

The Past, Present and Future of the AOSSG



Mr. Eui-Hyung Kim has been appointed Chair and CEO of the Korea Accounting Standards Board (KASB) on 1st March 2017, succeeding Dr. Jee In Jang who retired on 28th February 2017. Mr. Eui-Hyung Kim has also taken over as the Chair of Asia-Oceanian Standard-Setters Group (AOSSG) as per the AOSSG MoU and the Annexure to MoU - Criteria and Process for Chair and Vice-Chair Appointment. The KASB has been ably playing the role of AOSSG Chair since November 2015 and its term will expire at the commencement of the next Annual AOSSG Meeting in November 2017. In this special write-up in the first-person style for The Chartered Accountant journal, the AOSSG Chairman deliberates on the role and objectives, achievements, existing scenario, future challenges and plans of AOSSG, while recounting the Group's past, present and future. Read on to know more.....

I. Introduction

One of the interesting phenomena observed amid the increasing spread of IFRS use around the globe is the advent of regional groupings of national standard setters in various parts of the world. At present, major regional groupings include the Asian-Oceanian Standard-Setters Group (AOSSG), the European Financial Reporting Advisory Group (EFRAG), Group of Latin American Accounting Standard Setters (GLASS), and Pan African Federation of Accountants (PAFA).

While such regional organisations are similar to one another in that they all aim to effectively engage in the IFRS standard-setting process by coordinating input from their stakeholders in the region to technical activities of the IFRS Foundation, each individual organisation maintains a different structure and activities of its own.

In terms of the structure of the grouping, the AOSSG is similar to the GLASS as both the AOSSG and GLASS are not legal entities. The PAFA, on the other hand, is a legal entity and at the same time a private organisation; and the EFRAG is an official advisory body to the European Commission (EC). The AOSSG is similar to the GLASS and PAFA from the activities aspect, while the EFRAG is different from the other regional bodies as it provides advice to the EC on

whether the EU should endorse newly issued or revised IFRS standards for use in Europe in addition to its role of ensuring European views are properly considered in the standard-setting process at the IASB.

Although the AOSSG has faced great challenges that arose from being a purely voluntary non-legally bound grouping, it has endeavored to faithfully achieve its objectives and its accomplishments to date are considered noteworthy.

Nevertheless, the AOSSG does not rest on its laurels but aims to take it to the next level. That is why it is currently going through a major overhaul of its structure and resetting its strategic directions.

At this critical juncture of change for the AOSSG, I believe it is meaningful to share with the readers the past, present and future of the AOSSG. Through this article, I hope to help readers better understand about the AOSSG and also to encourage them to give support to the AOSSG in its way forward.

II. Past of AOSSG Roles and objectives

The AOSSG is not a legally bound entity but it has put in official documents its organisational objectives, structure and action plans that were formalised and agreed upon among its member jurisdictions. And activities of the AOSSG are based on these protocols.

At the time of its establishment in 2009, the AOSSG's Memorandum of Understanding (MoU)¹ set forth the following four objectives.

- Objective 1: Coordinate input from the region to the technical activities of the IASB
- Objective 2: Promote the adoption of (and



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¹ http://www.aossg.org/docs/About_Us/AOSSG_MoU_revised_as_at_24_November_2011.pdf

The AOSSG is determined to act as an integrated "think-tank" in accounting standards through its study of how future financial reporting should be, as well as its assistance regarding identification of emerging issues.

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- Objective 3: Promote consistent application of IFRSs by jurisdictions in the region
- Objective 4: Cooperate with governments and regulators and other regional and international organisations to improve the quality of financial reporting in the region

As these objectives manifest, the AOSSG puts emphasis on supporting the activities of the IASB and enhancing its cooperation with the Board, and dedicates itself to playing a key role in promoting IFRS use across the Asia-Oceania region as well as improving the quality of IFRS.

These objectives may be viewed as being too closely connected with those of the IFRS Foundation and therefore reactive. However, the AOSSG endeavors to look to the future more ambitiously as shown in the AOSSG Vision Paper² drawn up in 2012.

The first vision described in the Vision Paper points out the "Leadership role in global accounting standard-setting". Focusing on such vision, the AOSSG is determined to act as an integrated "think-tank" in accounting standards through its study of how future financial reporting should be, as well as its assistance regarding identification of emerging issues. The Vision Paper also stresses the importance of proactive research and thought-leadership role. Rather than simply reacting to the activities of the IASB's projects, the AOSSG set itself to identify in advance the research areas that are needed in the region and proactively involve itself in the development of those accounting standards.

In short, the AOSSG is determined to play a pivotal role in the international financial reporting community in accordance with the goals stipulated in the Vision Paper in the long term; and in the short-term, the AOSSG intends to contribute to further improvement of IFRS according to the objectives described in the MoU, thereby helping to develop a set of higher quality IFRS standards.

