Funding the Future

Is accountability returning to accounting standard sett...

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I was delighted to read this in the Telegraph this morning (well, on its web site - I can't remember the last time I bought the Telegraph):

Instead of rubber-stamping up to â,¬60m for London and Brussels-based accounting standard setters, MEPs are expected on Friday to vote for several "conditions" to be attached to the funding in a bid to end to a long-running fiasco at the heart of financial regulation. The conditions demand that International Financial Reporting Standards (IFRS) are overhauled so that company accounts reflect "economic facts rather than concepts".

If passed by the Economic & Monetary Affairs Committee, the London-based IASB and Brussels' European Financial Reporting Advisory Group (Efrag) will have to prove their rules comply with European laws and do not, as investors maintain, allow banks and other companies to hide the build-up of risks on their balance sheets.

I have had a long run in with the International Accounting Standards Board; ever since I began arguing the case with them on country-by-country reporting in 2005 and they persistently refused to acknowledge the real users of accounts. That there arrogance and incompetence, as well as their fundamentally undemocratic status, is now being acknowledged is very good news. The result is that as the Telegraph notes:
Rather than paying out six years of funding at once, the MEPs want to "conduct annually an assessment of whether these criteria are fulfilled" and release the cash in tranches. The accounting authorities, which depend on Brussels for around 90pc of their funding, are said to be "furious" by the intervention.
I have no doubt they are, not last because this is largely the work of one, awkward, accountant, and not me for a change. Tim Bush of Pirc has led the campaign on this issue. As the Telegraph note:
In 2010, Tim Bush sent a letter to the Department for Business warning that IFRS was creating "mistakes [in bank accounts] of such severity that it is difficult to overstate". Frustrated with a sluggish response from UK authorities, investors from 10 leading groups — including Threadneedle Investments, the Co-Operative Asset Management,

London Pension Fund Authority and Railpen — wrote to Michel Barnier last year warning that IFRS, which was introduced in 2005, was harming shareholders, and destabilising banks and the economy.

They were right to do so: IFRS are flawed and the IASB is even more flawed than its product. This is very welcome news, and just a hint that accountability may be returning to accounting standard setting.