

30 November 2009

Ms Tamara Oyre
Assistant Corporate Secretary
IASCF Foundation
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UNITED KINGDOM

By email: toyre@iasb.org

Dear Ms Oyre

IASCF Foundation Part 2 of the Constitution Review: Proposals for Enhanced Public Accountability

Thank you for the opportunity to comment on the IASCF Foundation Part 2 of the Constitution Review: Proposals for Enhanced Public Accountability (the Paper). CPA Australia, the Institute of Chartered Accountants in Australia and the National Institute of Accountants (the Joint Accounting Bodies) have considered the Paper and our comments follow.

The Joint Accounting Bodies represent over 180,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government, academia throughout Australia and internationally.

The Joint Accounting Bodies consider the periodic review of the IASCF Constitution important.

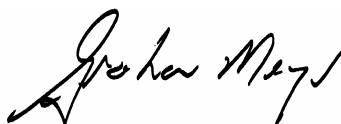
Our detailed comments are set out in the appendix, but we wish to draw attention to our comments re the accelerated due process. The Joint Accounting Bodies would support an accelerated due process with a minimum exposure period of one month. We would not support a lesser exposure period. This procedure would be the only mechanism for the issue of new standards other than the "normal" due process. This procedure would be used in rare circumstances with approval from the Trustees. A lesser exposure period strikes at the heart of transparency and independence of the process – and unnecessarily puts at risk acceptance of the outcomes.

If you have any questions regarding this submission, please do not hesitate to contact either Mark Shying (CPA Australia) at mark.shying@cpaaustralia.com.au, Kerry Hicks (The Institute) at kerry.hicks@charteredaccountants.com.au or Tom Ravlic (NIA) at tom.ravlic@nia.org.au.

Yours sincerely



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Question 1

The Trustees seek views on the proposal to change the name of the organisation to the 'International Financial Reporting Standards Foundation', which will be abbreviated to 'IFRS Foundation'.

The Trustees also seek views on the proposal to mirror this change by renaming the International Accounting Standards Board (IASB) as the International Financial Reporting Standards Board, which will be abbreviated to 'IFRS Board'.

Do you support this change in name? Is there any reason why this change of name might be inappropriate?

The Joint Accounting Bodies understand the rationale for the proposed name changes. Accordingly, we support the change of name of the IASC Foundation to the IFRS Foundation and the IASB to the IFRS Board, subject to the costs involved in making the change being reasonable.

Question 2

The Trustees seek views on the proposal to replace all references to 'accounting standards' with 'financial reporting standards' throughout the Constitution. This would accord with the name change of the Foundation, the Board and the formal standards developed by the IASB-International Financial Reporting Standards (IFRSs).

Do you support this change?

The Joint Accounting Bodies support the change, subject to the costs involved in making the change being reasonable.

Question 3

The Trustees seek views on their proposal to change section 2 as follows:

The objectives of the IASC IFRS Foundation are:

- (a) to develop, in the public interest, a single set of high quality, understandable, and enforceable and globally accepted accounting financial reporting standards that require high quality, transparent and comparable information in financial statements and other financial reporting to help participants in the world's capital markets and other users make economic decisions;
- (b) to promote the use and rigorous application of those standards;
- (c) in fulfilling the objectives associated with (a) and (b), to take account of emerging economies and, as appropriate, the special needs of small and medium-sized entities and emerging economies; and
- (d) to bring about convergence of national accounting standards and International Accounting Standards and International Financial Reporting Standards (IFRSs, being the standards and interpretations issued by the IFRS Board) to high quality solutions.

Do you support the changes aimed at clarity?

The Joint Accounting Bodies agree with clarity. However, we note that the proposed changes to achieve clarity are very limited. We consider this is a missed opportunity – accordingly, we do not support the proposed changes.

A constitutional document should be sufficiently flexible to stand the test of time (as is acknowledged elsewhere in the Paper at page 26). A pure focus on capital markets is not appropriate, as it is not helpful to those jurisdictions that have adopted sector neutral standards when applying IFRSs (as

have Australia and New Zealand). Further, the Joint Accounting Bodies strongly suggest that a principles based approach to the development of standards is essential to achieving the highest quality outcomes. We believe a reference to principles is necessary.