Achievements to date

The achievements of the AOSSG to date may be divided based on the four objectives described in the MoU.

First, the activities relating to Objective 1 (i.e., *Coordinate input from the region to the technical activities of the IASB*) are as follows.

The AOSSG has submitted 61 comment letters to the due process documents (e.g., Discussion Papers, Exposure Drafts, etc.) issued by the IASB and IFRS Foundation. It also undertook AOSSG-specific projects, giving assistance to the IASB in its IFRS setting process. For instance, the AOSSG carried out its Agriculture project and provided the basic materials to the IASB for the amendment of IAS 41; it is also undertaking the Islamic Finance project to help the IASB in setting a future standard on Islamic Finance. The AOSSG also delivers its regional views to the IASB through physical meetings or teleconferences, e.g., by inviting the IASB to the AOSSG Interim and Annual meetings and participating as member at the ASAF meeting.

Second, the activities relating to Objective 2 (i.e., *Promote the adoption of (and convergence with) IFRSs by jurisdictions in the region*) are as follows.

The AOSSG set up the IFRS Centre of Excellence in Developing Countries Working Party ('COEDC WP') to support member jurisdictions that plan to adopt IFRS. The first beneficiary was Nepal and the Train-the-Trainer (TTT) program was conducted to foster IFRS trainers in Nepal. As part of the TTT program, the COEDC WP visited Nepal twice to provide IFRS education to the Nepalese IFRS trainers. Apart from such effort, members of the AOSSG share the information on their status of IFRS adoption or convergence and interchange views and advice thereon at annual meetings on a regular basis.

Third, the activities relating to Objective 3 (i.e., *Promote consistent application of IFRSs by jurisdictions in the region*) are as follows.

The foremost achievement under this category may be the joint research project conducted by the Korea Accounting Standards Board (KASB) and Australian Accounting Standards Board (AASB). The findings of the project resulted in a research report in 2016 which identified that 35 different terms of likelihood (e.g., possible, likely, etc.) are being used in the standards of IFRS. It also found out through a survey that accounting experts in the two countries have different views on the probability or ranking of the terms of likelihood. A number of other accounting standard setters showed considerable interest in the result of this study, and the IASB said that it would take this research result into consideration when setting standards in the future. Furthermore, the AOSSG strives to achieve consistent

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² http://www.aossg.org/docs/About_Us/AOSSG_Vision_Paper_Revised_Aug_2012.pdf

application of IFRS across the region by sharing various interpretation issues among member countries at annual meetings.

Fourth, the activities relating to Objective 4 (i.e., *Cooperate with governments and regulators and other regional and international organisations to improve the quality of financial reporting in the region*) are as follows.

Many AOSSG members participate in the International Forum of Accounting Standard Setters (IFASS) meeting to seek cooperation with standard setters from other regions and the AOSSG Chair gives a presentation at the IFASS meeting on the activities of the AOSSG in a bid to strengthen the ties with the international accounting community on an organisational level. Furthermore, the AOSSG encourages its members to take roles within the IFRS Foundation, e.g., as a member of the Trustees, IASB, IFRS Interpretations Committee, IFRS Advisory Council, etc. In fact, a substantial number of representatives from AOSSG member jurisdictions are currently working in various parts of the Foundation, devoted to improving IFRS in cooperation with those at the Foundation. Also, by making donations to the IFRS Foundation every year, AOSSG member jurisdictions are contributing towards improving the financial stability of the IFRS Foundation. The statistical data from 2012 to 2016 shows that the financial contributions made by AOSSG member jurisdictions to the Foundation amount to 37% of the total donations the IFRS Foundation received over the period.

III. Present of AOSSG

Underlying conditions

To make sense of the AOSSG of today, it is essential to understand first the underlying conditions faced by the organisation. The underlying conditions can be distinguished into deep-rooted, semi-variable, and variable conditions.

First, the deep-rooted condition faced by the AOSSG refers to the fact that there is a great diversity among its members in the socio-economic realm. Because the AOSSG covers a huge geographical area, from the Middle Eastern countries including Saudi Arabia in the West to Australia and New Zealand in Oceania in the East, the members tend to have extremely different cultural and linguistic aspects and be at widely ranging stages of economic development.

Second, the semi-variable condition refers to the lack of resources that can be utilised by the large number of AOSSG member jurisdictions. Most member jurisdictions with a smaller economy do not have a sufficient level of financial or human resources to enable them to be actively involved in the activities of the AOSSG. Even for those larger economies in the region, the size of their national standard setter is

dwindling due to the decreased role of standard setters after the adoption of IFRS. This particular condition is semi-variable because the situation can be improved, maintained, or worsen, depending on how the standard setter in each member country establishes its status.

