

From: AOSSG Centres of Excellence in Developing Countries Working Party

Subject: Alternative model for developing Centres of Excellence

Item: Agenda Paper 7.2.1

Action

Consider an alternative model for developing IFRS Centres of Excellence in Developing Countries in the region.

Background

- 1 The AOSSG's pilot IFRS Centre of Excellence (COE) in Nepal had two stages. The first was an on-the-ground assessment of the standard-setting processes and capacity of the beneficiary of the initiative. This assessment was broadly aimed at obtaining an understanding of:
 - (a) existing processes employed by, and capacity of, the developing jurisdiction;
 - (b) gaps in the processes and capacity of the developing jurisdiction as a functioning standard-setter; and
 - (c) areas in which the developing jurisdiction requires improvement or assistance for that jurisdiction to be able to successfully fulfil its responsibilities.
- 2 The second stage of the pilot involved conducting intensive Train-the-Trainer (TTT) activities to assist the developing jurisdiction in addressing any findings coming out of the first-stage assessment.
- 3 In December 2014 the AOSSG released a report on the results of the AOSSG's IFRS Centre of Excellence (COE) in Nepal pilot initiative.¹ This report reviewed the initiative and identified a number of strengths and weaknesses of the process.
- 4 While the Accounting Standards Board (ASB) of Nepal benefited from the initiative, the success of the initiative was ultimately constrained by funding and resourcing pressures both for the ASB as well as for AOSSG COEDC Working Party (COEDC WP) members.
- 5 In particular, the report identified that the TTT initiative required working party members to expend significant resources and that ultimately it is debatable whether the benefits of the TTT initiative for Nepal outweighed the costs. There was also at least one NGO providing IFRS training to particular government employees in Nepal around the time that the AOSSG Working Party was undertaking its TTT.

1 [Assessment of the Effectiveness of the Pilot COEDC Initiative in Nepal](#)

6 The report concluded that:

... any future IFRS COE initiatives established by the AOSSG may be better focussed on assisting in the development of the organisation's standard-setting capacities and processes and assisting in other strategic matters relating to the adoption and implementation of IFRS in its jurisdiction.

7 Consistent with this conclusion, this paper provides an overview of a proposed alternative model for the future development of IFRS COEs.

Mentoring Model

8 The proposed model is intended to operate in a similar manner to the first initiative in Nepal whereby working party members initially performed an on-the-ground assessment of the standard-setting processes and capacity of the ASB (i.e. the first stage) and provided feedback and guidance based on the assessment. The COEDC WP proposes that the AOSSG alter the COEDC model by replacing the second stage, being the intensive TTT initiative, with a mentoring approach.

9 Following the first-stage assessment, the working party members would prepare a report similar to that produced for the ASB in July 2014. However, unlike the pilot initiative the report would not be followed by an intensive TTT initiative. Rather, the jurisdiction would be allocated an AOSSG member as a mentor to assist the jurisdiction in implementing the recommendations of the report.

10 The mentoring role would be intended to meet the objectives of the AOSSG COEDC, which are to develop the IFRS standard-setting capacity of the region. Accordingly, the mentoring role would necessarily be restricted to the advice contained in the assessment report and assist the jurisdiction on a path to adopting IFRS, rather than assistance in developing any local GAAP that might exist in the beneficiary's jurisdiction.

11 The mentor would not be expected to assist the jurisdiction in the development of local GAAP. The mentor might assist the jurisdiction in developing a standard setting process by reference to particular issues, but would not be involved helping to interpret or 'solve' the actual issues.

Proposed IFRS COE Initiative process

12 Going forward, the COEDC Working Party suggests the following process for undertaking an IFRS COE initiative in a developing jurisdiction:

- (a) A member organisation would apply to become a beneficiary of a future initiative. As part of the application the member organisation would submit an outline on:
 - (i) how it foresees the potential outputs of the IFRS COE activities will be used and built upon;

- (ii) how it plans on using its existing resources and/or secure further resources (both monetary and non-monetary) to undertake the initiative and to continue to promote the implementation of IFRS in their jurisdiction; and
 - (iii) how it proposes the financial and other resourcing obligations associated with the entire initiative would be allocated between working party members and the applicant.
- (b) The COEDC Working Party would consider the application taking into consideration members' current workload, available resources, and access to funding;
 - (c) If approved, one or more members of the COEDC Working Party would be allocated to undertake the stage one 'on-the-ground' assessment of the beneficiary's standard-setting processes and capacity [as noted in paragraph 7, having regard to aspects of the recommendations and guidelines in [A Model for National Standard Setters](#) as developed through the International Forum of Accounting Standard Setters (IFASS)]. In some cases, it might be feasible to source this information from existing publications (e.g. an IMF report) when any such report provides sufficient information to replace the first-stage assessment;
 - (d) The member(s) involved would produce a report of the assessment conducted, which would be finalised through the Working Party and with the further input of the jurisdictions concerned;
 - (e) Once the assessment has been agreed and finalised, a mentor for the jurisdiction would be identified (which may or may not have been involved at the assessment stage) to assist in implementing the recommendations in the report. Mentoring could include the following:
 - (i) Travel for the mentor to the beneficiary's location, or for the beneficiary to travel to the mentor's location, as necessary;
 - (ii) Remote assistance with IFRS implementation issues identified by the beneficiary and liaising with the IFRS Interpretations Committee and the IASB;
 - (iii) Advising on developing policies and procedures surrounding an effective standard-setting process, for example, the structure of the Board, voting on agenda papers and so forth;
 - (iv) Advising on how to conduct outreach and respond to IASB exposure drafts; and
 - (v) General advice on transitioning to IFRS.
 - (f) The above list is not exhaustive and the mentor/beneficiary would necessarily need to collaborate in formulating a detailed terms of reference for the relationship.

13 The COEDC Working Party acknowledges that this model might need further consideration, however, it currently wishes to seek input on the proposed model from the broader AOSSG membership.

Questions to members

Do AOSSG members agree to adopt a Mentoring approach?

Do members have any suggestions for enhancing the Mentoring approach?