

30th March 2009

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Chief Executive: Eamonn Siggins

Dear Tamara,

The Institute of Certified Public Accountants in Ireland welcomes the opportunity to comment on:

‘Review of the constitution: Identifying issues for Part 2 of the Review’

In response to specific questions asked, we would like to make the following comments:

1 Does the emphasis on helping ‘participants in the world’s capital markets and other users make economic decisions’, with consideration of ‘the special needs of small and medium-sized entities and emerging economies’, remain appropriate?

We are of the opinion that it should apply to **all** entities applying a True and Fair view and are unsure of the benefits of emphasising participants in the world’s capital markets.

2 Should the Constitution make specific reference to the emphasis on a principle-based approach?

Yes, we are of the opinion that in the absence of clear convergence with IASB and FASB the IASB should continue to base standards on clearly defined principles and the constitution should make reference to the principles based approach.

3 The Constitution and the IASB’s Framework place priority on developing financial reporting standards for listed companies. During the previous review of the Constitution some commentators recommended that the IASB should develop financial reporting standards for not-for-profit entities and the public sector. The Trustees and the IASB have limited their focus primarily to financial reporting by private sector companies, partly because of the need to set clear priorities in the early years of the organisation. The Trustees would appreciate views on this point and indeed whether the IASB should extend its remit beyond the current focus of the organisation.

We are of the opinion that The IASB should expand its remit and take responsibility for developing accounting standards for all entities, listed and non-listed including not for profit organisations. This in time will allow for one standard setter and reduce the need for National Standard Setters in addition to IASB.

4 There are other organisations that establish standards that are either based upon or have a close relationship with IFRSs. The IASC Foundation already recognises the need to have close collaboration with accounting standard-setting bodies. Should the Constitution be amended to allow for the possibility of closer collaboration with a wider range of organisations, whose objectives are compatible with the IASC Foundation's objectives? If so, should there be any defined limitations?

Subject to (3) above, should National Standard Setters remain, IASB collaboration should be as close as possible to take account of individual states requirements where this is deemed necessary as already recognised by the IASC foundation.

No comment.

Governance of the organisation

5 The first part of the review of the Constitution proposed the establishment a formal link to a Monitoring Group. Under this arrangement, the governance of the organisation would still primarily rest with the Trustees. Although the first part of the review has not yet been completed, the Trustees would welcome views on whether the language of Section 3 should be modified to reflect more accurately the creation of the Monitoring Group and its proposed role.

We are unable to comment as no information is provided on the Monitoring Group. However we agree the ultimate responsibility for standard setting should rest with the Trustees.

Trustees

6 The Trustees are appointed according to a largely fixed geographical distribution. Is such a fixed distribution appropriate, or does the current distribution need review?

Yes such a distribution is considered appropriate.

7 Sections 13 and 15 set out the responsibilities of the Trustees.

The intention of these provisions is to protect the independence of the standard-setting process while ensuring sufficient due process and consultation—the fundamental operating principle of the organisation.

In addition to these constitutional provisions, the Trustees have taken steps to enhance their oversight function over the IASB and other IASC Foundation activities. The Trustees would welcome comments on Sections 13 and 15, and more generally on the effectiveness of their oversight activities.

No Comment

8 The Trustees are responsible for ensuring the financing of the IASC Foundation and the IASB. Since the completion of the previous review of the Constitution, the Trustees have made progress towards the establishment of a broad-based funding system that helps to ensure the independence and sustainability of the standard-setting process. (For an update on the funding status, see <http://www.iasb.org/About+Us/About+the+IASC+Foundation/Funding.htm>)

However, the Trustees have no authority to impose a funding system on users of IFRSs. The Trustees would welcome comments on the progress and the future of the organisation's financing.

The funding of the IASB should come from member states or National Standard setters who impose funding requirements on the users of IFRS so as to protect the integrity of the funding system and the independence of the IASB from users of IFRS.

The Trustees should not have authority to impose funding directly on the users of IFRS.

In light of the current global failure of regulation this may need to be revisited after those issues have been addressed.

International Accounting Standards Board

9 Commentators have raised issues related to the IASB's agenda-setting process. The Constitution gives the IASB 'full discretion in developing and pursuing its technical agenda'. The Trustees have regularly reaffirmed that position as an essential element of preserving the independence of the standard-setting process. However, they would welcome views on the IASB's agenda-setting process and would appreciate it if, in setting out views, respondents would discuss any potential impact on the IASB's independence.

The technical agenda and standard setting process should take account of the changing market conditions and should take account of requests for developments in specific areas if requested by National Standard Setters or Governments.

In addition we are of the opinion that concrete evidence needs to be obtained from anonymously contributing entities as to the impact of amendments to existing standards or the introduction of new standards.

10 The Constitution describes the principles and elements of required due process for the IASB. The IASB's procedures are set out in more detail in the IASB Due Process Handbook. If respondents do not believe the procedures laid out in the Constitution are sufficient, what should be added? If respondents believe that the procedures require too much time, what part of the existing procedures should be shortened or eliminated? The Trustees would also welcome comments on recent enhancements in the IASB's due process (such as post-implementation reviews, feedback statements, and effect analyses) and on the IASB Due Process Handbook.

We are of the opinion that it would be desirable to commence Post Implementation Reviews within one year of the implementation of any new standard or any amendment to an existing standard. We are also of the opinion that the findings of any such review should be published in the form of a report within a reasonable time frame.

11 Should a separate ‘fast track’ procedure be created for changes in IFRSs in cases of great urgency? What elements should be part of a ‘fast track’ procedure?

In relation to question one, yes we agree that a separate ‘fast track’ procedure should be created for changes in IFRSs in cases of great urgency.

Standards Advisory Council

12 Are the current procedures and composition, in terms of numbers and professional backgrounds, of the Standards Advisory Council (SAC) satisfactory? Is the SAC able to accomplish its objectives as defined in Section 38?

Yes we believe the current procedures and composition, as above, to be satisfactory.

13 Attached to this discussion document are the terms of reference for the SAC, which describe the procedures in greater detail. Are there elements of the terms of reference that should be changed?

No.

Other issues

14 Should the Trustees consider any other issues as part of this stage of their review of the Constitution?

Any changes to the constitution of the IASB should take into account general market conditions. Need to also take account of the risk.

The Institute of Certified Public Accountants in Ireland hopes that these comments are beneficial to you and we would be happy to discuss any of the above with you.

Yours sincerely,

Declan Nestor
Chairperson, Financial Reporting Sub - Committee