Question 4

The Trustees seek views on the proposal to amend section 3 of the Constitution as follows:

The governance of the ~~IASC~~ IFRS Foundation shall primarily rest with the Trustees and such other governing organs as may be appointed by the Trustees in accordance with the provisions of this Constitution. A Monitoring Board (described further in sections 18–23) shall provide a formal link between the Trustees and public authorities. The Trustees shall use their best endeavours to ensure that the requirements of this Constitution are observed; however, ~~they are empowered to~~ may make minor variations in the interest of feasibility of operation if such variations are agreed by 75 per cent of all the Trustees.

Do you support this clarifying amendment?

The Joint Accounting Bodies consider the importance of the Monitoring Board is best addressed by the inclusion of relevant materials re transparency in the Constitution instead of (or in addition to) the Memorandum of Understanding and the Charter.

Question 5

The Trustees seek views on the proposal to amend section 6 of the Constitution as follows to include one Trustee from each of Africa and South America:

All Trustees shall be required to show a firm commitment to the IFRS ~~IASC~~ Foundation and the IFRS Board ~~IASB~~ as a high quality global standard-setter, to be financially knowledgeable, and to have an ability to meet the time commitment. Each Trustee shall have an understanding of, and be sensitive to, the challenges associated with the adoption and application of high quality global ~~accounting~~ financial reporting standards developed for use in the world's capital markets and by other users. The mix of Trustees shall broadly reflect the world's capital markets and diversity of geographical and professional backgrounds. The Trustees shall be required to commit themselves formally to acting in the public interest in all matters. In order to ensure a broad international basis, there shall be:

- (a) six Trustees appointed from the Asia/Oceania region;
- (b) six Trustees appointed from Europe;
- (c) six Trustees appointed from North America; and
- (d) one Trustee appointed from Africa;
- (e) one Trustee appointed from South America; and
- (f) ~~(d) two~~ four Trustees appointed from any area, subject to maintaining ~~establishing~~ overall geographical balance.

Do you support the specific recognition of Africa and South America?

The Joint Accounting Bodies are supportive of the proposal. However, we believe it is important that the experience of jurisdictions in the adoption of the IFRS not be lost from the ranks of the Trustees.

Question 6

The Trustees seek views on the proposal to amend section 10 of the Constitution as follows to allow up to two Trustees to be appointed as vice-chairmen of the Trustees.

The Chairman of the Trustees, and up to two Vice-Chairmen, shall be appointed by the Trustees from among their own number, subject to the approval of the Monitoring Board. With the agreement of the Trustees, regardless of prior service as a Trustee, the appointee may serve as the Chairman or a Vice-Chairman for a term of three years, renewable once, from the date of appointment as Chairman or Vice-Chairman.

Do you support the constitutional language providing for up to two Vice-Chairmen?

The Joint Accounting Bodies support the proposal for up to two Vice-Chairmen.

Question 7

The Trustees seek views on the proposal to make no specific amendments to sections 13 and 15, but to address the valid and important concerns raised by commentators by way of enhanced accountability, consultation, reporting and ongoing internal due process improvements.

The Joint Accounting Bodies remain of the view that the holding of meetings in public would further enhance the transparency of the Trustee process. We also believe it is important that the way in which Trustees carry out their responsibilities and duties in accordance with sections 13 and 15 is consistent with protecting the independence of the IASB – in fact and perception.

Question 8

Section 28 would be amended as follows:

The ~~IASB IFRS Board~~ will, in consultation with the Trustees, be expected to establish and maintain liaison with national standard-setters and other official bodies ~~concerned with an interest in standard-setting~~ in order to ~~assist in the development of IFRSs and to promote the convergence of national accounting standards and International Accounting Standards and International Financial Reporting Standards~~ IFRSs.

Do you support the changes aimed at encouraging liaison with a broad range of official organisations with an interest in accounting standard-setting?

The Joint Accounting Bodies support liaison. However, we note that the proposed amendments are very limited. We consider this is a missed opportunity – accordingly, we do not support the proposed changes.

The Joint Accounting Bodies believe that close collaboration is required with the standard setting bodies of IFAC (the IAASB and the IPSASB). Our preference is for section 28 to be expanded to refer explicitly to the IAASB, the IPSASB, and the International Valuations Standards Committee without limiting collaboration to these bodies.

Question 9

The Trustees seek views on the proposal to amend section 30 of the Constitution as follows to permit the appointment of up to two Board members to act as vice chairmen of the IASB.

