



February 21, 2011

Cliff: 240875

Via e-mail: [comm@ifrs.org](mailto:comm@ifrs.org)

The Trustees  
IFRS Foundation  
First Floor, 30 Cannon Street  
London, EC4M 6XH  
United Kingdom

Dear Trustees:

**RE: Status of Trustees' Strategic Review**

Thank you for the opportunity to comment on the Trustees' Strategic Review. The views expressed in this letter reflect the views of the Province of British Columbia (the Province). These views are based on a commitment to preparing financial statements that are understandable and meet the information and decision-making needs of the public and the Legislature acting on their behalf.

The Summary Financial Statements of the Province are prepared in accordance with Canadian Public Sector Accounting Board (PSAB) standards. Since the exposure draft relates to IASB standards, the Province will be impacted by the proposed revisions in the near future when several of our entities, which the Province accounts for on the modified equity basis, adopt IFRS in 2011. In addition, IPSASB and PSAB guidance may be impacted by IASB guidance in the future.

The IASB constitution includes the following objective: "These standards [IFRSs] should require high quality, transparent and comparable information in financial statements and other financial reporting to help investors, other participants in the world's capital markets and other users of financial information make economic decisions." The strategy review asks whether this objective should be subject to revision. The Province of BC believes this objective should be retained; however, the IASB and the IFRS Foundation Trustees' must place more emphasis on other users of financial information rather than just investors. Other users of financial statements include governments, government stakeholders, and not-for-profit entities and their stakeholders. These users are not currently well served by the IASB and their requirements should be acknowledged and acted upon by the IASB. In British Columbia, government business enterprises are required

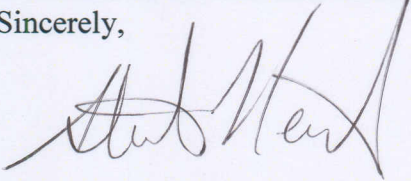
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by Canadian public sector GAAP to adopt IFRS. However, IFRS is not meeting the needs of these entities. The Province owns rate regulated entities which prepare their financial statements according to IFRSs under Canadian public sector GAAP. Canadian rate-regulated entities have been given a one year extension to their adoption of IFRS, however, this one year extension is insufficient for the IASB to address the accounting policy issues that face the rate-regulated industry as a consequence of adopting IFRS with fiscal years commencing on January 1, 2012. The Province requests that the IASB expedite its rate-regulated project so that accounting issues related to Canadian rate-regulated entities are resolved prior to them adopting IFRSs.

Responses to specific questions posed in the paper for public consultation are attached. Should you have any comments or questions, please contact me at 250 387-6692 or by e-mail: [Stuart.Newton@gov.bc.ca](mailto:Stuart.Newton@gov.bc.ca), or Carl Fischer, Executive Director, Financial Reporting and Advisory Services Branch, at 250 356-9272 or by e-mail: [Carl.Fischer@gov.bc.ca](mailto:Carl.Fischer@gov.bc.ca).

On behalf of the Province of British Columbia  
Sincerely,



Stuart Newton, CA, CIA  
Acting Comptroller General

Enclosure

cc: Graham Whitmarsh  
Deputy Minister  
Ministry of Finance

Sabine Feulgen  
A/Deputy Secretary to the Treasury Board  
Ministry of Finance

Carl Fischer  
Executive Director  
Financial reporting and Advisory Services

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Accounting Standards Board, Canada  
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**Mission: How should the organisation best define the public interest to which it is committed?**

**Question 1**

The current Constitution states, "These standards [IFRSs] should require high quality, transparent and comparable information in financial statements and other financial reporting to help investors, other participants in the world's capital markets and other users of financial information make economic decisions." Should this objective be subject to revision?

**Question 2**

The financial crisis has raised questions among policymakers and other stakeholders regarding the interaction between financial reporting standards and other public policy concerns, particularly financial stability requirements. To what extent can and should the two perspectives be reconciled?

