



December 11, 2009

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280-30

Tamara Oyre
Assistant Corporate Secretary
IASC Foundation
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Tamara Oyre:

RE: Response to: Proposals for Enhanced Public Accountability – Part 2 of the Constitution Review

Thank you for the opportunity to provide feedback on Part 2 of the review of the International Accounting Standards Committee Foundation's Constitution: Proposals for Enhanced Public Accountability.

We request that the IASC Foundation consider making both itself and the IASB gender neutral organizations. There are many instances in the Constitution that refer to "Chairman". The use of the gender specific term "Chairman" should be replaced with the gender neutral term "Chair". We suggest that the IASC Foundation and the IASB should review all policy and procedural documents and replace gender specific terms with gender neutral terms.

The discussion paper titled "Review of the Constitution – Identifying Issues for Part 2 of the Review Discussion Document" contained the following question:

Question 2: In the opinion of the Trustees, the commitment to drafting standards based upon clear principles remains vitally important and should be enshrined in the Constitution. Should the Constitution make specific reference to the emphasis on a principle-based approach?

The current exposure document explains that many respondents to the discussion paper stated that "this level of detail was not appropriate for a constitutional document; it was better placed in the due process handbook. [and]...On the basis of comments received, the Trustees propose not to include in the Constitution a specific reference to principle-based standards." We believe a principle-based approach is the appropriate approach for IFRSs

because a principles-based approach requires that accountants use judgement to obtain the optimum presentation; whereas a rules based approach could result in accountants using the rules to circumvent the optimum presentation. We therefore request that the IASC Foundation reconsider the decision to exclude a principle-based reference from the Constitution. However, in the event the IASC Foundation does not change this decision, we respectfully request that the Due Process Handbook be updated on an expeditious basis to state that IFRSs are principles-based standards, and must be, developed on a principles-based approach.

We note that, as a result of the comments received with respect to Question 3 of the discussion paper, the Trustees believe "it would be unwise to extend the remit of the IASB at this time to include the public and not-for-profit sectors." We believe that the IASC Foundation should take into account the financial statement users of government business enterprises (GBEs) and not-for-profit entities. In our jurisdiction, GBEs will be required to follow IFRS commencing January 1, 2011. The users of GBE and not-for-profit financial statements have financial reporting requirements that are different than the requirements of participants in the world's capital markets and other users who make economic decisions. We believe that both the Foundation and the Board should take into account the requirements of the financial statement users of GBEs and not-for-profit entities as IFRSs are developed.

We believe that the funding arrangements of the IASC Foundation should be included in the Constitution. Currently, they are set out on an IASB.org web site. The four principles described on that website, which are broad based, compelling, open-ended and country-specific, should be included in the Constitution. Having the funding principles in the Constitution would focus fund raising efforts and confirm that the raising of funds must not interfere with the independence of the IASB and the IASC Foundation.

Responses to specific questions posed in the exposure document are attached. Should you have any comments or questions, please contact me at (250) 387-6692 or by e-mail: Cheryl.Wenezeki-Yolland@gov.bc.ca, or Carl Fischer, Executive Director, Financial Reporting and Advisory Services Branch, at (250) 356-9272 or by e-mail: Carl.Fischer@gov.bc.ca.

Sincerely,



Cheryl Wenezeki-Yolland, CMA, FCMA
Comptroller General
Province of British Columbia, Canada

cc: Graham Whitmarsh, Deputy Minister
Ministry of Finance

Nick Paul, Deputy Secretary to the Treasury Board
Ministry of Finance

Carl Fischer, Executive Director
Financial Reporting and Advisory Services
Office of the Comptroller General

Question 1

The Trustees seek views on the proposal to change the name of the organisation to the ‘International Financial Reporting Standards Foundation’, which will be abbreviated to ‘IFRS Foundation’.

The Trustees also seek views on the proposal to mirror this change by renaming the International Accounting Standards Board (IASB) as the International Financial Reporting Standards Board, which will be abbreviated to ‘IFRS Board’.

Do you support this change in name? Is there any reason why this change of name might be inappropriate?

We agree with the proposed name changes and support the use of the new names, which are “International Financial Reporting Standards Foundation” and “International Financial Reporting Standards Board”.

Question 2

The Trustees seek views on the proposal to replace all references to ‘accounting standards’ with ‘financial reporting standards’ throughout the Constitution. This would accord with the name change of the Foundation, the Board and the formal standards developed by the IASB—International Financial Reporting Standards (IFRSs).

Do you support this change?

We support the proposed wording change that replaces ‘accounting standards’ with ‘financial reporting standards’ throughout the Constitution.