The last condition is variable. The IFRS adoption status differs from one member jurisdiction to another. While most of the members require IFRS for all or most listed companies, some aim for convergence with IFRS rather than adoption and others are in the preparation process to adopt IFRS. However, this situation is variable because IFRS adoption and convergence with IFRS are one of the objectives pursued by the AOSSG and it is likely that this would gradually result in smaller discrepancies in IFRS adoption status among the members.

Challenges

The underlying conditions described above cast challenges to the AOSSG. I will explain below those challenges in conjunction with the underlying conditions.

First, the challenge arising from the deep-rooted condition (i.e., the wide diversity in the socio-economic realm) is that it is difficult to integrate diverse views of members into one or few major coordinated views (**Challenge I**).

Despite such difficulty, the AOSSG has continued to submit regional views to due process documents issued by the IASB and IFRS Foundation and delivered the views at international meetings including the ASAF meeting. However, concerns have been raised inside and outside the AOSSG which point out that such AOSSG views are a simple collation of different views from individual AOSSG member jurisdictions rather than a set of truly integrated views of the members, which makes it hard to deduce what the AOSSG really wants to say.

It is, of course, not always desirable to reach one consensus to present as a single view that represents the entire group. But AOSSG members themselves need to at least understand the reasons behind the differences among them and communicate more with each other so that their views would converge further.

Second, the semi-variable condition (i.e., the lack of resources) is related to the challenge of encouraging less active members to participate more in the activities of the AOSSG and more effectively incorporating their views into the overall AOSSG views (**Challenge II**).

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The AOSSG operates the Chair’s Advisory Committee (CAC) to consult issues related to the operation and strategies of the group. The eight member countries that constitute the CAC have relatively sufficient resources and thus tend to be active in the AOSSG activities. On the other hand, member jurisdictions other than the CAC do not voice their views that often. Although the non-CAC member jurisdictions are mostly registered as a member of a Working Group (WG) within the AOSSG and encouraged to participate in the group’s activities at all times, the actual participation rate is quite low. This means that the only opportunity to share their views with the rest of the group is the annual AOSSG meeting held once a year, where approximately 20 member jurisdictions gather.

Third, the variable condition (i.e., different stages of IFRS adoption among members) would result in the challenge of finding ways to efficiently help non-IFRS adopters in the region to adopt IFRS successfully (**Challenge III**).

To overcome this challenge, the AOSSG has already carried out the pilot program in 2012-2013 in Nepal as mentioned above. Although the program helped a few IFRS experts in the country with the IFRS education, there existed limitations of being unable to give them the support in resolving implementation issues they face in practice during the actual adoption process because the program assumed the form of Train-the-Trainer (TTT) program.

IV. Future of AOSSG

I believe the AOSSG should tackle the above three challenges using more practical means. As part of that effort, the AOSSG plans to set forth new business plans shown below.

Business Plan 1: Reform WGs

To overcome the Challenges I and II, the AOSSG established a new WG structure and seeks to carry out its WG activities more effectively and efficiently based on that new structure.

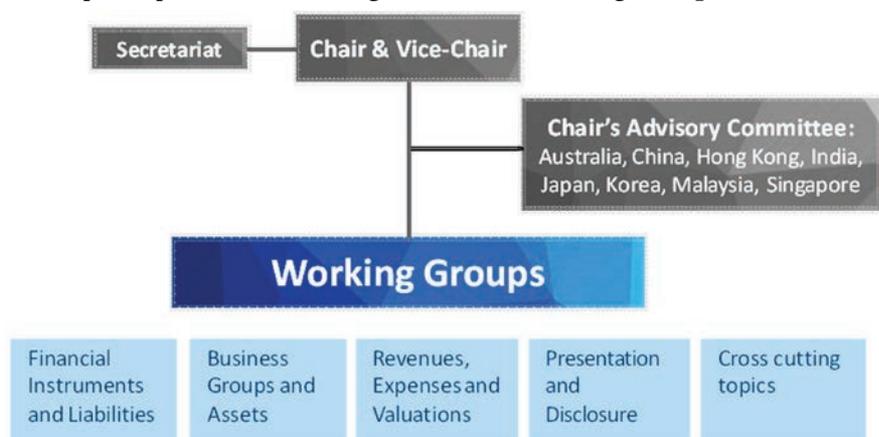
Under the existing WG structure, a new AOSSG WG has been formed every time the IASB undertakes a new project. The IASB continued to run various projects until recently, and accordingly, the AOSSG ended up with 17 WGs. Even though the WGs that correspond to completed IASB projects are no longer active, they were not disbanded causing increased administrative inefficiency.