The Trustees shall appoint one of the full-time members as Chairman of the IASB IFRS Board, who shall also be the Chief Executive of the IASB IFRS Foundation. ~~One~~ Up to two of the full-time members of the IASB IFRS Board shall may also be designated by the Trustees as a Vice-Chairman, whose role shall be to chair meetings of the IASB IFRS Board in the absence of the Chairman or to represent the Chairman in external contacts in unusual circumstances (such as illness). The appointment of the Chairman and the designation as Vice-Chairman shall be for such term as the Trustees decide. The title of Vice-Chairman would not imply that the ~~individual member~~ (or members) concerned is (or are) the Chairman-elect.

The Joint Accounting Bodies support the proposal to amend Section 30 of the Constitution.

Question 10

The Trustees seek views on the proposal to amend section 31 to allow for altered terms of appointment for IASB members appointed after 2 July 2009.

The proposed amendment is to allow for Board members to be appointed initially for a term of five years, with the option for renewal for a further three-year term. This will not apply to the Chairman and Vice-Chairman, who may be appointed for a second five-year term. The Chairman or Vice-Chairman may not serve for longer than ten consecutive years.

The proposed amendments to section 31 are as follows:

Members of the IASB IFRS Board appointed before 2 July 2009 shall be appointed for a term of up to five years, renewable once for a further term of five years. Members of the IFRS Board appointed after 2 July 2009 shall be appointed initially for a term of up to five years. Terms are renewable once for a further term of three years, with the exception of the Chairman and a Vice-Chairman. The Chairman and a Vice-Chairman may serve a second term of five years, but may not exceed ten years in total length of service as a member of the IFRS Board.

Do you support the change in proposed term lengths?

The Joint Accounting Bodies do not oppose the proposal.

Question 11

The Trustees seek views on the proposal to insert in section 37 (to become section 38) of the Constitution an additional subsection as follows to allow the Trustees, in exceptional circumstances, to authorise a shorter due process period. Authority would be given only after the IASB had made a formal request. The due process periods could be reduced but never dispensed with completely.

The IASB IFRS Board shall:

- (a) ...
- (b) ...
- (c) in exceptional circumstances, and only after formally requesting and receiving prior approval from the Trustees, reduce, but not eliminate, the period of public comment on an exposure draft below that described as the minimum in the Due Process Handbook.

The Joint Accounting Bodies would support an accelerated due process with a minimum exposure period of one month. We would not support a lesser exposure period. This procedure would be the only mechanism for the issue of new standards other than the “normal” due process. This procedure would be used in rare circumstances with approval from the Trustees. A lesser exposure period strikes at the heart of transparency and independence of the process – and unnecessarily puts at risk acceptance of the outcomes.

Question 12

The Trustees seek views on the proposal to amend section 37(d) (to become section 38) of the Constitution as follows to expressly provide that the IASB must consult the Trustees and the SAC when developing its technical agenda.

The ~~IASB~~ IFRS Board shall:

- (d) ~~(e)~~ have full discretion in developing and pursuing the technical agenda of the ~~IASB~~ IFRS Board, after consulting the Trustees (consistently with section 15(c)) and the SAC (consistently with section 44(a)), and over project assignments on technical matters: in organising the conduct of its work, the ~~IASB~~ IFRS Board may outsource detailed research or other work to national standard-setters or other organisations;

The Joint Accounting Bodies do not support the proposal that the IASB must consult with the Trustees when developing its technical agenda. Any direct or indirect involvement of the Trustees in the IASB’s agenda development process might jeopardise the independence, as well as the perceived independence o, of the IASB.

However, the Joint Accounting Bodies do support the proposal that the IASB must consult with the SAC.

Question 13

Trustees seek views on the proposal to make no amendment to sections 44 and 45 (renumbered as 45 and 46), which are the provisions relating to the SAC, at this time.

The Joint Accounting Bodies support the proposal.

Question 14

The Trustees seek views on the proposal to amend section 48 by removing specific staff titles and replacing it with the term ‘the senior staff management team’. Accordingly section 49 should be deleted. The Trustees also seek comment on the proposal to update the Constitution by removing all historical references that relate to when the organisation was established in 2001.

The Joint Accounting Bodies do not oppose the proposals.

Other comments

The Joint Accounting Bodies believe it is important that a funding structure that is founded on government funding on a global basis (of jurisdictions that use or allow IFRS) be adopted. We believe government funding can further assist the development of governance and independence structures (in fact and in perception) and is therefore critical to the ongoing acceptance and continued take-up of IFRSs.