

The Trustees  
International Financial Reporting Standards Foundation  
30 Cannon Street  
London  
EC4M 6XH

24 February 2011

Dear Sirs

### **Strategy review**

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

We will also be responding in due course to the consultation launched by the Monitoring Board which to some extent covers the same ground as this. The IFRS Foundation needs to act in a co-ordinated way on the results of these two consultations.

### **ACCA's answers to IFRS Foundation's questions**

#### **Mission (Q1 and 2)**

The problem with the current mission statement in the constitution is that it is open to different interpretations as to whose needs are primarily driving the development of the standards – the participants in the capital markets or "other users" who might include prudential regulators for example.

The advantages equally are that it is flexible to accommodate the known variety of actual users and does not place one group as pre-eminent.

We note in terms of objectives that

- The category of “other users” should not be eliminated from the constitution as it recognises the variety of users that have been shown to be consumers of the information in financial statements, and it also recognises that IFRS are widely used outside the capital markets and this underpins the work of the IASB in developing the IFRS for SMEs for example.
- Both informing capital markets and helping maintain financial stability are both in the public interest
- To a great extent the objectives of information for capital markets and for prudential regulation are in line, though not entirely.
- To a great extent both can be assisted by IFRS as a common basis for financial information.
- However prudential regulators will need more than the information provided by IFRS and they have the ability to specify and obtain it.
- Market participants cannot in most circumstances do so and the reputation for transparency is vital for their confidence to rely on the information
- The two groups may have different objectives in some respects and therefore there will be cases of conflict and in those circumstances the needs of the market participants should be overriding when it comes to IFRS.
- IFRS main contribution to financial stability should be through ensuring the efficient functioning of the capital markets in all circumstances, even if it seems to be in the nature of these markets at times to overreact to both negative and positive developments

### Governance (Q3 and 4)

The IASB as the independent standard setter, the Trustees and the Monitoring Board form the current three tier structure of the IFRS Foundation. This is arguably a bit complex and if the principal issues in the governance of global standard setting are the need to balance the independence of the standard setter and its accountability to the public interest then this would ideally be met by a two tier structure. Namely an independent standard setting board and a single oversight body that might be rather different from the present trustees, probably with mainly a composition from political authorities or their direct agencies and so more like the Monitoring Board.

However in our view the three tier structure including the oversight by the Trustees should continue because

- while the funding is provided by a wide range of market participants then oversight should reflect that
- otherwise the independence of the standard setter would not be sufficiently protected by this and the market participants (who are represented by the Trustees) might not have sufficient confidence in the quality of the standards produced.

Maintaining the current three tier structure will create issues with the relative roles of the Trustees and Monitoring Board especially when it comes to the responsibility for the direction of development of IFRS.

### **Process (Q5 and 6)**

The determination of the agenda of the IASB is a critical factor and the need for regular consultation with its constituents on this is vital.

The process for agenda decisions should recognise that

- IFRS are a largely comprehensive system
- To a large extent are now adopted globally
- The case for changes or additions therefore needs to be clearly justified on the basis of evidence
- The main drivers of the future agenda should not be convergence with national systems of standards but on
  - the elimination of gaps
  - addressing serious failures
  - reducing complexity
- Changes need to be subject to identifying clear benefits over costs

We would agree that IASB should be looking to how they can assist with implementation and consistent application but their remit should remain with setting the standards and not their enforcement.

### **Financing (Q7)**

We support the essential characteristics of a funding system for global standards that have been identified by the trustees, that it should be

- Broad based
- Compelling
- Open ended
- Country specific

It is important that continuing progress is made to put in place such a system and move away from the current position where the IFRS Foundation would seem too dependent on voluntary contributions from certain interested parties towards publicly organised levies.

As a global standard setter IASB should allow free access to the standards and supporting material via its website. In the current environment it is not appropriate for users to have to pay for access, as they do at present. This is not a sustainable income stream for IASB and as soon as practicable the access fees should be replaced by other forms of funding.

### **Other issues (Q8)**

We re-emphasise our support for an independent standard setting board. The IFRS Foundation should continue on the present model of a board of mostly or all full-time members. There should, however, be changes to ensure

- The IASB members' terms of office to ensure recent experience
- the criteria for their selection to reflect a wider range of experience

IASB need to ensure that they are at the heart of the development of integrated reporting as that develops over the next year or two.

If there are any matters arising from the above that require further clarification, please contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R Martin', with a stylized flourish at the end.

Richard Martin  
Head of financial reporting