Question 3

The Trustees seek views on their proposal to change section 2 as follows:

The objectives of the ~~IASB~~ IFRS Foundation are:

- (a) to develop, in the public interest, a single set of high quality, understandable, ~~and enforceable~~ and globally accepted accounting financial reporting standards that require high quality, transparent and comparable information in financial statements and other financial reporting to help participants in the world’s capital markets and other users make economic decisions;**
- (b) to promote the use and rigorous application of those standards;**

(c) in fulfilling the objectives associated with (a) and (b), to take account of emerging economies and, as appropriate, the special needs of small and medium-sized entities ~~and emerging economies~~; and

(d) to bring about convergence of national accounting standards and ~~International Accounting Standards and International Financial Reporting Standards (IFRSs, being the standards and interpretations issued by the IFRS Board)~~ to high quality solutions.

Do you support the changes aimed at clarity?

We support the proposed changes aimed at clarity. As stated in the cover letter, we believe that the Constitution should also recognize the special needs of government business enterprises and non-for-profit entities. This could be achieved by amending paragraph (c) of section 2 by adding the words “government business enterprises and not-for-profit entities” to it.

Question 4

The Trustees seek views on the proposal to amend section 3 of the Constitution as follows:

The governance of the IASC IFRS Foundation shall primarily rest with the Trustees and such other governing organs as may be appointed by the Trustees in accordance with the provisions of this Constitution. A Monitoring Board (described further in sections 18–23) shall provide a formal link between the Trustees and public authorities. The Trustees shall use their best endeavours to ensure that the requirements of this Constitution are observed; however, they ~~are empowered to~~ may make minor variations in the interest of feasibility of operation if such variations are agreed by 75 per cent of ~~all~~ the Trustees.

Do you support this clarifying amendment?

We agree with the clarifying amendment. We also suggest that wording be included in the Constitution that requires the IFRS Foundation to report publicly on any minor variations, as allowed by the last sentence of section 3, which have been made in the interest of feasibility of operation if such variations are agreed by 75 per cent of the trustees.

Question 5

The Trustees seek views on the proposal to amend section 6 of the Constitution as follows to include one Trustee from each of Africa and South America:

All Trustees shall be required to show a firm commitment to the IFRS IASC Foundation and the IFRS Board IASB as a high quality global standard-setter, to be financially knowledgeable, and to have an ability to meet the time commitment. Each Trustee shall have an understanding of, and be sensitive to, the challenges associated with the adoption and application of high quality global ~~accounting~~ financial reporting standards developed for use in the world’s capital markets and by other users. The mix of Trustees shall broadly reflect the world’s capital markets and diversity of geographical and professional backgrounds. The Trustees shall be required to commit

themselves formally to acting in the public interest in all matters. In order to ensure a broad international basis, there shall be:

- (a) six Trustees appointed from the Asia/Oceania region;
- (b) six Trustees appointed from Europe;
- (c) six Trustees appointed from North America; ~~and~~
- (d) one Trustee appointed from Africa;
- (e) one Trustee appointed from South America; and
- (f)(d) two ~~four~~ Trustees appointed from any area, subject to maintaining ~~establishing~~ overall geographical balance.

Do you support the specific recognition of Africa and South America?

We support the specific recognition of Africa and South America. However, point (f) “maintaining overall geographic balance” will be impossible to achieve because Africa and South America will have a maximum of 3 trustees each, whereas the other regions could have a maximum of eight trustees. Point (f) should read “two Trustees appointed from any area, provided the two Trustees are not appointed from the same area.”

The IFRS Foundation should also regularly consider the geographical make-up of the IASB to ensure the geographical representation continues to represent the full global spectrum, politically, socially and culturally. We also suggest that the IFRS Foundation should periodically consider increasing the representation from Africa and South America so that an improvement to the geographical balance is achieved.

Question 6

The Trustees seek views on the proposal to amend section 10 of the Constitution as follows to allow up to two Trustees to be appointed as vice-chairmen of the Trustees.

The Chairman of the Trustees, and up to two Vice-Chairmen, shall be appointed by the Trustees from among their own number, subject to the approval of the Monitoring Board. With the agreement of the Trustees, regardless of prior service as a Trustee, the appointee may serve as the Chairman or a Vice-Chairman for a term of three years, renewable once, from the date of appointment as Chairman or Vice-Chairman.

Do you support the constitutional language providing for up to two Vice-Chairmen?

We support the creation of up to two Vice-Chairs of the IFRS Foundation. As stated in the cover letter, we believe the IFRS Foundation and IFRS Board should become gender neutral and cease using gender specific words such as Chairman.

Question 7

The Trustees seek views on the proposal to make no specific amendments to sections 13 and 15, but to address the valid and important concerns raised by commentators by way of enhanced accountability, consultation, reporting and ongoing internal due process improvements.

We support the strategy of the Trustees with respect to not making any specific amendments to sections 13 and 15.

Question 8

Section 28 would be amended as follows:

The IASB IFRS Board will, in consultation with the Trustees, ~~be expected to~~ establish and maintain liaison with national standard-setters and other official bodies ~~concerned with an interest in~~ standard-setting in order to assist in the development of IFRSs and to promote the convergence of national accounting standards and International Accounting Standards and International Financial Reporting Standards IFRSs.

