



24 November 2015

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

CPA Australia Ltd
ABN 64 008 392 452
Level 20, 28 Freshwater Place
Southbank VIC 3006
Australia
GPO Box 2820
Melbourne VIC 3001
Australia
Phone 1300 737 373
Outside Aust +613 9606 9677
Website cpaaustralia.com.au

Online submission: www.ifrs.org

Dear Michel

Request for Views: Trustees' Review of Structure and Effectiveness: Issues for the Review

CPA Australia welcomes the opportunity to respond to the above Consultation. CPA Australia represents the diverse interests of more than 150,000 members in 120 countries. Our vision is to make CPA Australia the global accountancy designation for strategic business leaders. We make this submission on behalf of our members and in the broader public interest.

CPA Australia commends the work of the IFRS Foundation Trustees and the International Accounting Standards Board in developing and maintaining a framework of International Financial Reporting Standards (IFRS) that provides the basis for high quality, consistent and comparable financial reporting by entities in the global capital markets. We welcome and support the Trustees' review of the structure and effectiveness of the Foundation, and we support the four primary strategic goals of the Foundation as set out in the consultation.

Our detailed comments in response to specific questions are included in the attached appendix. If you require further information on any of our views expressed in this submission, please contact Ram Subramanian, CPA Australia by email at ram.subramanian@cpaaustralia.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Alex Malley', with a long horizontal stroke extending to the right.

Alex Malley FCPA
Chief Executive

APPENDIX

Q1 What are your views on whether the IASB should extend its remit beyond the current focus of organisation to develop Standards; in particular for entities in the private, not-for-profit sector?

CPA Australia does not believe the IASB should extend its remit to develop standards for entities in the private, not for profit sector.

The primary objective of the IFRS Foundation and the IASB is to develop and maintain a single set of high quality, globally accepted standards which enable the preparation of consistent and comparable financial reports that support the smooth flow of capital across and within global capital markets. We do not believe that there is a similar critical need for a single set of global standards for the private not for profit sector. It is our view that most entities that operate within the not for profit sector rely on funding from within the jurisdiction in which they operate. The objectives and information needs of funding providers to the not for profit sector are also often different from stakeholders in the for-profit sector. Often as a result, the regulatory and financial reporting for not for profit entities that operate within a jurisdiction are dictated by the stakeholder needs of that jurisdiction.

In our view the development of standards for the not for profit sector will require additional resources at a further cost, and we are not currently convinced that there is a justifiable business case to embark on this initiative. We suggest the IFRS Foundation undertakes further research to identify the costs/benefits of developing an international framework of financial reporting standards for the not for profit sector before proceeding further.

We believe the needs of the stakeholder community relying on IFRS based financial reporting will be better served by the IASB focusing on its current and future IFRS projects. We also recommend the IASB focuses on revisiting the IFRS for SMEs and ensuring it is fit for purpose and aligned with the full IFRS framework to the extent possible.

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?

CPA Australia believes the examination of what constitutes financial performance, and indeed corporate performance in the broader sense, is an important and timely exercise.

The call for corporate reporting that extends beyond financial reporting has gained traction in recent years. The publication of the Integrated Reporting Framework <IR> developed by the International Integrated Reporting Council (IIRC) is seen by many as an evolutionary step in corporate reporting that seeks to provide holistic information on value creation by an entity across multiple capitals, including financial capital.

CPA Australia is a strong supporter of the development of corporate reporting that provides information on an entity's strategy, governance, performance and future prospects and how this leads to value creation over time, and we believe <IR> provides a foundation for the development of such corporate reporting. We commend the work of the IFRS Foundation to date in the development of the <IR> Framework and we continue to support the cooperative efforts undertaken by the Trustees to work with the IIRC in further developing the framework. We also support the participation of the IASB in the Corporate Reporting Dialogue (CRD), and its engagement with other stakeholders who participate in this forum.

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 general purpose financial reports to investors and other users?

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 which it can maintain the relevance of IFRS?

Today, technology plays a pivotal role in the dissemination of information to a global audience. Disruptive technologies including advances in online broadcasting and social media have transformed the sharing of knowledge and information globally. It is our view that IFRS based financial reporting has not yet fully harnessed the information dissemination potential offered by today's technological capabilities. We believe the IFRS Foundation should engage "disruptive thinking" in challenging the status quo - a predominantly paper based approach to the delivery of periodic financial reports. To this end, we support the IFRS Foundation's plan to establish a network of experts to provide advice on how to monitor and assess changing technology and how the IFRS Foundation and the IASB should respond to, or exploit such advances.

Until different technology based solutions can be identified for further examination, XBRL remains the mainstay of the IFRS Foundation in harnessing technology to deliver financial reports to the intended audience. However, evidence indicates that XBRL based financial reporting is only prevalent in jurisdictions where it has been mandated by the local regulators, with voluntary uptake remaining relatively insignificant. For example, In Australia, XBRL based financial reporting is not mandated but the Australian Securities and Investments Commission (ASIC) has implemented the necessary framework since July 2010 to receive XBRL financial reports. We understand that until recently, no XBRL financial reports have been lodged with ASIC under the existing voluntary regime. We believe that the lack of uptake in XBRL arises from a number of factors including cost, lack of relevant software and a perceived low user demand. Commentators also highlight the misalignment between the rules based IFRS based taxonomy and the principles based IFRS as an issue for preparers, particularly when they seek to tag narrative disclosures or address industry specific disclosures.

Whilst solutions are being sought to the issues highlighted in the above paragraph, the IFRS Foundation should continue to focus on the IFRS taxonomy, rather than on the underlying XBRL technology. However, we suggest the IFRS Foundation continues to engage with technology experts and regulators in identifying mechanisms that can facilitate improved financial reporting through XBRL.

