



Response to IFRS Foundation Request for Views:  
Trustees' Review of Structure and  
Effectiveness: Issues for the Review

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## **INTRODUCTION**

ICAS welcomes the opportunity to comment on the IFRS Foundation's Request for Views.

Our CA qualification is internationally recognised and respected. We are a professional body for over 20,000 members who work in the UK and in more than 100 countries around the world. Our members represent different sizes of accountancy practice, financial services, industry, the investment community and the public sector. Almost two thirds of our working membership work in business, many leading some of the UK's and the world's great companies.

Our Charter requires its committees to act primarily in the public interest, and our responses to consultations are therefore intended to place the public interest first. Our Charter also requires us to represent our members' views and to protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount.

The ICAS Accounting Standards Committee has considered the Request for Views and I am pleased to forward their comments.

Any enquiries should be addressed to Amy Hutchinson, Assistant Director, Technical Policy and Secretary to the Accounting Standards Committee.

### **General comments**

We agree with the majority of issues raised in this strategy review, and with the IFRS Foundation's proposed approach to addressing these issues. We believe the key issues for the longer-term are the IASB's engagement in the wider corporate reporting debate, and the extension of the IASB's remit beyond its current focus.

One further point is that we strongly support the wording of the Foundation/IASB mission statement which is included on the IFRS website – and we recommend that this should be incorporated into the Foundation's Constitution in order to enhance and formalise the status of the mission statement.

### **Responses to specific questions**

Q1 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?

#### Response:

In principle, we support the view that the IASB should extend its remit beyond the current focus to develop standards for the private, not-for-profit sector. This is likely to be a longer-term aim, as it would require a change in the objective of the IASB, and additional funding.

The UK is a good example of how accounting standards and accounting practice, through not-for-profit Statements of Recommended Practice (SORPs), can be applied across the piece. From 1 April 2016, UK accounting standards are based on the IFRS for SMEs issued by the IASB. We are aware that there are calls for international standards for the not-for-profit sector to be developed – if this is to be done, we strongly believe this should be under the auspices of the IASB, rather than another body. Developing a separate set of international standards would only serve to complicate the financial reporting landscape. With the increasing overlap in activities and services performed by entities in the for profit, not-for-profit and public sectors, ultimately there is a strong argument that all such entities should apply the same set of financial reporting standards.

Q2 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?

Response:

We strongly agree that the IASB should play an active role in developments in wider corporate reporting. Without this, there is a risk that financial reporting is seen as less relevant. The IASB should work with the other key parties in corporate reporting to improve the linkages between financial and non-financial information in corporate reports, and to ensure that financial reporting standards take account of developments in wider corporate reporting where appropriate. In particular, developments in corporate reporting should be considered by the IASB in developing its research agenda, as this may highlight areas that should be considered in the future. We believe that this focus will help ensure that the IASB remains at forefront of reporting developments internationally.

Q3 Do you agree with the Foundation's strategy with regard to the IFRS Taxonomy?

Q4 How can the IASB best support regulators in their efforts to improve digital access to general purpose financial reports to investors and other users?

Response:

We agree with the strategy of the Foundation focussing on the IFRS Taxonomy itself and leaving the development of the computer language to others. It is important that the taxonomy is not integrated into the standard-setting process as this could be at odds with a principles-based standard-setting process.

Q5 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?

Response:

We believe that consideration of changes in technology is one element of engagement in the wider corporate reporting debate – thinking about the means by which information is communicated as well as what information is communicated.

Q6 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?

Response:

We believe that the primary role of the Foundation and IASB in respect of encouraging consistent application of IFRS is to issue standards that are clear, understandable and enforceable, and therefore most emphasis should be placed on ensuring that final standards issued are of a high quality and require minimal additional guidance.

We support the efficient use of Foundation and IASB resources through working in partnership with other bodies.

A key element in the consistent application of IFRS is the exercise of professional judgment by preparers, auditors, regulators and others. The Foundation should consider how best to support an understanding of the concept of judgment. The recently-issued draft practice statement on the application of materiality to financial statements is likely to be helpful in this respect.

Q7 Do you have any suggestions as to how the functioning of the three-tier structure of the governance of the Foundation might be improved?

Response:

We believe the three-tier structure remains appropriate.

Q8 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?

Response:

We agree with the proposal to increase the number of 'at large' Trustee appointments from two to five.

Q9 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?

Response:

We agree that it is not necessary to introduce a specific quota in relation to the professional background of Trustees.

Q10 Do you agree with the proposal to change the focus and frequency of reviews of strategy and effectiveness, as set out above?

Response:

We agree with the proposal to change the focus and frequency of reviews of strategy and effectiveness.

Q11 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?

Response:

We have no objections to the proposals to reduce the size of the IASB and the revised geographical distribution – the smaller Board appears more workable.

Q12 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?

Response:

We are in agreement with these amendments.

Q13 Do you agree with the proposal to amend Section 31 of the Constitution on the terms of reappointment of IASB members as outlined above?

Response:

We agree with this amendment.

Q14 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?

Response:

We support the Foundation's continued efforts to achieve a sustainable funding model. We note that if the IASB's remit is extended to cover the private, not-for-profit sector, additional funding will be required from that sector.

Q15 Should the Trustees consider any other issues as part of this review of the structure and effectiveness of the Foundation? If so, what?

Response:

We are not aware of any other issues that should be considered at this stage.