

30 November 2009

Ms Tamara Oyre
Assistant Corporate Secretary
IASC foundation
30 Cannon Street
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Dear Ms Oyre

Review of the IASC Foundation's Constitution Part II: Proposals for enhanced accountability

Thank you for the opportunity to provide comments on the 'proposals for enhanced accountability.' Please find following our response to some issues raised in the Comment document. We refer to our earlier submission to the Constitution Review Part II which we see as the context for our response here.

Our comments reflect the views, in part or in whole, of the staff members who participated and do not represent the views of the Department of Accounting and Finance or The University of Birmingham. We address the questions in the comment document in turn.

Questions 1 and 2: Name change from 'accounting standards' to financial reporting standards'

The current names of the foundation and the Board better illuminate the history and context of the IASB, which may not be important in itself. However it is interesting to note that a change to 'financial reporting standards' lags the move to the IFRS designation by several years. In the future it may be necessary once again to change the name of the standards and so, once again the organisation and the standards would not be aligned. For example, we envisage that in line with our earlier submission, the IASB will in the future find that the term, 'financial', is too narrow and restrictive in describing more comprehensive standards dealing with intangibles, sustainability and other narrative information demanded by users of general purpose reports. At that stage the more general term 'accounting' will be more appropriate.

It is not necessary to change the names of the organisations in order to protect the intellectual property or 'brand' that they represent. We suggest therefore that a change of name may mean that in the longer term the Foundation and Board will have a series of 'formerly known as...' titles and recommend against it.

Question 3: Amendments to section 2 – SME's

The inclusion of a secondary objective aiming to meet the 'special needs', where appropriate, of SMEs remains unexplained. It appears difficult to conceive how SME needs can be seriously considered given that the focus of the IFRS Board and primary objective of the IFRS foundation is on serving information to international capital markets. Furthermore, although international capital markets and emerging economies are explicitly represented, no explicit SME representation is sought within the Trustees of the IFRS Foundation, the Monitoring Board or the IFRS Board.

Section 22, which notes that the Monitoring Board shall reconsider its composition relative to its objectives, clearly makes a link between IFRS Foundation objectives and representation. However, SME representation appears absent in the case of the section 2c) objective.

Question 4: Amendments to section 3

We support this amendment.

Question 5: Amendment to section 6 – conflict with public interest

Our response to this question references our comments regarding the definition of public interest in the earlier document submitted:

The Foundation needs to reconsider the meaning of 'public interest' and 'high quality standards' to provide a set of goals that can be agreed among a broader set of relevant stakeholders ...

We would support continental rather than regional (e.g. Caribbean) geographical representation. In the context of the expanded emphasis on geographical representation it is unclear what is meant by "Trustees shall be required to commit themselves formally to acting in the public interest in all matters". For example, on a geographical basis, public interests may differ significantly. Furthermore, section 6 requires trustees to show a firm commitment to the IFRS Foundation and the IFRS Board. Will this clash with their duty of public interest? (e.g. criticising the IFRS Board or IFRS standards in the public interest). Upon further inspection, the public interest comes with the heavy caveat: "serving the public interest through a private standard-setting process" (IASCF, 2009; 52).

Questions 6,8,9,10,13,14

No comment; we agree with these amendments or decisions to take no action.

Question 7: Accountability, consultation reporting and ongoing internal due process improvements

The achievement of these features is fundamental to the legitimacy of the work of Board and Foundation. Important steps have been taken and internal processes and reporting procedures are essential to the effective achievement of accountability. As we noted in our last submission, however, it is fundamental that the understanding of 'public good' and 'high quality' are addressed otherwise their achievement cannot be addressed. Given that they are complex ideas that may be perceived differently by different interests and from different perspectives (e.g. regional) then a discussion of how they may conflict and approaches to resolving these on other than an ad hoc basis is important.

Question 12: Board consultation on agenda

We raised concerns in relation to the independence of the Board in setting its agenda in our last submission. The IFRS Board has the ability to determine its agenda but only after consulting the Trustees and the SAC. Given that the Trustees have the power to appoint and remove Board members, this relationship could be more transparently articulated. For example, will the IFRS Board maintain its right to independently set the agenda even if the Trustees and the SAC disagree, providing it has consulted them?

Sincerely,

Dr N. Rowbottom

Dr Joanne Locke

Mrs Anne Ullathorne