

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

Our Ref: TECH-CDR-897

23 November 2009

Dear Ms Oyre

### **Proposals for enhanced public accountability**

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

#### **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?*

ACCA response

We agree with these name changes as logical and supportive of 'IFRS' as the main brand.

#### **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?*

ACCA response

We agree with these changes.

### **Question 3**

*The Trustees seek views on their proposal to change section 2 so that it reads as follows:*

*The objectives of the IFRS Foundation are:*

- (a) to develop, in the public interest, a single set of high quality, understandable, enforceable, and globally accepted 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*
- (d) to bring about convergence of national 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?*

ACCA response

We agree with all of the objectives stated. We welcome the re-phrasing concerning emerging economies and SMEs.

We propose two further key references which should be in these objectives

- Accountability as an objective of equal prominence as economic decision-making
- The development of principle based standards

On the first of these in our response to the IASB's exposure draft of Phase A of the Conceptual Framework project, we emphasised the need for the aims of financial reporting to include the stewardship of management and their accountability to owners, as well as the primary stated aim of providing decision-useful information to capital providers. In this respect we certainly believe that the Constitution, which should be wholly consistent with the Framework, should also emphasise this objective.

On the second we believe that it is in the interests of all stakeholders, that the standards developed are principles-based and do not add excessive complexity to the financial reporting process. Indeed developing global standards cannot deal with every possible issue that might arise in different jurisdictions and contexts and principle based standards are the only realistic way of proceeding.

We also note that the issues of appropriate accounting standards for not-for-profit entities are becoming increasingly important and that at present neither the IASB via IFRS nor the International Public Sector Accounting Standards Board are covering these entities. We note that there is an element of the conceptual framework project at IASB which might consider the general issue at some point in the future. The accounting by not-for-profits is an important gap in the standards which the IASB should be addressing with more urgency.

#### **Question 4**

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

***The governance of the 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) will 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 may make minor variations in the interest of feasibility of operation if such variations are agreed by 75 per cent of the Trustees.***

***Do you support this clarifying amendment?***

ACCA response

We support this amendment.

***Question 5***

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

***All Trustees shall be required to show a firm commitment to the IFRS ~~IASB~~ 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 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?***

ACCA response

We agree with the need to maintain for the trustees an equitable balance between different backgrounds in terms of experience, but also in terms of geographical origin. We agree with the specific recognition of Africa and South

America. This geographical balance should be kept under review and its rationale should be made clear (presumably around GDP, stock market capitalisation, population etc.).

### **Question 6**

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

***The section would therefore read as follows:***

***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?***

### **ACCA response**

We agree with the need for the raising of greater awareness among constituents of the work of the Trustees and therefore for more communication with stakeholders. Creating vice-chairmen may assist in that process. We are aware, however, that this does raise the likely term that up to 3 of the 22 trustees might serve from a maximum of six years to a maximum of twelve years each. This seems a long time for service on such a body. While there are legitimate needs for continuity and for experience before taking on the chairmanship or vice-chairmanship, we would prefer a standard shorter period.

Our proposal is for three terms of three years each for all trustees regardless of whether they are appointed as Chairman or as a Deputy Chairman. Our views reflect the spirit of the UK's Combined Code as it applies to non-executive directors of public companies.

### **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.***

*ACCA response*

The maintenance of the highest standards of governance and of due process in the work of the IASCF remains in our view critical. We have concerns over the agenda of the IASB which we cover under Q12 below.

We would like to emphasise two other aspects of the development of the organisation as a global standard setter. Firstly the funding should be further developed along the lines that the Trustees have set.

Secondly more resources need to be deployed in improving the access to the standards on a global basis. That in turn means making all relevant IASB material connected with the standards freely available via the website. Also more resources need to be devoted to the translation of material into languages other than English.

### ***Question 8***

***As amended, section 28 would read 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?***

*ACCA response*

We agree with the IASB liaising with other official bodies with an interest in standard setting. These liaison relationships should not however take on any greater significance than that and that there should not be arrangements where standard setting, or some aspect thereof, should be devolved in effect to others. Relations with national standard setters may need to be kept under review as

the increasingly global nature of accounting standards for all sorts of companies may diminish over time the role and resources of national standard setters.

### Question 9

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

***This section would read as follows:***

***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 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 individuals members) concerned is (or are) the Chairman-elect.***

ACCA response

We agree with these proposals. To an even greater extent we see the need for IASB to communicate better with stakeholders and the appointment of vice-chairmen may help in this process.

### 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 section would read 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?***

*ACCA response*

We do not agree with these proposals. We would prefer a consistent basis for the appointment and term of office for all board members without distinction between those appointed as Chairman or Vice-Chairman. Our proposal is for three terms of three years each for IASB members, based on the need for regular refreshment of the board as well as having a consistent review period for all trustees and board members of three years, which we consider to be best practice..

We would reiterate our concerns that the criteria for board membership still need to be revised to give greater weight to recent practical experience as a preparer, user or auditor of financial statements (especially IFRS statements) and also to good communication skills with stakeholders.

### **Question 11:**

***The Trustees seek views on the proposal to amend section 38(c) of the Constitution 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 section would read as follows:***

***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.

ACCA response

We agree with the proposed wording.

### Question 12

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

*The section would read as follows:*

*The IASB IFRS Board shall:*

(a)...

(b)...

(c) ...

(d) 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

ACCA response

We do not consider these proposals are adequate for IASB's role as a global standard setter. The IASB's decisions to pursue convergence agendas with the FASB have more than anything else illustrated this problem. These strategic agreements have had major impacts on IASB's work and on their constituents and these decisions were taken without public consultation.

It would be in the public interest and that of constituents to allow for greater input into the IASB Work Plan. To ensure that the projects undertaken by the IASB are considered to be significant enough to warrant attention and are

relevant to the widest range of stakeholders, we believe that an annual review and consultation on the Work Plan should be an integral part of the due process. As part of this, the Board should retain the ability to deal with emergency or urgent issues during the year, as required.

We believe that the views of constituents would be extremely helpful in terms of prioritising the Work Plan, and would therefore propose a regular public consultation, which not only considers future projects, but also the necessity of existing projects. This could be an annual exercise, to ensure that the agenda's relevance to stakeholders is maintained.

It is essential that the standards developed by the IASB carefully consider the impact they will have on all stakeholders. Proposals for new standards and significant changes to existing standards should be fully supported by relevant research to demonstrate the case for change, rigorous field-testing of practicality of proposals and analysis of impacts. Equally, the cost-benefit of relatively minor changes should also be considered carefully. There can be considerable cost for many stakeholders in terms of understanding and applying changes to standards, and it is essential that the benefits are evident, before they are considered.

We do not see that this public consultation would compromise the independence of the IASB. What is critical to maintain is IASB's independent judgment on the accounting standards themselves and this would not be damaged by consultation on the potential subjects to be considered. In this regard their judgments on the standards are not deemed to be compromised by public consultation before they are finalized.

We support the requirement for the IASB to consult with the Trustees and the Standards Advisory Council (SAC), but do not consider this an adequate substitute for public consultation. It is not possible for the SAC with 30 members to represent stakeholders on a global basis.

### **Question 13**

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

*ACCA response*

No further changes to the constitution of the SAC should be made at this time, but it should be reviewed with the benefit of some experience of the working of the new arrangements.

**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.***

ACCA response

We agree with these changes.

If there are any matters arising from the above please be in touch with me.

Yours sincerely



Richard Martin  
Head of financial reporting

[richard.martin@accaglobal.com](mailto:richard.martin@accaglobal.com)