

Cover Note

Status report on IFRS Foundation Strategy Review

In April, the Trustees published a consultation document on their strategy review. The Trustees released the consultation document at the same time as the publication of the Monitoring Board and the Trustee joint statement on co-ordination of their respective reviews. For a copy of the Trustees' strategy review document, see http://www.ifrs.org/NR/ronlyres/A490566E-EFF5-4F27-8DEF-D2ECCF9C5FFF/0/Trustees_Strategy_Review_2011.pdf. The consultation period closes on 25 July 2011.

In addition to the formal comment letter process, the Trustees have sought input from the IFRS Advisory Council at their 21 June meeting and at a series of six round table sessions in Tokyo (2 panels), Hong Kong, New York, and London (2 panels). Monitoring Board representatives participated in those round table sessions as observers. Broadcasts of those round tables are posted on the IFRS Foundation Website, and summaries are in the process of being posted. Summaries of the discussion at each round table session are attached to this paper.

The IFRS Foundation Trustees have yet to deliberate on any of the advice received and will only do so after the comment letters are received. However, a few common themes have emerged from the round table sessions.

On the strategy review process

- **Appreciation of steps taken to co-ordinate the reviews:** Participants emphasised the need to co-ordinate the outcome of the Monitoring Board's governance review and the Trustees' strategy review. They viewed the recent joint statement as a positive development, which clarified the position.
- **General support of the recommendations:** Nearly all participants highlighted support for the recommendations in the Trustees' strategy review document, but emphasised the challenge would be in the execution of the proposals in the strategy review.

Mission

- **Support of the emphasis on investors and the commitment to co-ordinate with other stakeholders:** Nearly all commentators supported the Trustees' articulation of the purpose of financial statements and standard-setting activities, which emphasised that these standards should serve investors and other market participants in their economic and resource allocation decisions. At the same time, most agreed that the IASB can best account for differing perspectives, including the needs of a range of sizes and types of entities in diverse economic settings, through effective stakeholder engagement with a broad range of parties as part of the IASB's due process.

- **Adoption as the end goal embraced:** There was widespread agreement that full adoption of IFRSs should be the end goal, though recognition that achieving that objective may take some time. Even though the document acknowledges the benefit of convergence in achieving adoption of IFRSs, some commentators called for greater flexibility in the language to permit a longer convergence timeline.
- **General acceptance of a scope focused on private sector companies, but a desire for a timeline to consider not-for-profit accounting:** Commentators supported the continued immediate focus on accounting on private sector companies. However, a few commentators sought a clear indication of the Foundation's intentions on not-for-profit reporting.

Governance

- **Strong support for the three-tier governance structure, with clear definition of roles and responsibilities:** There was nearly unanimous support for the current three-tier structure, with nearly all calling for further definition of the roles and responsibilities of each tier.
- **Emphasis on the need for the Trustees to be more visible in their oversight function and the defence of the IASB's independence:** Consistent with the recommendations in the report, round table participants called for the Trustees to play a more visible role in conducting their oversight of the IASB's due process and in defending the independence of the IASB's independence.

Process and procedures of the Foundation and the IASB

- **Broad support for the oversight recommendations:** There was universal support for the enhanced role of the Trustee Due Process Oversight Committee and the hiring of dedicated support staff, as set out in the paper. At the same time, some expressed concern that too much formalised process and oversight may undermine the efficiency of the standard-setting process. In this context, commentators urged a balanced approach.
- **Emphasis on the need for field testing and post-implementation reviews:** Commentators supported the Trustee recommendation in this regard, but emphasised the importance of these steps in the IASB's due process.
- **Concern regarding the consistency of application:** Participants highlighted concern on the need to assure consistent application. They agreed that utilising a network of regulators, standard-setters, accounting associations, and audit firms offered the best way of helping in this regard.
- **Emphasis on national and other standard-setting bodies:** Widespread support for the continued use of national standard-setters and other bodies, such as regional bodies, exists.
- **Call for greater definition of the IFRS Advisory Council's role:** Many expressed a more explicit role of the Advisory Council in assisting the IASB in setting its agenda priorities and in advising the Trustees in their oversight capacity.

- **Caution on the elevation of XBRL:** While many commentators supported the IFRS Foundation's role in developing an IFRS XBRL taxonomy, nearly all cautioned the Trustees on their recommendation to integrate XBRL into the formal standard-setting process. Many viewed XBRL as a complementary, but secondary activity, that should not impair the ability of the IASB to make the necessary standard-setting decisions.

Funding

- **Agreement on the funding principles in the strategy review paper:** There was widespread agreement on the need to implement the funding model described in the paper.

Next steps

With the benefit of the comments received from the round table sessions, meetings with the IFRS Advisory Council and IASB members, and the comment letters, staff provide an analysis of the feedback in August. The Executive Committee will need a meeting to consider the comments.

Additionally, staff will continue their co-ordination with the Monitoring Board secretariat to discuss points of co-ordination.

Finalisation of the strategy review requires full Trustee approval.