

International Financial Reporting Standards

IFRS Foundation: Review of Structure and Effectiveness

IFRS Advisory Council meeting
2 November 2015

The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation.

Purposes of this session

- To present issues covered in the Request for Views (RfV) consultation document on the review of the structure and effectiveness of the Foundation.
- To follow up the Council's discussion on the draft RfV at its June 2015 meeting by seeking views and comments on the questions in the RfV (in the 3 break-out groups A-C).
- To encourage responses to the RfV – available at: http://www.ifrs.org/About-us/IFRS-Foundation/Oversight/Trustees/Documents/WEBSITE_IFRS-Foundation-Trustees-Review%20-of-Structure-and-Effectiveness_JULY-2015.pdf. (reproduced as AP1B)

- Outlined to the Council at its June 2015 meeting, but as a reminder...
- The starting point: the Strategic Overview 2015-17 which contains four primary strategic goals for the organisation as follows:
 - (1) to develop, in the public interest, a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles;
 - (2) to pursue the global adoption of IFRS;
 - (3) to support the consistent application and implementation of IFRS globally; and
 - (4) to ensure that the IFRS Foundation, as an organisation, is independent, stable and accountable.
- Consultation document takes each of the four goals in turn, outlining what the review covers and what it does not, given achievements to date. Emphasis is on goals (1), (3) and (4).

Areas for review: Strategic goal 1 - focus on relevance

- Relevance discussion in the consultation document seeks views on:
 - Which entities should the IASB's work cover? Public sector (proposal: no, given IPSASB); private not-for-profits (seeking views).
 - IASB's place re wider corporate reporting (proposal: active role, but not at the forefront).
 - IFRS Taxonomy (seeking views on Taxonomy strategy, including integration into the Standard-setting process).
 - Technological developments ('Big data' etc) in the context of general purpose financial reporting (seeking views).

Strategic goal 1: questions for break-out sessions

- **Group 1** - What are your views on whether the IASB should extend its remit beyond the current focus of the organisation to develop Standards; in particular for entities in the private, not-for-profit sector?
- **Group 1** - Do you agree with the proposal that the IASB should play an active role in developments in wider corporate reporting through co-operation with other bodies such as the IIRC?
- **Group 3** - Do you agree with the Foundation's strategy with regard to the IFRS Taxonomy? How can the IASB best support regulators in their efforts to improve digital access to general purpose financial reports to investors and other users?
- **Group 3** - Do you have any views or comments on whether there are any other steps the IASB should take to ensure that it factors into its thinking changes in technology in ways in which it can maintain the relevance of IFRS?

Strategic goal 3: support the consistent application and implementation of IFRS

- Trustees' view is that this is a main theme of the review.
- Request for Views document outlines the Foundation's efforts in this area and progress made:
 - clear, understandable and enforceable Standards;
 - guidance consistent with a principle-based approach to standard-setting;
 - co-operation with securities regulators, audit regulators, national accounting bodies and national standard-setters;
 - work of the Interpretations Committee;
 - education activities in support of consistent application;
 - Post-Implementation Reviews.

Strategic goal 3: questions for break-out sessions

- **Group 1 -**
- What are your views on what the Foundation is doing to encourage the consistent application of IFRS, as summarised on the previous slide?
- Considering resourcing and other limitations, do you think that there is anything more that the Foundation could and should be doing in this area, including:
 - scope for enhancing co-operation with others;
 - enhancing work of Education Initiative in this area?

Strategic Goal 4: Areas for review

- Governance and funding – seeking views on:
 - functioning of the three-tier governance structure of Monitoring Board, Trustees and IASB (but not the structure itself);
 - geographical distribution of Trustees and their professional backgrounds;
 - focus and frequency of future reviews;
 - size of the IASB, balance of professional backgrounds and terms of appointment;
 - functioning of the Foundation’s funding model.

Strategic goal 4: questions for break-out sessions (governance and funding general)

- **Group 2 -**
- Do you have any suggestions as to how the functioning of the three-tier structure of the governance of the Foundation might be improved?
- Do you agree with the proposal to change the focus of Trustee reviews to one of **strategy** and effectiveness, to take place every five years after the completion of the previous review?
- Do you have any suggestions as to how the functioning of the Foundation's funding model might be strengthened, taking into consideration the limitations on funding?

Strategic goal 4: questions for break-out sessions (Trustees)

- **Group 2 –**
- What are your views on the overall geographical distribution of Trustees and how it might be determined? Do you agree with the proposal to increase the number of ‘at large’ Trustee appointments from two to five?
- What are your views on the current specification regarding the provision of an appropriate balance of professional backgrounds of Trustees? Do you believe that any change is necessary and, if so, what would you suggest and why?

Strategic goal 4: questions for break-out sessions (IASB)

- **Group 2 –**
- Do you agree with the proposals to reduce the size of the IASB as set out in the *Constitution* from 16 members to 13 and the revised geographical distribution?
- Do you agree with the proposal to amend the *Constitution* on the balance of professional backgrounds on the IASB to be more flexible and emphasise the membership having the best available combination of technical expertise and experience?
- Do you agree with the proposal to amend the *Constitution* on the terms of reappointment of IASB members to provide for a second term of up to five years (rather than three years as at present)?

Responding and next steps

- Deadline for responses 30 November 2015.
- Respond via: <http://www.ifrs.org/About-us/IFRS-Foundation/Oversight/Trustees/Pages/Review-of-Structure-and-Effectiveness-Request-for-Views-and-Comment-Letters.aspx>.
- Comment letter summary scheduled to be presented to the Trustees at their January 2016 meeting.
- Update report to Council February 2016.
- Feedback analysis and issues, scheduled for the Trustees' May 2016 meeting, including:
 - proposals for Constitutional changes;
 - any implications in the light of responses to the IASB's Agenda Consultation; and
 - whether any further due process is necessary.

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