Thus, the AOSSG sought to simplify the WG structure by reducing the number of WGs to five standing WGs and two specific topics WGs. A distinctive feature of the new WGs is that they run on a permanent basis regardless of whether a new IASB project is launched, instead of creating new WGs to respond to new IASB projects as in the past (Refer to Diagram 1: New Working Group structure).

Based on the restructuring, the AOSSG plans to invigorate closer communication among the WGs. Under the new structure, the WG leaders will be required to report to the AOSSG Chair and run their WGs based on the WG’s action plans and strategies; and when necessary, each WG leader will be allowed to create a sub-WG(s) under its WG and appoint a sub-WG leader with greater expertise in the specific topic in order to enhance the efficiency of WG operation.

Also, to improve participation by less-active members, the AOSSG will help them develop their technical capacity so that they would in the long-term take on the role of WG leaders themselves. The WG leader roles are currently fulfilled by active CAC members with sufficient resources; but the plan is to have WG leaders help the WG members enhance their technical capabilities so that the WG leadership can be operated on a three-year rotational basis among the WG members.

<Diagram 1: New Working Group Structure>



(*) In addition, two specific topics WGs are in place: Islamic Finance WG and IFRSs for SMEs WG

Business Plan 2: Launch the Mentoring Program

To respond to the Challenge III, the AOSSG will conduct the Mentoring Program. As mentioned earlier, the AOSSG carried out the TTT program to support Nepal to help with its IFRS adoption, but there were some room for improvement. To complement the previous program, the new Mentoring Program was drawn up (Refer to Diagram 2: Comparison between TTT Program and Mentoring Program).

Special Write-Up

The Mentoring Program involves designating a Mentee jurisdiction among the non-IFRS adopters in the region and Mentor jurisdictions among the members that have adopted IFRS to help the Mentee jurisdiction with its IFRS adoption. That is, unlike the TTT Program which focused on providing education on IFRS, the Mentors, based on their IFRS adoption experience, will provide practical advice to the Mentee on the overall aspects of IFRS adoption, including helping them make the necessary strategic decisions in adopting IFRS.

Although the Mentee has not been determined yet, Vietnam has shown some interest in participating in the Mentoring Program as the Mentee and so we are currently communicating with Vietnam to encourage them to take part in the Program.

In the meantime, the AOSSG had a meeting with the Trustees of the IFRS Foundation for the first time in May 2017 to discuss ways of bilateral cooperation, and the Mentoring Program was one of the agenda items discussed. For instance, one of the proposals made at the meeting suggested the Trustees and AOSSG jointly visit the Mentee jurisdiction to communicate directly with the stakeholders in the country, thereby helping the relevant authorities better understand IFRS and strongly promoting IFRS adoption. Another suggestion made at the meeting proposed seeking cooperation with external organisations, e.g., accounting firms, companies, or international organisations like the World Bank, to more effectively carry out the Mentoring Program.

Taking such ideas into consideration, the AOSSG plans to seek cooperation with external parties in progressing the Mentoring Program in the future.

<Diagram 2: Comparison between TTT programme and Mentoring Programme>

	Past model (TTT Programme)	New model (Mentoring Programme)
Phase I	<ul style="list-style-type: none"> Perform "on-the-ground assessment" of the beneficiary's standard-setting process and capacity 	<ul style="list-style-type: none"> Same as left
Phase II	<ul style="list-style-type: none"> Conduct intensive "Train-the-Trainer (TTT)" exercise to assist jurisdiction in using IFRS 	<ul style="list-style-type: none"> Mentor jurisdictions help the mentee address findings from Phase I and build capacity to use IFRS

Asia-Oceania is home to a myriad of fast-growing economies and new industries. These new and diversified industries will generate diverse accounting needs, and in turn, lead to setting of new IFRS accounting standards via the AOSSG.

V. Conclusion

In this article, I have examined the past, present and future of the AOSSG.

The AOSSG has made a ceaseless effort to achieve the objectives agreed upon at the time of its establishment in 2009, and consequently, its status in the international community has remarkably improved.

But I still believe that the AOSSG's role can and needs to be expanded further in the future. The first reason for thinking so is the size and weight the AOSSG member countries and the region itself carry in the global economy. Asia and Oceania together account for almost 40% of the global economy and world market, and no one would doubt this figure is destined to grow larger. Another point worth noting is the dynamics of this particular region. In addition to the broad spectrum of industries that already exist in the region, Asia-Oceania is home to a myriad of fast-growing economies and new industries. These new and diversified industries will generate diverse accounting needs, and in turn, lead to setting of new IFRS accounting standards via the AOSSG.

In this respect, I have greater expectations of the AOSSG's role in the global economy. ■