



Project:	IFRS Foundation Review	Meeting	AASB October 2015 (M148)
Topic:	Preliminary comments for discussion	Agenda Item:	8.1
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		Decision-Making:	High
		Project Status:	Initial drafting

Objective of this paper

- 1 The objective of this paper is to obtain Board decisions as to:
 - (a) the key comments to be included in the comment letter to the IFRS Foundation (the 'Foundation') in response to the Request for Views – *Trustees' Review of Structure and Effectiveness: Issues for the Review*; and
 - (b) the process for finalising the submission to the Foundation.

Background

- 2 In July 2015 the Foundation issued a Request for Views in relation to the Trustees' Review of Structure and Effectiveness. The Foundation is seeking comments by 30 November 2015. The Foundation's Constitution requires the Trustees to undertake a review of the structure and effectiveness of the organisation every five years¹.
- 3 The preliminary staff comments are outlined in the Appendix to this Agenda Paper.

Finalising the AASB submission to the Foundation

- 4 Staff will draft a submission to reflect Board member comments following the October 2015 meeting. Staff recommend that the AASB submission be finalised out-of-session by the Chair.

Question 1 to the Board

Do Board members agree with the staff recommendation for the AASB submission to be finalised out of session by the Chair?

¹ http://www.ifrs.org/About-us/IFRS-Foundation/Oversight/Trustees/Documents/WEBSITE_IFRS-Foundation-Trustees-Review%20-of-Structure-and-Effectiveness_JULY-2015.pdf (accessed 6 October 2015)

APPENDIX: DRAFT COMMENTS FOR DISCUSSION

Question 2 to the Board

Do Board members have any comments in relation to the specific matters for comment outlined below?

Primary Strategic Goal 1: Development of a single set of standards

Question 1

Considering the consequences referred to above, 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?

The AASB **agrees** that the IASB's remit should address entities beyond the current focus of private sector, for-profit entities. However, the AASB also notes that the current IFRS Foundation Constitution does not specifically *limit* the remit of the IASB to be only setting standards for private, for-profit entities.

The AASB acknowledges the Trustees' decision to not consider, at this stage, possible expansion of the IASB's scope to encompass financial reporting standards for the public sector due to the recent IPSASB Government Review. However, the AASB would like to highlight its continued support for the extension of the scope of the IFRS Foundation's Monitoring Board and Trustee activities to incorporate public sector accounting standard-setting.²

Question 2

Do you agree with the proposal that the IASB should play an active role in developments in wider corporate reporting through the co-operation outlined above?

The AASB **strongly agrees** with the proposal that the IASB should play an active role in developments in wider corporate reporting, including integrated reporting <IR>.

Question 3

Do you agree with the Foundation's strategy with regard to the IFRS Taxonomy?

² AASB's submission to the IPSASB Government Review Group:
http://www.aasb.gov.au/admin/file/content106/c2/AASB_Letter_Governance_Review_Group_IPSASB_Jan_2014.pdf (accessed 5 October 2015)

The AASB **agrees** with the shift in strategy to focus more on the Taxonomy, rather than the development of XBRL.

[Staff note to the Board: Staff will be liaising with ASIC staff to discuss whether the IASB's shift in strategy has any unintended consequences for the potential application of XBRL in Australia].

Question 4

How can the IASB best support regulators in their efforts to improve digital access to general purpose financial reports to investors and other users?

[Staff note to the Board: Staff will be liaising with ASIC staff to discuss this question.]

Question 5

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?

The AASB **supports** the Foundation's plans to undertake research about how technology is changing and how the IASB's development of the IFRS Taxonomy and its work on filing should respond to those changes. The AASB has no further comments at this stage.

[Staff note to the Board: Staff will be liaising with ASIC staff to discuss this question.]

Primary Strategic Goal 2: Global adoption of IFRS

[Staff note to the Board: The Review does not ask any specific questions in relation to his strategic goal.]

Primary Strategic Goal 3: Consistency of application and implementation

Question 6

What are your views on what the Foundation is doing to encourage the consistent application of IFRS? Considering resourcing and other limitations, do you think that there is anything more that the Foundation could and should be doing in this area?

[Staff note to the Board: Staff consider that the submission should express support for the Foundation's efforts to encourage consistent application of IFRS; however, concern should be expressed in relation to the operation and effectiveness of:

- *Transition Resource Groups;*

- *the IFRS Interpretations Committee. In particular in relation to the Committee's issuance of narrow-scope amendments.]*

Primary Strategic Goal 4: IFRS Foundation as an organisation

Question 7

Do you have any suggestions as to how the functioning of the three-tier structure of the governance of the Foundation might be improved?

[Staff note to the Board: Staff do not have any specific suggestions at this stage.]

Question 8

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?

The AASB **does not agree** with the overall geographical distribution of Trustees and considers that the geographical distribution should take into consideration not only representatives from the world's capital markets, but also from regions that have adopted IFRS. For example, six Trustees appointed from North America represents two jurisdictions, only one of which has adopted IFRS. Accordingly, the AASB recommends that the proposed increase in the number of 'at large' Trustee appointments (by three) be reallocated from the current six members from North America.

The AASB **supports** the proposal to increase the number of 'at large' Trustee appointments from two to five.

The AASB also **supports** the Trustees' efforts to improve its gender balance by recruiting more female members as opportunities arise.

Question 9

What are your views on the current specification regarding the provision of an appropriate balance of professional backgrounds? Do you believe that any change is necessary and, if so, what would you suggest and why?

[Staff note to the Board: Staff do not have any specific suggestions at this stage.]

Question 10

Do you agree with the proposal to change the focus and frequency of reviews of strategy and effectiveness, as set out above?

The AASB **supports** the Trustees' proposal to amend the *Constitution* to specify that a review of the entire strategy and effectiveness of the organisation should commence, at the latest, five years after the previous review has been completed.

Question 11

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?

The AASB **agrees** with the proposal to reduce the size of the IASB from 16 to 13 members. However, the AASB **does not agree** with the revised geographical distribution. Similar to the response provided in Question 8 above, the AASB considers that the balance of members proposed from North America is disproportionately high. The AASB recommends that North America be further reduced to two members. The AASB further recommends that the number of members from Africa or South America be increased by one, or alternatively, an additional member be appointed from any area, subject to maintaining overall geographic balance.

Question 12

Do you agree with the proposal to delete Section 27 and to amend the wording of Section 25 of the *Constitution* on the balance of backgrounds on the IASB?

The AASB **supports** the proposed amendments to the *Constitution*. The AASB also **supports** the Trustees' efforts to improve the IASB's gender balance, and also supports the view that no particular quota be provided.

Question 13

Do you agree with the proposal to amend Section 31 of the Constitution on the terms of reappointment of IASB members as outlined above?

The AASB **supports** the proposal that flexibility in relation to reappointments be introduced into the *Constitution*. The AASB further supports the proposal that the reappointment term be up to five years.

Question 14

Do you have any comments on the Foundation's funding model as outlined above? Do you have any suggestions as to how the functioning of the funding model might be strengthened, taking into consideration the limitations on funding?

[Staff note to the Board: Staff do not have any specific suggestions at this stage.]

Question 15

Should the Trustees consider any other issues as part of this review of the structure and effectiveness of the Foundation? If so, what?

[Staff note to the Board: Staff do not have any specific suggestions at this stage.]