

The Treasury Building
21 Murray Street, HOBART, Tas 7000
GPO Box 147, HOBART, Tas 7001 Australia
Telephone: (03) 6233 3100 Facsimile: (03) 6223 2755
Email: secretary@treasury.tas.gov.au Web: www.treasury.tas.gov.au

Ms Tamara Oyre
Assistant Corporate Secretary
IASC Foundation
30 Cannon Street
LONDON EC4M 6XH
UNITED KINGDOM

Dear Ms Oyre

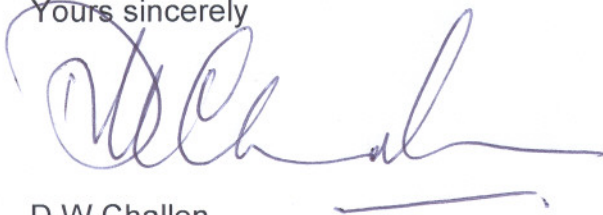
**DISCUSSION PAPER - PART 2 OF THE CONSTITUTION REVIEW:
PROPOSALS FOR ENHANCED PUBLIC ACCOUNTABILITY**

The Australian Heads of Treasuries Accounting and Reporting Advisory Committee welcomes the opportunity to respond to the IASC Foundation's Discussion Paper. HoTARAC is an intergovernmental Committee that advises Australian Heads of Treasuries on accounting and reporting issues. The Committee is comprised of the senior accounting policy representatives from all Australian States, Territories and the Australian Government. Attached for your consideration are HoTARAC's comments on the questions raised in the Discussion Paper.

In particular, HoTARAC supports the amendments to the Constitution. However, HoTARAC has previously raised a number of suggestions as stated in its response to the *Review of the Constitution: Identifying Issues for Part 2 of the Review*, particularly regarding the inclusion of public sector entities by the Foundation. It is HoTARAC's view that these matters remain relevant and should be considered as part of the review of the Constitution.

If you have any queries regarding this submission, please contact Craig Jeffery at the Tasmanian Department of Treasury and Finance on +61 3 6233 3638 or by email at craig.jeffery@treasury.tas.gov.au.

Yours sincerely



D W Challen
CHAIR

HEADS OF TREASURIES ACCOUNTING AND REPORTING ADVISORY COMMITTEE

20 November 2009

Encl

Contact: Craig Jeffery
Phone: +61 3 6233 3638
Our Ref: 09/153969 ABH/CJ

HoTARAC comments on the Discussion Paper – Part 2 of the Constitution Review: Proposals for Enhanced Public Accountability

Existing names within the organisation

- 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 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?

HoTARAC supports the name change of the organisation from the "International Accounting Standards Committee Foundation" to the "International Financial Reporting Standards Foundation". HoTARAC also supports the name change of the "International Accounting Standards Board" to the "International Financial Reporting Standards Board".

- 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?

HoTARAC supports the replacement of all references to "accounting standards" with "financial reporting standards", to ensure consistency with the above name change of the organisation.

Objectives of the organisation

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

The objectives of the IASG 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?

HoTARAC supports the proposed amendments to section 2. However, HoTARAC notes the previous commentary provided in Part 2 of the Review on the objectives of the organisation. As previously commented, HoTARAC considers:

- that the inclusion of public sector entities should be given priority by the IASG Foundation, as recommended under Question 3 in the previous Discussion Paper, *Review of the Constitution: Identifying Issues for Part 2 of the Review*;
- HoTARAC reiterates its view that the Constitution's current reference to "participants in the world's capital markets" should be reviewed as it implies a focus on setting standards primarily for capital providers, with other users being considered to be significantly less important; and
- that the IASG Foundation should consider expanding the current mandate of the IASB to include not-for-profit and public sector standard-setting. It is HoTARAC's view that the IASB should be the worldwide standard-setting authority for both the for-profit and not-for-profit (private and public) sectors.

Governance of the organisation

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

The governance of the IASG 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?

HoTARAC supports these clarifications and agrees that the role of the Monitoring Board should provide a formal link between trustees and public authorities.

Trustees

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 IASG 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?

HoTARAC supports the specific representation of a Trustee appointed from Africa and South America as there has always been Trustee participation from those areas. However, HoTARAC notes that the Trustees should be required to commit themselves formally to acting in the public interest, rather than as representatives of their constituency or geographic interest.

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?

HoTARAC supports the proposed arrangements for the appointment of up to two vice-chairmen of the Trustees.

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.

As previously commented, HoTARAC considers that the proposed enhanced oversight function of the Trustees is appropriate. However, HoTARAC would like assurance that the absence of due process relating to the IAS 39 fair value reclassification amendments will not recur, as this could be seen to weaken the position of the proposed IFRS Board as an independent standard-setter.

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?

HoTARAC supports amendment to the Constitution to allow for closer collaboration by the IFRS Board with a wider range of bodies. HoTARAC encourages that in the context of public sector standard-setting, a closer collaboration is formed with the International Public Sector Accounting Standards Board, International Monetary Fund and the United Nations.

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 (or members) concerned is (or are) the Chairman-elect.

HoTARAC supports these proposed amendments for the appointment of up to two Board members to act as vice-chairmen of the IASB.

International Financial Reporting Board

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?

HoTARAC supports the proposed term lengths for appointed IFRS Board members, the chairman and vice-chairman.

- 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.*

As stated in previous commentary, the majority of HoTARAC members support a “fast track” process for instances of great urgency, but HoTARAC notes that the definition of such circumstances needs to be carefully considered. HoTARAC still considers that, at a minimum, an Exposure Draft should be issued and that an adequate comment period (of between one to two months) must be applied.

- 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:

- (c)(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;*

HoTARAC reaffirms that the existing independent agenda-setting arrangements should be retained. The majority of HoTARAC members are of

the view that this amendment supports the independent agenda-setting arrangements.

Standards Advisory Council

- 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 Standards Advisory Council (SAC), at this time.**

HoTARAC considers that the existing provisions in relation to the activities of the SAC are appropriate.

- 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.

HoTARAC supports generic reference of staff titles to be called "senior staff management team" and the removal of specific staff titles in the Discussion Paper. HoTARAC also supports the removal of historical references in the Constitution relating to the organisation's establishment in 2001.