Message

From: Carole Workman [redacted]
Sent: 2018-10-10 9:34:41 AM
To: 'Christopher Henderson' [redacted] Cynthia Chaplin [redacted] 'susanna_han' [redacted] Tim O'Neill [redacted] Peter Gregg [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=eecb5b8abe1a4998a2ee7b2d68b31ccc-Peter Gregg]
CC: Michael Lyle [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=704afe32c06a42c78cf357ce53a5b319-Michael Lyl]
Subject: Re: Follow-up to last week's meeting

Members of the Audit Committee

At last week's meeting, I indicated that a change in accounting principles is a very significant matter for accountants, auditors and audit committees and any change must meet certain criteria. Once a change is adopted, it is not easy to change (but not impossible). I shared with management two sections from IFRS which outline the criteria for adopting accounting principles and for the modification or derecognition of rate regulated assets. I asked that a more detailed analysis be provided that would address the provisions of IFRS 14 Deferred Regulated Accounts (para 13-15 and linked to IAS 8) and the general provisions for the adoption of accounting principles (i.e. IAS 8 paragraph 10).

Given that we made the initial decision based on accounting considerations and advice, any change at this point should be consistent with original arguments and with bases allowed under the Handbook. The relevant sections as I understand them to be are copied below.

My apologies for not sharing this earlier; at this point it is shared for information as we await further analysis.

Carole

INTERNATIONAL ACCOUNTING STANDARD 8
accounting policies, changes in accounting estimates and errors

In the absence of an IFRS that specifically applies to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy that results in information that is:

(a) relevant to the economic decision-making needs of users; and

(b) reliable, in that the financial statements:

  (i) represent faithfully the financial position, financial performance and cash flows of the entity;

  (ii) reflect the economic substance of transactions, other events and conditions, and not merely the legal form;

  (iii) are neutral, ie free from bias;

  (iv) are prudent; and

  (v) are complete in all material respects.

INTERNATIONAL FINANCIAL REPORTING STANDARD 14
regulatory deferral accounts

Changes in accounting policies

13 An entity shall not change its accounting policies in order to start to recognise regulatory deferral accountbalances. An entity may only change its accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral account balances if the change makes the financial statements more relevant to the economic decision-making needs of users and no less reliable, [1] **or more reliable and no less relevant to those needs. An entity shall judge relevance and reliability using the criteria in paragraph 10 of IAS 8.**

14 This Standard does not exempt entities from applying paragraphs 10 or 14–15 of IAS 8 to **changes in accounting**policy. To justify **changing** its **accounting** policies for regulatory deferral **account** balances, an entity shall demonstrate that the **change** brings its financial statements closer to meeting the criteria **in** paragraph 10 of IAS 8. However, the **change** does not need to achieve full compliance with those criteria for the recognition, measurement, impairment and derecognition of regulatory deferral **account** balances.

15 Paragraphs 13–14 apply both to **changes** made on initial application of this Standard and to **changes** made **in**subsequent reporting periods.

Regards,
Carole