



Tamara Oyre  
Assistant Corporate Secretary  
IASB Foundation  
30 Cannon Street  
London  
EC4M 6XH

Our Ref: TECH-CDR-801

19 September 2008

Dear Ms Oyre

**Review of the Constitution – Public Accountability and the Composition of the IASB**

The Association of Chartered Certified Accountants (ACCA) is pleased to have this opportunity to comment on the above discussion document. The document was considered by ACCA's Financial Reporting Committee and I am writing to give you their views.

**General comments**

We believe that the proposals set out in the discussion document offer a sound basis for the improvement of the governance and structure of the IASB Foundation. Furthermore, we consider the proposals demonstrate the commitment of the Trustees to take on board concerns over the accountability and transparency of the Foundation and the IASB. By tackling these issues we certainly believe that the credibility of the standards issued by the IASB will be enhanced further, and ultimately lead to their wider adoption.

**Specific questions on the Monitoring Group**

**Question 1**

***Do you support the creation of a Monitoring Group in order to create a direct link to public accountability to official institutions?***

We understand that there are concerns from parliamentary institutions around the world about the perceived lack of accountability of a private organisation

that produces accounting standards for a significant level of publicly accountable entities. We believe that the IASB will benefit from yet wider acceptance of its standards should there be confidence in its overall governance process.

As the Trustees are currently self-appointing and lack any effective external influence, we believe that the creation of a Monitoring Group ('Group') is a significant step to improving the overall governance of the IASC Foundation. We agree that such a group would enhance the links with public authorities, and provide a useful safeguard. As the adoption of IFRS effectively means the surrender of sovereignty over accounting standards for a jurisdiction, an appropriate link between the Trustees and the Group, will provide a democratic oversight and therefore enhance public accountability.

#### **Question 2**

***The proposals contemplate a Monitoring Group comprising representatives of seven public authorities and international organisations with a link to public authorities. While recognising that the Monitoring Group is an autonomous body, the Trustees would welcome comments regarding the Monitoring Group's membership and whether other organisations accountable to public authorities and with an interest in the functioning of capital and other financial markets should be considered for membership.***

We generally support the view that the composition of the Group should reflect the world's capital markets. We also see the benefit of having the most senior level of representation from the noted organisations, as outlined in paragraph 21 of the draft proposals. Not only will this ensure that the work of the Group is conducted at the highest level, but it will also further enhance the credibility of the IASC Foundation and ultimately the IASB and its standards.

In this respect we would note that the paper does not specify who the representative of the European Commission would be. In line with the above comments, we believe it should be ensured that the 'responsible member' should be of a similar status and specified when the proposals are finalised.

We understand that to ensure the effectiveness of the Group, its composition may have to be limited. While we agree that the current proposed structure would certainly help fulfil most of the objectives of the Constitution, we believe that it is important for the Group to bear in mind issues relating to small and medium-sized entities (SME). Paragraph 2(c) of the Constitution specifies the objective of taking into account the 'special needs of small and medium-sized

entities and emerging economies'. This coupled with the IASB's work on developing a standard aimed at such entities, means that their specific concerns need to be considered along with those of larger entities.

### **Question 3**

***The Trustees will remain the body primarily responsible for the governance of the organisation and the oversight of the IASB. Their responsibilities to a Monitoring Group will enable regulatory and other authorities responsible for the adoption of IFRSs to review the Trustees' fulfilment of their constitutional duties. Does the formulation of the Monitoring Group's mandate and the Trustees' reporting responsibilities, as described in the proposed Section 19, appropriately provide that link, while maintaining the operational independence of the IASC Foundation and the IASB?***

While we support the creation of a Monitoring Group, we have particular concerns over the lack of clarity in terms of the responsibilities of the group and potential overlap with those of the Trustees. It is unclear whether the Trustees will remain responsible for governance of the IASC Foundation and the IASB, or whether this may fall into the remit of the Group. We firmly believe that the Trustees should retain their current governance responsibilities with regards the IASC Foundation, and that this should be made explicit in the Constitution.

We also have significant concerns about the role the Group may have in terms of proposing candidates for nomination as Trustees. Given the composition of the Group, we believe that this could ultimately lead to the politicisation of the agenda of the IASB.