The objective in paragraph 1 should be retained; however the IASB and the IFRS Foundation Trustees must place more emphasis on other users of financial information rather than just investors. Other users of financial statements include governments, government stakeholders and not-for-profit entities and their stakeholders. These users are not currently well served by the IASB and their requirements should be acknowledged and acted upon by the IASB. In British Columbia government business enterprises are required by Canadian public sector GAAP to adopt IFRS. However IFRS is not meeting the needs of these entities. The province owns rate regulated entities, which prepare their financial statements according to IFRSs under Canadian public sector GAAP.. Canadian rate regulated entities have been given a 1 year extension to their adoption of IFRS, however this one year extension is insufficient for the IASB to address the accounting policy issues that face the rate regulated industry as a consequence of adopting IFRS with fiscal years commencing on January 1, 2012. The province requests that the IASB expedite its rate regulated project so that accounting issues related to Canadian rate regulated entities are resolved prior to them adopted IFRSs.

With respect to paragraph 2 a key objective of IFRS is to ensure that an entity's financial statements fairly represent the financial position of the entity. In balancing the interaction between financial reporting standards and other public policy concerns, particularly financial stability requirements the Trustees should ensure that an entity's financial statements continue to fairly represent the financial position of the entity.

IFRSs result in entities preparing general purpose financial statements. In balancing the interaction between financial reporting standards and other public policy concerns, particularly financial stability requirements the Trustees should ensure that IFRSs continue to result in entities preparing general purpose financial statements. The Trustees should acknowledge there is a risk that the interaction between financial reporting standards and other public policy concerns, particularly financial stability requirements could result in entities preparing special purpose financial statements instead of general purpose financial statements.



**Governance: how should the organisation best balance independence with accountability?**

**Question 3**

The current governance of the IFRS Foundation is organised into three major tiers: the Monitoring Board, IFRS Foundation Trustees, and the IASB (and IFRS Foundation Secretariat). Does this three-tier structure remain appropriate?

**Question 4**

Some stakeholders have raised concerns about the lack of formal political endorsement of the Monitoring Board arrangement and about continued insufficient public accountability associated with a private-sector Trustee body being the primary governance body. Are further steps required to bolster the legitimacy of the governance arrangements (including in the areas of representation of and linkages to public authorities)?

The three tier governance of the IFRS Foundation should be assessed in light of the objective of the IASB expressed in paragraph 1. The IFRS Foundation as part of this strategy review should evaluate the three tier governance structure and ensure that it is meeting the requirements of all users of IFRS based financial statements **both** investors, other participants in the world's capital markets **and** other users of financial information.

The Monitoring Board is comprised of financial market regulators. It is likely that the Monitoring Board will unduly sway the IASB to meeting the needs of investors, and other participants in the world's capital markets. The IFRS Foundation must ensure the governance structure considers and protects the requirements of other users of financial information as well as meeting the needs of investors, other participants in the world's capital markets.

**Process: how should the organisation best ensure that its standards are high quality, meet the requirements of a well functioning capital market and are implemented consistently across the world?**

**Question 5**

Is the standard-setting process currently in place structured in such a way to ensure the quality of the standards and appropriate priorities for the IASB work programme?

**Question 6**

Will the IASB need to pay greater attention to issues related to the consistent application and implementation issues as the standards are adopted and implemented on a global basis?

We agree the IASB has a second to none standard setting process. However, there is still room for improvement. The IASB recently issued exposure documents, including this public consultation document, with comment periods of less than six months. The submission date of this exposure draft was extended after public complaints were made. The exposure draft on asset and liability offsetting and the supplement to the exposure draft on impairment were both issued

with comment periods that are less than 6 months. These consultation documents would be improved with an explanation of why they have been issued with less than a 6 month comment period. The supplement to the exposure draft on impairment, as of February 15, 2011, does not appear on the IASB's "Comment on a Proposal" web page. The IFRS Foundation must ensure that all documents open for public comment are in fact included on the "Comment on a Proposal" web page.

We agree the IASB will be required to pay greater attention to issues related to the consistent application and implementation issues as the standards are adopted and implemented on a global basis.

**Financing: how should the organisation best ensure forms of financing that permit it to operate effectively and efficiently?**

**Question 7**

Is there a way, possibly as part of a governance reform, to ensure more automaticity of financing?

We suggest that the IFRS Foundation establish a task force to assess financing options. The IFRS Foundation could subsequently issue an exposure document that outlines IASB and IFRS Foundation financing options. This exposure document should seek feedback from constituent about the financing of the IASB and IFRS Foundation.

**Other issues**

**Question 8**

Are there any other issues that the Trustees should consider?