



X July 2011

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Dear Tom

### **Setting a Strategy for the Foundation's Second Decade**

Thank you for the opportunity to comment on the Report of the Trustees' Strategy Review released in April 2011.

#### **A. Mission**

The AASB supports the purpose identified in the Report and considers that it could be strengthened by incorporating a specific reference to acting in the public interest.

#### ***IFRS brand***

The AASB supports the sentiments in the Report regarding adoption of IFRSs and considers this to be important in protecting the 'IFRS brand'. In this respect the AASB also supports the idea of having a mechanism to highlight instances where jurisdictions are asserting compliance with IFRSs without adopting IFRSs fully.

#### ***Transition arrangements***

The AASB notes that IFRS 1 *First-time Adoption of International Financial Reporting Standards* is intended to facilitate jurisdictions adopting IFRSs, but considers that in some circumstances it may be perceived to be a barrier to IFRS adoption because jurisdictions may have difficulty meeting the transitional provisions. Accordingly, the AASB considers that any review of the strategy for seeking to have more jurisdictions adopt IFRSs needs to involve a re-consideration of the role of IFRS 1.

There are dangers in trying to have jurisdictions adopt IFRSs before they are ready to do so and when they do not have domestic standard setting resources to support implementation. It is unavoidable that convergence processes will be needed, with encouragement from the IASB and the IFRS Foundation. Some would assert that a 'big bang' approach can work as an alternative to convergence. We doubt this.



The AASB notes that, in Australia's case, the process of converging with International Accounting Standards commenced in 1996 and that this was significant in enabling Australia to adopt IFRSs in 2005. In substance, this was not a 'big bang' approach. We doubt that European adoption was a 'big bang' approach in substance. Transition and transitional support are important.

### ***One set of standards for all entities***

The AASB considers that, ultimately, there should be one set of global standards that apply to all entities with public accountability or the equivalent notion in the private not-for-profit and public sectors. The AASB's standards incorporate IFRSs and Australian for-profit entities with public accountability that comply with those standards are IFRS compliant. The AASB's standards also include requirements that are specific to Australian entities, which in most instances apply to not-for-profit entities in the private and public sectors. Accordingly, the standards applying to all types of entities in Australia are IFRS or IFRS-based. The AASB encourages the Trustees to consider strategies that will help ensure high-quality standards apply across the globe to all types of entities and notes the need to consult with the International Public Sector Accounting Standards Board in this regard. If a wider view of public accountability is not achieved soon, it is the AASB's view that we will be sowing the seeds of another major convergence exercise that will need to be tackled in the future.

### ***Networks of national standard setters***

The AASB supports the strategy of having a network of national standard setters that can assist the IASB with developing high-quality standards, facilitate and help maintain adoption of IFRS and promote their consistent application. The AASB is active in the Asian-Oceanian Standard-Setters Group, which has as one of its aims the strengthening of national standard setters in the region in the interests of making a useful contribution to the work of the IASB and in promoting IFRS adoption. This process of regionalisation seems to be gathering momentum and should be considered by the Trustees and the IASB to determine the implications.

The AASB considers that consistent application/implementation of IFRSs is important and that working through national standard setters, and regional groupings thereof, will assist in this regard by helping to develop a better and more widespread understanding of the principles underlying the IFRSs. The AASB does not believe that development of a plethora of interpretations would be helpful in dealing with application/implementation issues.



## **B. Governance**

The AASB agrees that the independence of the IASB is of utmost importance in protecting the integrity of the due process and ensuring that IFRSs are regarded as being of a high quality.

The AASB considers the current structure to be generally appropriate and that it is essential the roles of the IASB, Trustees and Monitoring Board are clearly distinguished. The AASB considers the role of the Monitoring Board is to provide independent assurance as to whether the Trustees' oversight role in relation to the IASB is properly discharged and whether the IASB is operating as it should. In this regard, the AASB does not see the Monitoring Board as the 'top tier'; rather the AASB sees it as complementary to the two-tier structure comprising the Trustees and the IASB.

The AASB also considers that the IASB's independence and a sound governance framework are both crucial to attracting funding, particularly from governments.

## **C. Process**

The AASB welcomes further enhancements to the due process, including the reinforcement of the Due Process Oversight Committee and the greater involvement of national standard setters.

The AASB has been concerned about the IASB's increased use of targeted due process that may well suit the purposes of the IASB, but are difficult or impossible to match at the national level. The implication is that national standard setters with a required due process for their adoption of IFRSs may be unable to do so in the same timeframe as the IASB. Accordingly, the AASB is concerned that the delay between the IASB issuing a new or revised IFRS and the release of the relevant new or revised Australian standard will grow because we will need to undertake further due process after the IFRS is completed. That would frustrate the AASB's normal process of making a Standard available shortly after the relevant IFRS is issued and would deny local constituents with the opportunity to early adopt new and revised IFRSs as soon as feasible.

Accordingly, the AASB urges the IASB to make its due processes more inclusive of the wider, global constituency. The AASB acknowledges that national standard setters will also need to reconsider their own due processes to try to avoid gaps between final standards and materials used in domestic consultation. However, it is becoming clear that global standard setting is starting to go beyond the processes used at the domestic level. The AASB believes that all parties need to be conscious of this.



#### **D. Financing**

The AASB considers that, in principle, each jurisdiction applying IFRSs should share the cost of promulgating IFRSs. The basis for the amount of contribution could be proportional to jurisdiction's capacity for payment such as relative or per capita GDP.

Yours sincerely

Kevin M Stevenson  
Chairman and CEO

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