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Trustees Appoint Two Leading Financial Executives to the IASB

The Trustees of the International Accounting Standards Committee (IASC) Foundation announced today the appointment of two leading financial executives to the International Accounting Standards Board (IASB):

- **Dr Elke König**, former member of the executive board and chief financial officer (CFO) of Hannover Re Group (Germany)
- **Darrel Scott**, CFO of the FirstRand Banking Group (South Africa).

Dr König and Mr Scott will begin their five-year terms as full-time members of the IASB in July and October 2010 respectively.

Dr König has served as a senior financial executive in the insurance industry. From 2002 to 2009 she served as CFO of Hannover Re Group, a leading international reinsurance group. Previously she spent twelve years as a member of the senior management of Munich Re, with specific responsibility for the group's accounting and controlling activities. She is currently serving in non-executive capacities as chairperson of Hannover Finanz GmbH and as a member of the supervisory board of Deutsche Hypothekenbank Aktiengesellschaft. Dr König has been a member of the CFO Forum of European insurers, where she has been actively engaged in the IASB's project on insurance contracts.

Mr Scott is CFO of the FirstRand Banking Group, one of the largest financial institutions in South Africa. He has responsibility for both statutory and regulatory financial reporting under the Basel II Accords. He serves on various Governance, Risk, Operation and Strategic Committees of the Group. Mr Scott is also a member of the IASB's International Financial Reporting Interpretations Committee (IFRIC), a position from which he will resign to become an IASB member, and was formerly a member of the IASC Foundation's Standards Advisory Council (SAC).

The appointments fill vacancies that will be created by the retirement of Robert Garnett and Gilbert Gélard at the end of June 2010. A search is ongoing for a replacement for Jim Leisenring, who also retires at the end of June 2010.

Commenting on the appointments, Gerrit Zalm, Chairman of the Trustees, said:

The Trustees are pleased to have secured the services of two such highly regarded financial executives to serve as members of the IASB. Their appointments further extend the practical experience of Board members in the use and preparation of financial statements, as well as that of standard-setting.

I would also like to express my thanks to Bob and Gilbert, who will be retiring at the end of June 2010. Both are founding members of the IASB and should feel proud of the contributions they have made to the development of IFRSs.

Sir David Tweedie, Chairman of the IASB, said:

I am delighted that Elke and Darrel will be joining the Board. I know Darrel well from his time on our advisory and interpretations bodies whilst Elke's knowledge of the insurance sector will be of great benefit as we finalise the accounting for insurance contracts.

<http://www.iasb.org/News/Press+Releases/newboardmembers.htm>

PCAOB Thwarted on Foreign Audit Firm Inspections

At least a dozen major nations – including several of the USA's top international trading partners – are continuing to slam the door on efforts by the Public Company Accounting Oversight Board to conduct cross-border inspections of non-U.S. audit firms as required by the Sarbanes-Oxley Act.

As a result, more than three dozen foreign accounting firms have managed to evade PCAOB inspections, even though they registered with the board to audit U.S. corporations more than four years ago.

The [list](#) of foreign audit firms that have sidestepped PCAOB inspections is top-heavy with foreign affiliates of such major U.S. accounting firms as PricewaterhouseCoopers, Deloitte & Touche, Ernst & Young, KPMG, BDO and Grant Thornton.

The inability of U.S. authorities to complete field inspections of these firms has thrown a monkey wrench into the PCAOB's plans to move forward with its SOX mandate to examine the performance of foreign accounting firms that audit U.S. companies.

At the onset of 2009, the PCAOB announced its intention to embark on an ambitious effort to conduct inspections of audit firms in 27 countries around the world.

But the board was unable to undertake inspections in 12 of those countries "because of asserted restrictions under non-U.S. law or objections based on national sovereignty," the PCAOB said.

In a statement outlining the “progress” of its foreign inspection efforts during 2009, officials at the board said that “access to the information necessary to conduct inspections of registered firms was, and continues to be, denied in China, Finland, France, Germany, Greece, Ireland, the Netherlands, Norway, Portugal, Sweden, Switzerland and the United Kingdom.”

Because of the resistance of many foreign governments to permit U.S. inspections of audit firms in their countries, the PCAOB issued new rules allowing the board to defer, for up to three years, the first inspection of certain non-U.S. firms that otherwise would have been required to be inspected in 2009.

But in adopting that rule, the PCAOB said that it intended to inspect at least four of those firms during 2009, and that these four collectively would be responsible for auditing U.S. companies with a combined market capitalization equal to 35 percent of the total market cap of U.S. audit clients for all deferred firms.

By the end of last year, however, the PCAOB had inspected only two of those four firms, and fell short of the U.S. market capitalization threshold target.

Despite the roadblocks that continue to be erected in many countries to prevent SOX inspections by U.S. authorities, the PCAOB expressed optimism about the future of its international campaign.

“Discussions are continuing with the relevant authorities in those jurisdictions in an effort to resolve their objections to PCAOB inspections,” officials at the board said.

They also released a list of 28 nations in which they intend to conduct audit firm inspections during 2010 – including all 12 countries that continue to lock the door to PCAOB inspectors.

