IFRIC agenda decisions

Our series on the most topical issues in IFRS® Accounting Standards and financial reporting

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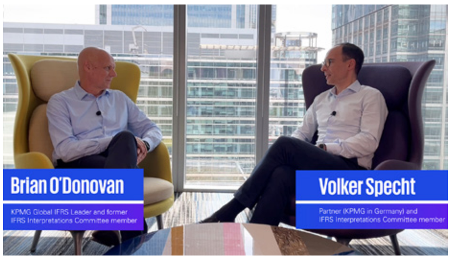

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TRANSCRIPT

Passing the baton

Brian

Hello, I'm Brian O'Donovan, Global IFRS and Corporate Reporting Leader at KPMG. I've just finished my term as a member of the IFRS Interpretations Committee – the IFRIC. I'm delighted that Volker Specht, Chief Accountant with KPMG in Germany, has now joined the Committee. So, hello Volker, and congratulations!

Volker

Thank you, Brian. I'm really delighted to have this opportunity. It's a great privilege. How does it feel to step down after seven years for you?

Brian

Well, I'm sorry that my term is coming to an end. Particularly given how busy the Committee is at the moment. But I do think it's a good thing that the membership of the Committee rotates in this way to keep the thinking and the group dynamic fresh. How does it feel to be joining the Committee?

Volker

Yes, exciting, but also daunting. I've been following the Committee's work for a long time, and I know I will be filling big shoes. So I have a few questions for you, Brian.

The role of the Committee

Volker

OK. Let's start with the role of the Committee. It's called the 'Interpretations Committee' but it's been quite a long time since it's published an interpretation.

Brian

That's right. In seven years, I didn't work on a single interpretation. Instead, the main output of my time on the Committee was agenda decisions. These are published in the IFRIC update, essentially responses to questions submitted by stakeholders. I worked on over 70 of them.

Volker

Oh, wow. And we've all come to an understanding that they provide really helpful explanatory guidance on the application of IFRS Standards, and at KPMG, we expect preparers to consider them when facing similar fact patterns and preparing their financial statements.

Brian

And that's what regulators expect as well. It gave me a great sense of responsibility working on the Committee, not just the overall positioning of the agenda decisions, but the words as well. One thing I learned as a Committee member is that words matter.

Interpretations Committee – Agenda

Volker

So what were the key issues you dealt with in your time at the Committee?

Brian

Well, the issues really came in waves. When I first joined the Committee, the revenue and leases standards were both still very new, and they gave rise to lots and lots of questions. More recently, the Committee meetings have been dominated by IFRS 18. That's the new standard on presentation and disclosure.

Volker

Ah yes, I see you left me some unfinished business, Brian. Eight tentative agenda decisions in the June IFRIC Update alone, seven of them on IFRS 18. All open for comment, and I guess they will come back for discussion later this year …

Brian

And I'm sorry about that ... But seriously, it is a worry. And certainly I'm worried that we have so many IFRS 18 questions so close to the effective date of the standard.

Volker

Yes, I've heard that too. Do you think the Committee should be working on IFRS 18 so close to its effective date?

Aren't you concerned about the disruptions this might cause in the marketplace?

Brian

I mean, it also happened actually with IFRS 15, IFRS 16, IFRS 17... So in that sense I'm not surprised it's happening again with IFRS 18. What happens is that people send in questions and then the Committee responds. There's no alternative under the due process.

Key strengths of the Committee

Volker

So, Brian, what are the key strengths of the Committee?

Brian

Well, I think the number one strength actually, is that the membership is so diverse. All the voting members of the Committee have got day jobs as preparers, as auditors, as users. And then around the table we have observers who are regulators, IASB Board members. I think it's really unusual to have that diversity, that range of perspective in a decision-making body.

Volker

And what's its biggest weakness?

Brian

Well, I'm not sure it's a weakness, but my biggest personal frustration was always on the occasions when I wanted to say more. I wanted to take up my pen and rewrite the annoying bits of the standard. But, I've got to say, the Due Process Handbook kept me on the straight and narrow.

Volker

Okay. You've mentioned due process a couple of times now, perhaps in a negative way. So did you feel constrained by the due process requirements?

Brian

That's a really interesting observation and when I stand back from it all, I do think that the due process is actually another key strength of the Committee and actually of the IFRS Foundation as a whole.

Artificial intelligence?

Volker

So did you use AI in your role as a Committee member?

Brian

No, not really, to be honest. As a Committee member, I felt quite strongly that I was the human in the loop. I made a conscious decision not to use AI to summarise agenda papers, not to use it to summarise comment letters. I wanted to make sure that I personally was engaging with the detail of the technical arguments. I wanted to make sure that I really understood the tone and the texture of the comment letters.

Volker

So do you see a larger role for AI going forward? I can see that one key question that the Committee assesses is whether a question is prevalent. And in recent Committee meetings, there were questions as to whether the Committee had enough information to make this assessment, actually. Do you think AI could help here?

Brian

Actually, that's a great point. At the moment, the Committee really relies on the experience of its members and outreach conducted by the staff. They're really, really good and important inputs, but they're still essentially anecdotal. It would be really interesting going forward to see if we (or rather you, Volker) can move towards broader-based, AI-powered research to assess those questions.

And finally …

Volker

Thank you, Brian, for your work on the Committee and for these insights. Do you have any final words of advice for me?

Brian

I have two words of advice actually … Firstly, read the Due Process Handbook. It's your Bible now. And secondly, just enjoy it. I honestly think this is one of the most interesting, fascinating roles in the whole of the IFRS world. Good luck!

Volker

Thank you!

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