Do you support the changes aimed at encouraging liaison with a broad range of official organisations with an interest in accounting standard-setting?

We believe the wording proposed by the Trustees could be further improved by the removal of the words “be expected to” (they have been marked with ~~double-strikethrough~~ in the paragraph above). The removal of these words would make the establishment of liaison with national standard-setters a requirement of the IFRS Foundation and IFRS Board rather than just an expectation.

Question 9

The Trustees seek views on the proposal to amend section 30 of the Constitution as follows to permit the appointment of up to two Board members to act as vice chairmen of the IASB.

The Trustees shall appoint one of the full-time members as Chairman of the IASB IFRS Board, who shall also be the Chief Executive of the IASB IFRS Foundation. ~~One~~ Up to two of the full-time members of the IASB IFRS Board shall may also be designated by the Trustees as a Vice-Chairman, whose role shall be to chair meetings of the IASB IFRS Board in the absence of the Chairman, or to represent the Chairman in external contacts in unusual circumstances (such as illness). The appointment of the Chairman and the designation as Vice-Chairman shall be for such term as the Trustees decide. The title of Vice-Chairman would not imply that the ~~individual member~~ member (or members) concerned is (or are) the Chairman-elect.

We support the creation of up to two Vice-Chairs of the IFRS Board. As stated in the cover letter, we believe the IFRS Foundation and the IFRS Board should become gender neutral and cease using gender specific words such as Chairman.

Question 10

The Trustees seek views on the proposal to amend section 31 to allow for altered terms of appointment for IASB members appointed after 2 July 2009. The proposed amendment is to allow for Board members to be appointed initially for a term of five years, with the option for renewal for a further three-year term. This will not apply to the Chairman and Vice-Chairman, who may be appointed for a second five-year term. The Chairman or Vice-Chairman may not serve for longer than ten consecutive years.

The proposed amendments to section 31 are as follows:

Members of the IASB IFRS Board appointed before 2 July 2009 shall be appointed for a term of up to five years, renewable once for a further term of five years. Members of the IFRS Board appointed after 2 July 2009 shall be appointed initially for a term of up to five years. Terms are renewable once for a further term of three years, with the exception of the Chairman and a Vice-Chairman. The Chairman and a Vice-Chairman may serve a second term of five years, but may not exceed ten years in total length of service as a member of the IFRS Board.

Do you support the change in proposed term lengths?

We support the change in proposed term lengths.

Question 11

The Trustees seek views on the proposal to insert in section 37 (to become section 38) of the Constitution an additional subsection as follows to allow the Trustees, in exceptional circumstances, to authorise a shorter due process period. Authority would be given only after the IASB had made a formal request. The due process periods could be reduced but never dispensed with completely.

The IASB IFRS Board shall:

- (a) ...
- (b) ...
- (c) in exceptional circumstances, and only after formally requesting and receiving prior approval from the Trustees, reduce, but not eliminate, the period of public comment on an exposure draft below that described as the minimum in the Due Process Handbook.

We agree with the proposed insertion into section 37 (to become section 38). We request that the wording be strengthened so that whenever the IASB Board has received approval from the Trustees to reduce the period of public comment on an exposure draft, that the IFRS Board be required to publish an explanation of why the reduction in exposure draft period of public comment was requested.

Question 12

The Trustees seek views on the proposal to amend section 37(d) (to become section 38) of the Constitution as follows to expressly provide that the IASB must consult the Trustees and the SAC when developing its technical agenda.

The IASB IFRS Board shall:

(e)(d) have full discretion in developing and pursuing the technical agenda of the IASB IFRS Board, after consulting the Trustees (consistently with section 15(c)) and the SAC (consistently with section 44(a)), and over project assignments on technical matters: in organising the conduct of its work, the IASB IFRS Board may outsource detailed research or other work to national standard-setters or other organisations;

We agree with the proposed change to section 37(d) (to become section 38).

Question 13

Trustees seek views on the proposal to make no amendment to sections 44 and 45 (renumbered as 45 and 46), which are the provisions relating to the SAC, at this time.

We agree with the proposal to make no amendments to sections 44 and 45 (renumbered as 45 and 46).

Question 14

The Trustees seek views on the proposal to amend section 48 by removing specific staff titles and replacing it with the term ‘the senior staff management team’. Accordingly section 49 should be deleted. The Trustees also seek comment on the proposal to update the Constitution by removing all historical references that relate to when the organisation was established in 2001.

We agree with the removal of specific staff titles in section 48 and instead using the term ‘the senior staff management team’. We also agree that if this change is made, then section 49 should be deleted.

We suggest that all historical references that relate to when the organization was established in 2001, be replaced in the Constitution with a web page that describes the history of the organization. Users of the IFRSs should always be able to ascertain, from the IFRS website, information about both the development of IFRSs and the history of the organizations that developed them.