASB's current arrangements for providing information to its constituents include:

- A newsletter *Inside Track* is published quarterly.
- ASB publishes Press Notices and, occasionally, a 'Notice for Constituents'.
- ASB's website gives (besides the above material) summaries of ASB projects and other documents produced by ASB such as submissions to others involved in standard-setting. This includes a facility for those who wish to receive e-mail alerts of new material.
- ASB staff and Board members frequently speak at conferences and public meetings, and host meetings of various groups, committees, and individuals.



Listening to ASB constituents

10 ASB regularly publishes documents that solicit formal comments from its constituents, such as Discussion Papers and Exposure Drafts. As is to be expected, Board members receive copies of all comments and they are carefully considered in developing the project. Care is taken to understand the quality of the evidence and arguments set out in these comment letters—consultation is rather different from simply counting votes.

11 However, formal written consultation is neither sufficient nor necessarily the most effective means of obtaining the views of ASB's constituents. As mentioned above, ASB regularly hosts and attends meetings with various groups, committees and individuals. These enable ASB to learn of the views and concerns of its constituents, as well as providing an opportunity for ASB to explain current items of interest.

Other ways of informing and listening to constituents

12 Besides maintaining its current arrangements ASB expects, in the future, to enhance and expand its effectiveness in informing its constituents by:

- Holding round table discussions on particularly important developments relating to accounting standards.
- Increasing the number of one-to-one meetings it has with influential constituents and thought leaders.
- Working more actively with professional, industry and lobby groups, including encouraging and assisting constituents attending IASB round tables.
- Publishing on its website commentaries on and explanations of developments, often before they are formally published for comment.
- Improving its web site and using electronic updates to a greater extent.



Questions

Q4 Do you think the above proposed actions will improve our communication?

Q5 Are there any specific sections of the constituency you think we could work more effectively with, or any other methods of communication that could be usefully explored?

An effective influence in the development of international financial reporting standards

13 It is important to the UK and Ireland that international financial reporting standards are of the highest possible quality. The UK interest in this may be greater than that of some other countries both due to the size of its capital market and its history of development in financial reporting. There is thus an important role for the ASB in playing the fullest possible role in the development of international financial reporting standards.

14 As would be expected, an important part of this work involves communication with IASB. However, ASB also attaches considerable importance to working with other standard-setters and other organisations which play a role in the standard-setting process. The United States Financial Accounting Standards Board (FASB), because of the Norwalk Agreement, is particularly important. We also have to work very closely with our colleagues in Europe and with other national standard setters.

15 How we work with these various bodies is outlined below.

IASB

16 ASB closely follows the development of each international project. In addition to ensuring its constituents are aware of proposed developments, ASB contributes views. ASB contributions are not confined to responses to formal requests for consultation, but are also made whenever it appears that it might be desirable to do so. These views are published by ASB for the benefit of its constituents.



17 In addition, ASB participates in events such as round tables and advisory groups that have an input to active IASB projects. The Chairs and staff of IASB and ASB are in regular contact and staff transfers are sometimes undertaken.

18 We also work with the IASB (and other standard setters) on research projects, usually where the existing standard is judged unsatisfactory or where there is no standard in existence. We want to increase our efforts in this area on well targeted, relevant topics.

19 In the future we would anticipate relating overall to the IASB in a fairly similar manner.

Question

Q6 Do you have suggestions as to how we could improve our working relationship with the IASB?

FASB

20 FASB and IASB, under their convergence agreement, are working together on a number of projects and plan ultimately to converge their standards. On these projects FASB have an equal status with the IASB and each Board has to agree for a converged standard to be approved.

21 It is therefore just as important for us to be aware of FASB's thinking and programme, and to be working with them as best we can, as it for us to do so with IASB. We have over the years worked with FASB in many ways, but we intend to increase our effort in this regard in the future, for example increasing liaison over similar projects.

Europe

22 ASB devotes significant resources to maintaining close links with European standard setters and the European Financial Reporting Advisory Group (EFRAG).

23 In Europe, EFRAG has two primary roles: contributing a European voice on developments in accounting standard setting, and advising the EU commission on the endorsement of IFRS and IFRIC interpretations. ASB devotes significant resources to being involved with EFRAG in this work.



24 EFRAG is currently forming a group to organise research projects led by EFRAG itself or by European standard-setters. The ASB Chairman is a member of the co-ordinating committee of this group, and ASB is involved in many of its research projects—in some cases taking a lead role, in others providing support to the team.

25 ASB also closely follows and supports EFRAG's advice to the EU Commission on the endorsement of IFRS and IFRIC interpretations.

26 We believe it is important that EFRAG becomes a strong voice for Europe. We are willing to devote hard work and resources towards that being achieved.

27 We plan to continue our serious efforts in Europe and anticipate even greater commitment as the pro-active research role evolves.

Other national standard setters

28 We maintain constant contact with other major standard setters in the world and attend the world standard setters meetings that the IASB organises.

29 Given the globalisation of accounting standards, most research projects involve a number of standard setters working together. The ASB Chairman is currently Chairman of a group of standard setters (UK, Germany, France, USA, Canada, Australia, Japan and New Zealand) which co-ordinates research work that it is hoped will ultimately become part of the IASB's agenda. The IASB and EFRAG are closely involved with this group.

30 We intend to maintain this involvement going forward.

Questions

Q7 Do you agree with our increasing our efforts in relation to FASB?

Q8 Do you agree with our increasing involvement with Europe and other standard setters?

Q9 Do you have other suggestions as to how we could improve our international involvement?

Coordination and public relations



31 As well as influencing international financial reporting standards by being active internationally, there is an opportunity for ASB to create and channel new networks of interest groups in the UK and Ireland and to raise judiciously the public relations content of its activities. The aim would be to channel press, professional and industry interest towards particular pressure points so that the IASB's considerations have due regard to our opinion and needs.

Questions

Q10 Do you think it is desirable for ASB to take on such a role?

Q11 Do you have suggestions on the structure of such networks?

ASB transparency and due process

32 ASB operates under the ægis of the Financial Reporting Council ('FRC'). This ensures the ASB's independence and provides an appropriate means for the appointment of Board members

33 It would be possible to open ASB meetings to the public. Whilst this would increase the transparency of the Board's operations, there appears to be little demand from ASB's constituents for such a move. Opening meetings to the public would also lead to burdens, largely of an administrative nature. The Board does not therefore propose at this time to open its meetings to the public, but will keep this decision under review.

34 However, we do propose increasing the Board's transparency by publishing summary minutes following each Board meeting on the ASB's website. This policy will be implemented immediately.

35 The ASB has rarely consulted in the past on its own agenda. The Board intends in the future to set out its planned work programme at least annually and request comments on its plans. After the first consultation, ASB will set out what (i) what the previous consultation proposed; (ii) how ASB's agenda plans were modified in the light of that consultation; and (iii) how the work undertaken by ASB compared to its plans.



36 Alternatively, some standard setters have a formally constituted advisory committee, whose role may include taking an overview of the agenda direction and assisting with communication to and from a wide constituent base.

Questions

Q12 Is the ASB adequately transparent?

Q13 Do you think it would be worthwhile to setting up an advisory committee that might assist the ASB in identifying its priorities?