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?

CPA Australia supports the IFRS Foundation's commitment to the global adoption of IFRS and full disclosure of the status of adoption in financial reports in jurisdictions which have adopted IFRS fully or partially.

In our view the IFRS Foundation should consider how best to assist emerging economies that have recently adopted IFRS or are committed to adopting IFRS in the near future transition to the IFRS framework. We note the Emerging Economies Group (EEG) created by the IFRS Foundation in 2011 has within its focus, consideration of how the IASB could provide education guidance for emerging economies on adopting and applying IFRS. Whilst the EEG meets twice a year, we are unable to identify any significant outputs or developments from this initiative in recent years that are aimed at education and guidance for emerging economies. We recommend the IFRS Foundation reconsider how best it can utilise the role of the EEG in meeting its intended objectives.

In addition to the major projects involving development of significant new standards, the IASB undertakes a number of standards amendment projects that aim to address minor, industry or jurisdiction specific issues. Given the IASB has limited resources at its disposal, we suggest the IASB should be very selective in identifying project proposals to ensure substantial resulting benefit to the global IFRS community, and not only to a specific geographic or industry cohort.

Similarly, the IASB should consider potential impact of ongoing or forthcoming projects on minor amendment projects before commencing them. For example Exposure Draft ED/2014/2 led to a minor amendment relating to consolidation exceptions under IFRS 10 and IAS 28 but a subsequent Exposure Draft ED/2015/7 now proposes to indefinitely defer the effective date of the previous amendments on the basis that the IASB is undertaking a research project, the outcome of which could affect these amendments. Through better project planning, the IASB could have avoided the resources dedicated to developing the minor amendments, and the subsequent proposal to defer the

amendments. The IASB should also consider compiling minor amendments and other sweep issues into annual improvements projects that seek to address multiple and related issues through one project. In our view this approach is likely to give rise to more efficiencies not only at the IASB, but also to other stakeholders who participate in the consultation and project development process. We also suggest a similar approach be considered by the IFRS Interpretations Committee in its development of interpretations.

We believe the IASB could benefit from a closer role with accounting professional bodies such as CPA Australia, which has influence in a number of developed and emerging economies that have either adopted IFRS or are committed to adopting IFRS. Particularly, we believe our knowledge and experience of the local economic and regulatory environment and the accountancy profession can assist the IASB in developing targeted education and guidance aimed at promoting the consistent application of IFRS.

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?

CPA Australia believes the three-tier structure of governance of the Foundation is appropriate. The IFRS Foundation should continue to ensure through its periodic reviews and resulting improvements that the real and perceived independence of the IFRS Foundation and IASB is preserved.

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?

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?

The IFRS Foundation and IASB have an up to date database of jurisdictions that have adopted IFRS either fully or to an extent, and those jurisdictions that have committed to IFRS adoption in the future. It is our view that the Trustee distribution should represent jurisdictions that have either adopted, or committed to adopt IFRS in future, rather than those that have not or are not expected to adopt IFRS. In particular, we suggest consideration of reallocating quotas from North America to other jurisdictions including Asia/Oceania, South America and Africa. We support increasing the 'at large' quota from two to five, provided the Trustees are selected on the criteria we have suggested above.

We support the Trustees plan to not introduce any specific quota for appropriate balance of professional backgrounds. We support the Trustees proposals to ensure Trustees are selected from a full range of professional backgrounds, and to ensure an appropriate gender balance is maintained.

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

CPA Australia supports the proposal that will result in a review of the strategy and effectiveness of the organisation, at the latest, five years after the previous review.

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?

CPA Australia supports the proposal to reduce the size of the IASB from 16 members to 13. Similar to the views expressed in our response to questions 8 and 9 above, it is our view that the IASB should represent jurisdictions that have either adopted, or committed to adopt IFRS in the future, rather than those that have not or are not expected to adopt IFRS. In reducing the IASB size, we suggest the IFRS Foundation be mindful of the need to maintain the real and perceived independence of the Board.

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?

CPA Australia supports the proposed changes to Section 27 and 25, including broadening the professional backgrounds of Board members to include market and/or financial regulators. We also support the proposal by the Trustees to seek to look at ways to address the gender imbalance on the IASB and develop an appropriate plan to achieve that objective.

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?

CPA Australia agrees with the proposal to make the terms of IASB members renewable once for a further term of up to five years. We suggest the Constitution includes appropriate criteria for assessment of the performance and contribution of Trustees to reflect the potentially longer terms.

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?

CPA Australia acknowledges the importance of the Trustees' work to ensure that there is a broad and sustainable source of funding that enables independent standard-setting. We support the Trustees' funding model based on levies or publicly supported financing, however we note the limitations of the IFRS Foundation in enforcing or mandating such a model. Until a suitable mechanism can be identified to successfully operate the Trustees' funding model, we suggest the IFRS Foundation continues to focus on maximising publicly-sponsored contributions as its main source of funding.

We accept that contributions from accounting firms will remain a part of the funding and we suggest the Trustees' continue to monitor such contributions to ensure there is no compromise of independence. We note the comment in the consultation that the Trustees acknowledge concern raised by some stakeholders about independence, but consider this to be one of perception rather than reality. In our view, even if the trustees consider this to be an issue of perception rather than reality, both real and perceived threats to independence should be addressed appropriately by introducing necessary safeguards.

Whilst we acknowledge the need for self-generated income to enhance the organisation's independence, we suggest this should be balanced against the IFRS Foundation's public interest objective.

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

Other than our responses above, CPA Australia has not identified any further issues for the Trustees consideration.