



To:	AOSSG members	Date:	11 November 2014
From:	AOSSG IFRS COEDC Working Party Leader	Agenda Item:	11.1
Subject:	Future direction of AOSSG's pilot IFRS Centre of Excellence in Nepal	File:	

Action

Having completed two years of work on the pilot project in Nepal, receive an update on the progress of the AOSSG IFRS Centre of Excellence (COE) pilot in Nepal and its future direction as part of the AOSSG's 'building regional standard-setting capacity' initiative.

Attachments

Agenda paper 11.2 – AOSSG Report of Standard-Setting Capacity in Nepal

Agenda paper 11.3 – Feedback report on the Second AOSSG Train-the-Trainer (TTT) Program

Agenda paper 11.4 – Feedback report on the First AOSSG TTT Program

Agenda paper 11.5 – Slides: IFRS COE pilot in Nepal

Overview and activities of the pilot IFRS COE in Nepal

- 1 The purpose of establishing an IFRS COE is to help in the development of the capacity of AOSSG's members that can be characterised as developing jurisdictions to cope with introducing and applying IFRS. This is with a view to trying to ensure the Asia-Oceania region eventually becomes consistent in its application of global standards.
- 2 The Accounting Standards Board of Nepal (ASB) had identified a need for assistance in capacity building associated with standard-setting and the adoption/application of IFRS. At the 2012 Annual AOSSG Meeting, AOSSG members agreed to establish a pilot IFRS COE in Nepal. The IFRS COE in Nepal will belong to the ASB and not to the AOSSG. The establishment of the IFRS COE in Nepal is a two-year pilot project (commenced in November 2012).
- 3 The ASB and the AOSSG¹ agreed to establish an IFRS COE in Nepal to help in the development of the ASB's capacity for introducing and facilitating application of IFRS in Nepal, rather than directly assisting in the adoption of IFRS, which remains the prime responsibility of the ASB. It is intended that building domestic standard-setting capacity will facilitate adoption of IFRS.

¹ The AOSSG IFRS Centre of Excellence for a Developing Country (COEDC) Working Party (consisting of member organisations from Australia, China, Hong Kong, India, Indonesia, Iraq, Japan, Korea, Malaysia, Nepal and Pakistan) manages and contributes to the activities of the IFRS COE in Nepal.

- 4 The purpose of the IFRS COE is consistent with the AOSSG's objectives; including, in particular, promoting the adoption of, and convergence with, IFRS by jurisdictions in the region.
- 5 The focus at the outset of the initiative was to help the ASB build its standard-setting capacity by accomplishing the following:
 - (a) A review of the ASB's current standard-setting processes for the purpose of identifying areas to build on the ASB's standard-setting capacity. The review was undertaken in April 2013 by two staff members from the AASB and HKICPA to understand the current standard-setting processes in Nepal. The [*Report of Nepal Standard-Setting Capacity*](#) (Agenda paper 11.2) was published in July 2014, which includes a background of the processes, areas for improvement and recommendations to address the issues and improvements. The recommendations follow aspects of the guidelines in [*A Model for National Standard-Setters*](#) that was set by the International Forum of Accounting Standard Setters (IFASS) and other recommendations based on the experience of established member standard-setters of the AOSSG IFRS COEDC Working Party.

The ASB is currently considering the recommendations of the Report in planning its strategic activities. The Report has been shared with the World Bank to highlight the technical and operational needs of the ASB, most importantly, with regards to funding.

- (b) A series of intensive, short-duration TTT programs for the ASB members and selected individuals ('Nepal TTT participants'), for example, the members of the ASB's IFRS sub-committee members, with the objective that these individuals will have the capacity to further train and explain IFRS to others. The first TTT program was held in June 2013 and the second one was held at the beginning of November 2014. Reports on the feedback of AOSSG trainers and Nepal TTT participants in relation to the first and second TTT programs respectively are provided in Agenda papers 11.4 and 11.3.

Considerations of the future direction of the pilot IFRS COE in Nepal

- 6 The pilot IFRS COE in Nepal is intended to complete by the end of 2014 as agreed at the outset of the AOSSG initiative. At the same time, the ASB has requested that the AOSSG Working Party considers extending the term of the initiative until Nepal completes its IFRS adoption process.
- 7 The AOSSG Working Party considered the following possible ways forward.

Approach 1 — Extend the term of the initiative and continue with existing TTT programs

The AOSSG Working Party could run further TTT programs in the same format as previous programs or otherwise. The concern with this approach is the difficulty of obtaining sufficient training resources (mostly, financial and human resources) to successfully deliver further TTT programs.

Approach 2 — Extend the term of the initiative and continue to mentor the ASB

The AOSSG Working Party could mentor the ASB particularly on operational and strategic standard-setting matters, and facilitate the ASB's IFRS adoption process. TTT programs would cease. This does not necessarily mean that we no longer support the ASB on technical matters. Instead, we would be mentoring the ASB in its process of independently progressing the IFRS adoption. Some suggestions on the ongoing AOSSG role in the capacity building of the ASB are:

- (a) to monitor the progress of the IFRS adoption and provide advice on strategic and standard-setting operational matters (as identified in the report on Nepal standard setting capacity improvements);
- (b) to facilitate in-house training organised by the ASB and conducted by the ASB's trainers. Most, if not all, of the expenses incurred by a facilitator contributed by the AOSSG would ideally be borne by the ASB;
- (c) to facilitate/mentor on addressing specific technical issues and assist in communicating with the IASB (if necessary).

Approach 3 — Conclude the initiative at the end of 2014.

As agreed at inception the initiative would be completed at the end of 2014, which is the end of its two-year term. Under this approach, the ASB should continue to monitor and participate in the AOSSG activities, for example, by raising technical and operational issues in Nepal through existing AOSSG working groups, and provide technical input on IASB proposals.

Recommendation by the AOSSG IFRS COEDC Working Party

- 8 The AOSSG IFRS COEDC Working Party recommends Approach 2 as the way forward for the IFRS COE in Nepal. Members of the Working Party also made the following comments and questions.
 - (a) Approach 1 is the approach that is least likely to be successful due to resource constraints.
 - (b) The ASB should develop a 2-5 year strategic plan on how it will progress the IFRS COE before the Working Party can assess how the Working Party can continue to be involved.
 - (c) What recommendations from the *Report of Standard-Setting Capacity in Nepal* has the ASB plan to undertake or not undertake, and the reasons for those decisions?
 - (d) When and how many training sessions will the ASB's Nepal TTT participants conduct in Nepal?
 - (e) What is the ASB's feedback on the IFRS COE? For example, what activities undertaken under the IFRS COE have the ASB and its beneficiaries found useful?

Next steps of the AOSSG IFRS COEDC Working Party

- 9 The AOSSG IFRS COEDC Working Party will:
- (a) continue monitoring the progress of the ASB's IFRS adoption;
 - (b) discuss at a future Working Party meeting whether further activities would be feasible and necessary for the pilot IFRS COE in Nepal; and
 - (c) discuss at a future Working Party meeting whether and when the Working Party might embark on a further IFRS COE in another jurisdiction, and what the scope of any further COE work might be.