<http://www.webcpa.com/news/PCAOB-Foreign-Audit-Firm-Inspections-53237-1.html>

Global Body Calls for War on Complexity

The world’s largest accounting body has the current complexity in financial reporting “cannot be allowed to continue”.

The Global Accounting Alliance, representing institutes and professional bodies from the leading economies, said the real question was how to achieve simplification.

“No single compelling course of action was identified which would speed the demise of complexity.”

It added: “There was unavoidable complexity, which related to the growing complexity of business and the accounting which underpinned it. And there was avoidable complexity, the simple accretion of unnecessary detail. Accepting one while ridding reports of the other has to be the aim.”

The GAA’s report comes after a series of summits in London Beijing and New York.

The GAA published support for a single set of international standards and that they should be principles based. It also said the independence of the IASB – the body overseeing international standards – should be preserved.

These goals would be pursued, the GAA said, by lobbying “all the players in the financial reporting debate”.

IASC Trustees Overhaul Constitution

The trustees of the International Accounting Standards Committee Foundation, which oversees the International Accounting Standards Board, have announced a series of changes to their constitution, including an emphasis on adoption of International Financial Reporting Standards over convergence.

“The constitution will emphasize that convergence is a strategy aimed at promoting and facilitating the adoption of IFRS, but is not an objective in itself.”

In a letter responding to a *Financial Times* article, IASC Foundation chairman Gerrit Zalm later clarified this statement. “The trustees of the IASC Foundation strongly support the work plan that the IASB has established with the U.S. Financial Accounting Standards Board, which will reduce the differences between and improve IFRS and U.S. standards,” he wrote. “By reducing differences and thereby reducing any cost of transition, convergence will ‘promote and facilitate’ the possible adoption of IFRS.”

Other changes in the constitution include creating vice chairman positions for both the IASC Foundation trustees and the IASB. This would probably occur after the term of the current IASB chairman, Sir David Tweedie, expires next year. The move is intended to ease the burden on the chairman and offer the option of wider geographical distribution in the leadership.

Other changes include conducting a public consultation on the IASB’s technical agenda every three years, a commitment to a principles-based approach, and the identification of investors as a target audience for financial information.

There is also now a requirement for due process in emergency procedures. The constitution will include a provision for an accelerated due process only in the most exceptional circumstances and only after approval by at least 75 percent of the trustees. The IASB came under pressure during the financial crisis to quickly revise fair value accounting standards to respond to complaints that mark-to-market standards were forcing sudden write-downs in the value of banks’ assets.

In addition, the IASC Foundation will be renamed the IFRS Foundation, while the interpretations committee and advisory council will be known as the IFRS Interpretations Committee and IFRS Advisory Council, respectively. However, the trustees and other stakeholders decided to retain the name of the IASB, instead of renaming it as the IFRS Board.

<http://www.webcpa.com/news/IASC-Trustees-Overhaul-Constitution-53290-1.html>

IPSASB Seeks Views on Accounting for Service Concession Arrangements by Grantors

The International Public Sector Accounting Standards Board (IPSASB) is seeking comments on an exposure draft (ED) that addresses accounting for service concession arrangements by the grantor. Service concession arrangements, often called Private Public Partnerships or PPPs, involve an operator providing services to the public on behalf of a grantor—usually the government or another public sector entity. For many countries, such arrangements are a means to ensure large-scale, infrastructure projects, such as the building of roads and airports, can be developed and provided to the public for use. However, in some cases, they are not recognized in the financial statements, effectively concealing the financial position of the grantor.

Entitled *Service Concession Arrangements: Grantor*, the ED presents requirements and guidance

on how grantors recognize, account for, and disclose assets in service concession arrangements. Currently, there is no international standard to address the accounting for such arrangements from the grantor's perspective as IFRIC 12, *Service Concession Arrangements*, issued by the International Financial Reporting Interpretations Committee (IFRIC), applies only to the operators of these arrangements.

The IPSASB's proposals seek to assist the public sector in ensuring the assets used to provide the public service in the service concession arrangements are recognized appropriately in public sector financial statements and provide relevant disclosures about the arrangement. To ensure consistency in accounting by both parties to the service concession arrangement, the criteria for recognizing the assets are based on principles set out in IFRIC 12.

"The use of service concession arrangements as a means for the public sector to build and improve public services has increased dramatically in recent years. This increase in volume coupled with the lack of an international standard for grantors in such arrangements made action in this area of critical importance for the financial stability of governments," said IPSASB Chair Andreas Bergmann, adding, "This ED aligns with the IPSASB's long-held goal of promoting and enhancing the transparency, accountability, and decision making of the public sector."

How to Comment

To access the exposure draft or submit a comment, visit the IFAC website at www.ifac.org/Guidance/EXD-Outstanding.php. Comments on the exposure draft are requested by **June 30, 2010**.

The IPSASB encourages IFAC members, associates, and regional accountancy bodies to promote the availability of this exposure draft to their members and employees.

<http://www.ifac.org/MediaCenter/?q=node/view/697>

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