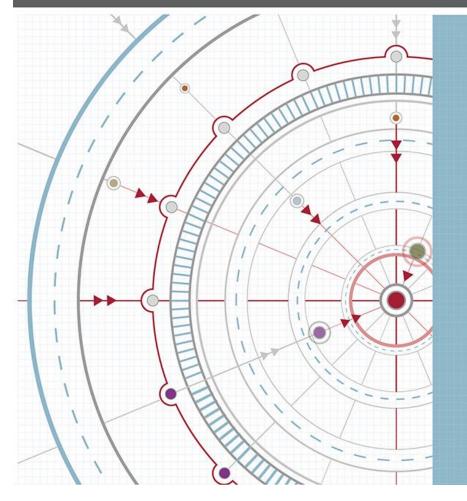
IFRS Advisory Council Meeting, October 2016 Agenda Paper 5

#### IFRS<sup>®</sup> Foundation



### Key performance indicators (KPIs) for the IFRS Foundation

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- 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. Pursue the global adoption of IFRS
- 3. Support the consistent application and implementation of IFRS globally
- 4. ensure that the IFRS Foundation, as an organisation, is independent, stable and accountable



Measuring performance/success metrics: What do we want them for?

- Metrics designed to:
  - -help guide our decision making;
  - help us to drive activity and track progress, on the organisational as well as the personal level
  - build on our strengths and identify areas for development;
  - provide and strengthen accountability to the Trustees, to the Monitoring Board, and to external stakeholders.



#### Measuring performance/success metrics: Constraints and Considerations

- Measuring *Effectiveness* Vs. *Efficiency*:
  - Some metrics can be quantified, many cannot.
  - Particularly difficult to quantify outcomes (measures of effectiveness).
  - Effectiveness often reflected in public perception and general reputation which are very challenging to measure

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- Measuring outcomes that do not entirely depend on the Foundation's activity:
  - External factors that impact performance (Vs. internal efforts)
  - Difficult to isolate impact of IFRS alone in outcomes other factors play a part eg quality of enforcement, wider regulatory and legal regimes etc.

### Focus today on effectiveness

- Performance measures that focus on efficiency are relatively easy to develop, as they tend to be quantitative and objectively measurable.
- The challenge where we would like your input is to develop measures that focus on effectiveness, which is more qualitative and subjective
- Focus on Strategic Goals 1 and 3



## Strategic goal 1: single set high quality of Standards

#### **Secondary Goals**

- Maintain and further enhance and develop IFRS
- Ensure IFRS serve the public interest
- Embed best professional practices
- Ensure relevance of IFRS is maintained

#### **Success metrics**

- Work plan: delivered + addresses priority issues, meeting quality control standards in Due Process handbook.
- Market participants acknowledge that IFRS achieve objectives. Evidence through surveys, studies, research
- **Recognition** of effective practices and processes
- Due process acknowledged as international benchmark
- Feedback on usefulness of information in IFRS financial reports



## Strategic goal 1: examples of evidence of success metrics

- Positive feedback to Agenda Consultation.
- Reports from investors and other market participants on usefulness and relevance of IFRS information financial reports eg CFA UK Annual Survey on Financial Reporting and Analysis.
- Conduct our own survey of investors and others eg regulators? (proposal elsewhere on the agenda for this meeting).
- Develop IFRS Research Centre and monitor relevant academic research to promote and assess evidence-supported standardsetting.
- Assessed as meeting best practice when benchmarking the organisation and our due process against appropriate frameworks and similar organisations.



## Strategic goal 3: consistent application of IFRS

### **Secondary Goals**

- Maintain an Effective
  Interpretation process
- Provide implementation support to IFRS adopters
- Further develop educational activities

#### **Success metrics**

- Interpretation committee
  considered as striking the right balance (responsiveness vs. principle base)
- Effective consultation networks
- Recognition on effective contribution of Education activity to consistency



## Strategic goal 3: examples of evidence of success metrics

- Measuring and monitoring increase in IC activity
- Undertake follow-up review of effectiveness of the Interpretations Committee.
- Post-Implementation Reviews (PIRs) reveal the Standards being reviewed have achieved the objective assigned to them in terms of improving the quality of financial reporting.
- Annual reports on IFRS enforcement and regulatory activities eg ESMA reveal evidence of good implementation and consistent application.
- Review MoUs: Positive reactions from MoU partners and consultation networks.
- Monitor periodic reports by regulators on enforcement of RSS

# Challenges on Strategic Goals 1 and 3

- How to measure high quality?
- Should standards be seen as successful if they are immediately applied, or if they are seen as challenging and change behaviour?
- Should we measure the level and consistency of application at the outset, or the way that the standards affect behaviour? Or both?



- How to balance the need for a rigorous and transparent due process with the need to develop and deliver standards promptly? (should the Foundation have an explicit KPI for the time it takes to develop a standard?)
- Can measures of effectiveness be SMART (Specific, Measurable, Attainable, Relevant and Timely). Is that desirable in standard setting?



Questions for the breakout discussion:

- 1. Do we have the right success metrics for assessing effectiveness on the two strategic goals?
- 2. Do we have the right examples of evidence?
- **3**. Should we focus on quantitative (SMART) measures or qualitative measures?
- 4. Should we have formal targets or measure trends?
- 5. What else should we consider?

**Note re organisation of breakouts**: Two breakout groups will discuss above questions in the context of strategic goal 1 (high quality standards) and the other two groups will discuss the same questions in the context of strategic goal 3 (consistent application of IFRS Standards)