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THE
INSTITUTE OF
CHARTERED
ACCOUNTANTS
OF SCOTLAND



Ms Tamara Oyre
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By email: constitutionreview@iasb.org

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Dear Ms Oyre

IASCF DISCUSSION DOCUMENT – REVIEW OF THE CONSTITUTION: PUBLIC ACCOUNTABILITY AND THE COMPOSITION OF THE IASB

The Institute's Accounting Standards Committee has considered the above discussion document and I am pleased to set out its comments below.

The Institute is the first incorporated professional accountancy body in the world. The Institute's Charter requires the Accounting Standards Committee to act primarily in the public interest, and our responses to consultations are therefore intended to place the general public interest first. Our Charter also requires us to represent our members' views and protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount.

Our responses to the questions in the invitation to comment are set out below.

Q1: Do you support the creation of a link to a Monitoring Group in order to create a direct link of accountability to official institutions?

We do not believe that the creation of a Monitoring Group is strictly necessary; it could be seen as layer of bureaucratic and unnecessary oversight. However, we accept its inevitability, to respond to the demand of politicians and other stakeholders for greater accountability and oversight. The creation of a Monitoring Group should also help in meeting the need for dialogue between the IASB/IASCF and the major public institutions.

Q2: 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 support the narrative comments in paragraph 19. The initial membership looks to be sensible: we note it will be reviewed over time.

Q3: The Trustees will remain the body primarily responsible for the governance of the organisation and the oversight of the IASB. Their responsibility 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?

We are concerned that the wording of the material on the Monitoring Group's mandate seems to be vague enough to allow the Monitoring Group to get very involved in the Trustee selection and appointment process if it wishes to. This seems to give a lot of power to the Monitoring Group, such that it calls into question whether the Trustees can really give away that much responsibility and still carry out their duties as Trustees, which include the responsibility for appointing new trustees. We would not favour the Monitoring Group having the ability to recommend candidates as Trustees as well as approving their ultimate appointment. This would appear to open the door for the Monitoring Group to gain complete control over Trustee appointments. We would suggest the mandate of the Monitoring Group be limited to approving the nomination and selection process, whilst also allowing them to express a concern if a proposed trustee did not meet certain specified criteria.

This document seems to confuse "accountability" and "control": the main concern has been that the trustees are not accountable to anyone and therefore various processes are suggested for improving accountability, such as reporting, receiving advice, answerability, scrutiny, with which we generally agree. It does not necessarily follow that those to whom the IASCF Trustees are accountable should have rights to appoint the Trustees. That might even reduce accountability through bringing the Monitoring Group closer to the IASCF Trustees. It could also interfere with the wider duties of the Trustees.

Q4: Given the proposed creation of a Monitoring Group, would there be a continued need for the Trustee Appointments Advisory Group in the selection of Trustees? If so, what should be the role and composition of the Trustees Appointments Advisory Group?

Yes, we believe that there is still a need for the Trustee Appointments Advisory Group since as stated above; we do not believe the Monitoring Group should have control of the appointments process.

Q5: 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 accept the expansion of the IASB's membership to 16 members, but believe that any further expansions would prove unworkable. There is a risk that further expansion could make it impossible for the Board to continue to operate as a single body for decision-making, which is undesirable.

Q6: Do you agree with the geographical formulation suggested by the Trustees?

We would support the broad statements about seeking candidates with professional competence, practical experience and geographical diversity. However paragraph 26 is very prescriptive about geographical composition, yet vague in its meaning. It says 'members from' but it is not clear what this really means: does it link to the passport they hold, where they live, or their main place of business? This very prescriptive approach might best be replaced by the principle-based criterion of ensuring that there is "an appropriate balance of professional competence, practical experience and geographical diversity" – such a balance would be ensured by the IASCF Trustees and now overseen by the Monitoring Group.

Q7: The Trustees are suggesting that the Constitution should provide flexibility on the matter of part-time membership. Do you support that proposal?

We believe that the current practical experience of part-time board members is an asset to the IASB. The IASB is sometimes accused of being too academic or theoretical – which might be compounded by the majority of full time members often with lengthy terms up to 10 years. However the IASB's current work programme and method of operation certainly seem to require a full time commitment from most Board members. On balance, therefore, flexibility as to the number of part-time members would seem to be the best approach.

Yours sincerely



AMY HUTCHINSON
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Secretary to the Accounting Standards Committee