

## Second public consultation on Trustees' strategy review



### Background

As a result of the second Constitution Review process, the Trustees of the IFRS Foundation (the Trustees) decided to launch a comprehensive review of the IFRS Foundation's strategy. They issued in November 2010 an initial consultation paper in relation to their strategy review. The Trustees now have issued a second consultation paper that sets out their preliminary conclusions.

### Principles and recommendations

In the consultation paper, the Trustees set out principles and recommendations covering four areas; mission, governance, process and financing.

#### **Mission: defining the public interest to which the IFRS Foundation is committed**

This section of the consultation paper addresses:

- the purpose of financial reporting standards, which is to serve investors and other capital market participants;
- global adoption of IFRSs as developed by the IASB:
  - convergence may be a way to support transition but it is not a goal itself; and
  - jurisdictions that alter or fail to adopt fully IFRSs as issued by the IASB should be identified;
- focus in the near term on financial reporting by private sector entities; and
- enhanced effort by the IASB to identify and address diversity in practice in the application of IFRSs.

#### **Governance: independence and public accountability**

Preliminary conclusions in this area include that:

- the independence of the IASB in its standard-setting decision-making process must be maintained;

### Highlights:

- Focus on four areas: mission, governance, process and financing
- Commitment to co-ordinate Trustees' and Monitoring Board's reviews
- Roundtables planned for June 2011, with comments due by 25 July 2011

- the current three-tier structure (the Monitoring Board, the Trustees and the IASB) remains appropriate;
- the Trustees should clarify how they discharge their responsibilities; and
- elements of the governance structure should provide regular public reports to demonstrate their effectiveness.

**Process: ensuring that standards are of high quality, meet the requirements of well-functioning capital markets and are implemented consistently across the world**

Preliminary conclusions in this area include that:

- a thorough and transparent due process is essential to developing high quality, globally accepted accounting standards;
- the framework for the Trustees in their oversight of the IASB's due process should be clarified and the Due Process Oversight Committee should enhance its engagement during the standard-setting process;
- the IASB should demonstrate clearly how the priorities on its agenda are set;
- the IASB should develop an agreed methodology for field visits and effect analysis;
- the development of the IFRS XBRL taxonomy should be integrated into the IASB's due process and enhanced to include common practice extensions;
- post-implementation reviews should be undertaken using an agreed methodology;
- there should be formal co-operation with regulators and national standard-setters to receive feedback on implementation and encourage actions to address divergence;
- the scope of the IFRS Interpretations Committee's activities should be refined without undermining its principles-based approach;
- the IFRS Foundation and the IASB should encourage the maintenance of a network of national and other accounting standard-setting bodies as an integral part of the global standard-setting process; and

- the IASB should establish, or facilitate the establishment of, a dedicated research capacity.

**Financing: ensuring the organisation is financed in a manner that permits it to operate effectively, efficiently and independently**

Preliminary conclusions in this area include that:

- the funding system must maintain the independence of the standard-setting process, while providing organisational accountability; and
- the existing base of financing should be expanded to enable the IFRS Foundation to serve the global community better and to fulfil its strategy.

**Other aspects**

The Trustees acknowledge in the consultation paper that a number of major economies are considering the adoption of IFRSs for their domestic economies, including Japan and the United States. The preliminary conclusions assume that these major economies will make a positive decision on the adoption of global standards. If this were not to be the case, then the Trustees may reconsider some elements of their strategy review and may modify the suggested geographical distribution of the membership of the Trustees and the IASB.

The Trustees also note that the Monitoring Board currently is undertaking its own review of the IFRS Foundation's governance arrangements. The Trustees reiterate their commitment to co-ordinate the conclusion of their review with that of the Monitoring Board, in order to arrive at an integrated set of proposals.

The Trustees have invited comments on all matters discussed in the consultation paper, with a comment deadline of 25 July 2011. In addition, the Trustees plan to hold round table meetings in June 2011.

**Abbreviations**

- 1 IASB: International Accounting Standards Board

[kpmg.com/ifrs](http://kpmg.com/ifrs)

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