It is imperative that the new Group does not impede the standard setting and operational process. Trustees should continue to be independent, as should the technical agenda of the IASB. We believe that this too should be clearly stated in the Constitution. By contrast, we believe that other elements of the proposed Constitution such as paragraph 19 (c) are quite unnecessary and cloud the authority and responsibilities of the Trustees and the Group.

**Question 4**

***Given the proposed creation of the Monitoring Group, would there be a continued need for the Trustee Appointments Advisory Group in the selection of Trustees?***

Given our firm belief that the Group should not have the ability to nominate Trustees, we would support the continuation of the Trustee Appointments Advisory Group. The appointment of Trustees will always require a sound consultation process to identify and screen potential candidates, and we believe that it is important for the Group to remain independent of this. Again, to avoid duplication of responsibilities we believe the specific responsibilities of both these groups should be clarified in the Constitution.

***Specific questions related to the IASB's composition***

**Question 5**

***Do you support the principle behind expanding the IASB's membership to 16 members in order to ensure its diversity, its ability to consult, liaise and communicate properly across the world, and its legitimacy?***

We are generally supportive of the reasons for increasing the Board membership to 16 members as outlined in paragraph 25 of the discussion document. However, as noted in relation to the composition of the Group, we believe that excessive membership could fragment the Board and significantly hamper the decision-making process. Therefore, we believe that a membership of 16 is the maximum level for the Board to function efficiently.

We would also note that while increasing the members will certainly ease the burden of consultation and liaison by Board members, we do not believe that this need be a prime aim of the Board members alone. There are other senior staff members who could also play a significant role in this area.

**Question 6**

***Do you agree with the geographical formulation suggested by the Trustees?***

We believe that diversification of the Board on geographical grounds will allow it to communicate and liaise more effectively. As long as 'professional competence and practical experience' remain paramount criteria, we believe that a more geographically diverse Board, reflecting the different cultural and professional backgrounds of countries that have adopted or are intending to adopt IFRS, certainly will help to ensure the legitimacy of the Board.

However we do have some specific concerns about the geographical formulations suggested by the Board. For instance, the composition outlined in paragraph 26 appears to show a slight imbalance in terms of the representation on the Board through four members from Northern America. We believe this could be misconstrued as suggesting the dominance of one country on the Board. Given the increasing adoption of IFRS in South America countries, we would be proposing that the normal composition would include five members from the 'Americas' instead of four from North America and one from South America.

From a practical consideration, we believe that the proposals are not clear as to what is meant by geographical representation. Questions as to whether this means a member has predominantly worked in that region, is a passport holder of that region, or representing that region should be clarified. We would be very uncomfortable with an explicit geographical component leading to Board members being seen as representing a constituency, rather than offering a regional perspective.

#### **Question 7**

***The Trustees are suggesting that the Constitution should provide flexibility on the matter of part-time membership. Do you support that proposal?***

Given the difficulty in attaining wide representation on the Board, we believe that it would be helpful to have part-time members, who are able to offer current or recent practical experience of applying or interpreting financial reporting standards. This would provide the opportunity for input from a wider-range of industries and backgrounds, and could help to placate the concerns of stakeholders who believe that the make-up of the Board is overly geared towards academic and technical expertise rather than up to date practical experience.

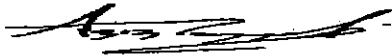
We do not however agree with the flexibility proposed on this matter, especially with the prospect of having no part-time members. We believe that there should always be a minimum number of part-time number available, and believe that three (out of 16) is an appropriate balance for the effective operation of the Board.

Although there are a number of benefits from the inclusion of more part-time members, it is vital that appropriate controls are in place to ensure that there is no potential (or perceived) conflict of interest. Similar to the concern we raised in response to Question 6 on geographical diversification, it is imperative that

members from specific industries / sectors are not seen as representing the interests of those industries / sectors.

If there are matters arising from any of the above please do contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Aziz Tayyebi', with a horizontal line drawn underneath.

Aziz Tayyebi

Financial Reporting – Technical Officer

Association of Certified Chartered Accountants (ACCA)

[aziz.tayyebi@accaglobal.com](mailto:aziz.tayyebi@accaglobal.com)