



4 December 2015

Mr Michel Prada
Chairman of the Trustees
IFRS Foundation
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Mr Prada

IFRS Foundation Trustees' Review of Structure and Effectiveness

Thank you for the opportunity to provide comment on the structure and strategic activities of the IFRS Foundation and the IASB.

The Australian Financial Reporting Council (FRC) is the peak body responsible for overseeing the effectiveness of the financial reporting framework in Australia. The FRC also monitors the development of international accounting and auditing standards as well as the accounting and auditing standards that apply in major international financial centres.

The FRC strongly supports the work of the IFRS Foundation and the IASB including its strategic priorities. The FRC has consulted with our stakeholders in providing this response.

The FRC supports the extension of the IASB's remit to the development of standards for the private not-for-profit sector in the longer term. The FRC supports further consideration of this proposal by the Trustees, acknowledging there would be consequent impacts on the organisation's objectives and resources. In Australia, the Australian Accounting Standards Board (AASB) is working in this sector and would be prepared to participate in further discussions with the IASB.

The FRC supports the active involvement of the IASB in wider corporate reporting particularly through the cooperation outlined in the Review document. In addition, the FRC believes that the Foundation and the IASB will need to plan for ongoing involvement in the development of these reporting measures into the future.

The FRC supports the proposal to increase the flexibility of the geographic distribution of Trustee appointments, specifically by increasing the number of 'at large' appointments from two to five. In this regard, the FRC supports the proposal by the AASB that these appointments should take into consideration the respective region's commitment to IFRS and its adoption.

The FRC supports the proposal to reduce the total numbers of IASB Board members to 13. In this regard we fully support the views of the New Zealand External Reporting Board that this support is provisional on ensuring that the combined technical skill, professional competence and practical experience of the IASB is able to be maintained with these reduced numbers. While we note that IASB Board members are not appointed as representatives of any geographical region, we believe it is still important to maintain a flexible approach to membership across regions that have shown a specific commitment to the development and implementation of global standards.

The FRC has also considered each question posed in the Review document and specific comments are attached.

Yours sincerely

SIGNED

Michael Coleman
Deputy Chair
Financial Reporting Council
4 December 2015

ISSUES FOR THE REVIEW

Q1 Considering the consequences [referred to paras 12-22], 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 FRC recognises that the development of standards for the private not-for-profit sector is important. In Australia, the Australian Accounting Standards Board (AASB) has recognised the demand for a financial reporting framework for private not-for-profit sector entities, and its work plan includes not-for-profit sector projects. The FRC supports the view of the AASB that financial statements facilitate economic decision-making and the economics of these decisions are not sector-specific.

The FRC supports the move in the longer term to developing global standards for the private not-for-profit sector, acknowledging that Trustees will need to consider the impact this will have on financial resources and the IASB's agenda.

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 [paras 23-28]?

The FRC agrees that current cooperation and consultation with other bodies regarding the reporting of non-IFRS information is appropriate and should be maintained. In the longer term, the FRC believes this should be an area where the Trustees and the IASB play an active role in future developments in order for the organisation to remain globally relevant given the current markers about the likely evolution of corporate reporting. The Trustees should strategically consider how the IASB will foster this development including resource allocation.

Q3 Do you agree with the Foundation's strategy with regard to the IFRS Taxonomy [paras 29-34]?

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 [paras 29-34]?

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 [paras 35-39]?

The FRC supports the Foundation's work to achieve recognition of IFRS Taxonomy as the globally agreed standard to tag and structure IFRS financial information within a digital report. This is an important area in which the Foundation should continue its work.

In Australia, ASIC is the business owner of financial reporting taxonomy, based on the IFRS Taxonomy 2014 (as issued by the IFRS Foundation in March 2014) and extended to include Australian specific disclosure requirements from the Corporations Act 2011, AASB accounting standards and ASX Listing Rules. The IFRS AU Taxonomy is updated annually following the annual release of the IFRS Taxonomy.

The FRC supports the comments made by the AASB on this issue, in particular the importance of taking steps to ensure that IFRS is 'technology neutral' to the extent possible.

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? [paras 43-65]

The FRC supports the views of the AASB regarding the Transition Resource Groups and the IFRS Interpretations Committee. The FRC also supports the AASB comments relating to concern about the length of time taken to develop new and revised standards and the opportunities to improve this timeline through better project scoping and planning.

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? (paras 66-77)

The FRC supports the current three-tier structure of governance. In particular, the FRC supports the independence of the IASB and the separation of functions between the Monitoring Board, the Trustees and the IASB. The FRC notes that previous reviews and consultations regarding this structure revealed broad and strong support for the three-tier structure.

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? (paras 78-85)

The FRC supports the proposal to increase the flexibility of Trustee appointments in regard to geographical distribution, specifically by increasing the number of 'at large' appointments from two to five.

In this regard, the FRC supports the proposal by the AASB that these appointments should take into consideration the region's commitment to IFRS and its adoption. Overall, the FRC would expect this flexibility to reflect the growing application of IFRS.

Q9 What are your views on the current specification regarding the provision of an appropriate balance of professional backgrounds? (paras 82-84) Do you believe that any change is necessary and, if so, what would you suggest and why?

The FRC does not support a change at this time to the Constitution regarding the determination of an appropriate balance of professional backgrounds among the Trustees. The FRC supports the AASB's view that career experience should also be taken into account when assessing professional background rather than a focus on the individual's current role. The Trustees should continue to actively improve gender balance in its membership.

Q10 Do you agree with the proposal to change the focus and frequency of reviews of strategy and effectiveness? (para 86)

Given the demand on the Foundation's current resources in delivering on its agenda and the significant number of specific reviews undertaken over the last ten years, the FRC supports the

proposed change to the focus and frequency of reviews to specify that a review of the entire strategy and effectiveness should commence, at the latest, five years after the previous review has been completed rather than the current requirement to undertake the review every five years.

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? (paras 87-93)

The FRC supports the reduction to 13 members on the IASB.

However, given the considerable size of the Asia/Oceania region, its economies, application of IFRS and projected future growth, the FRC is of the view that consideration should be given to a more flexible approach to distribution between the regions, while also acknowledging that IASB members are not regional representatives.

As noted in our response to Question 8, similarly, the FRC believes the geographical distribution should take into consideration the region's commitment to IFRS and its adoption.

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? (para 94 (a))

The FRC supports the proposed amendments to Section 25 and the deletion of Section 27. While not suggesting a specific quota, the FRC supports the IASB to pursue an appropriate gender balance on the IASB Board. Future Board appointments should consider addressing this issue as a priority.

Q13 Do you agree with the proposal to amend Section 31 of the Constitution on the terms of reappointment of IASB members (para 94(b))?

The FRC supports the proposal to amend Section 31 of the Constitution regarding a maximum re-appointment term to deliver more flexibility to address issues such as the need for continuity and the long life cycles of major projects.

Q14 Do you have any comments on the Foundation's funding model (paras 96-102)? Do you have any suggestions as to how the functioning of the funding model might be strengthened, taking into consideration the limitations on funding?

The Australian Government, on the advice of the FRC, provides significant annual support to the IFRS Foundation. The FRC supports the work of the Foundation in developing a sustainable long-term funding model to underpin its current and future work priorities.

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

No further comment.