



## The Role of the IFRS Foundation, Monitoring Board, IASB, IFRS Advisory and the IFRS Interpretations Committee

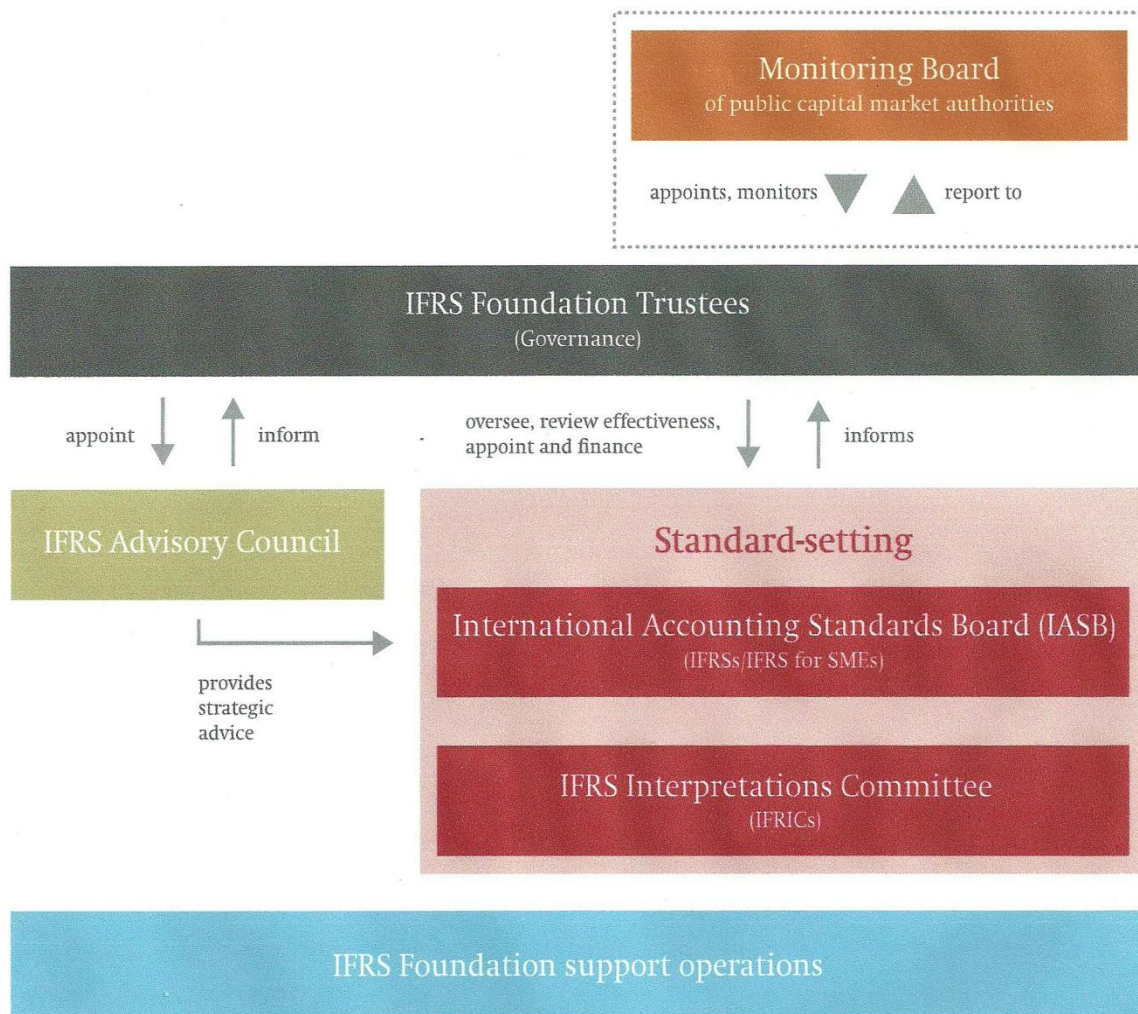
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Examiner: Formation 2 Financial Accounting

This article provides information on the roles that the following play in international accounting today;

- Monitoring Board;
- International Financial Reporting Standards (IFRS) Foundation;
- International Accounting Standards Board (IASB);
- IFRS Advisory; and
- IFRS Interpretations Committee.

### Structure of the Organisation

The structure of the organisation is best recognised using a diagram i.e.



### **Monitoring Board**

At the Trustees' meeting in New Delhi, India, in January 2009, a decision was made to enhance the IFRS's public accountability by establishing a link to a monitoring board of public authorities. The primary purpose of the IFRS Foundation Monitoring Board is to serve as a mechanism for formal interaction between capital markets authorities and the IFRS Foundation. The IFRS Foundation monitoring board helps to ensure the public accountability of the IFRS Foundation by monitoring and reinforcing the public interest oversight function of the IFRS Foundation, as well as to promote the continued development of IFRS as a high-quality set of global accounting standards. The members of the Monitoring Board are currently the Emerging Markets and Technical Committees of the International Organization of Securities Commissions (IOSCO), the European Commission, the Financial Services Agency of Japan (JFSA), and the US Securities and Exchange Commission (SEC). The Basel Committee on Banking Supervision participates in the Monitoring Board as an observer. Through the Monitoring Board, securities regulators that allow or require the use of IFRS in their jurisdictions will be able to more effectively carry out their mandates regarding investor protection, market integrity, and capital formation.

The Monitoring Board's main responsibilities are to ensure that the Trustees of the IFRS Foundation continue to discharge their duties as defined by the IFRS Foundation Constitution, as well as approving the appointment or reappointment of Trustees. It is envisaged that the Monitoring Board will meet the Trustees at least once a year, or more often if appropriate.

### **IFRS Foundation**

The IFRS Foundation is the oversight body of the various boards/committees such as the IASB, IFRS Interpretations Committee etc. It is an independent, not-for-profit private sector organisation working in the public interest. Its principal objectives are:

- To develop a single set of high quality, understandable, enforceable and globally accepted international financial reporting standards (IFRSs) through its standard-setting body, the IASB;
- To promote the use and rigorous application of those standards;
- To take account of the financial reporting needs of emerging economies and small and medium-sized entities (SMEs); and
- To promote and facilitate adoption of IFRSs, being the standards and interpretations issued by the IASB, through the convergence of national accounting standards and IFRSs.

The governance and oversight of the activities undertaken by the IFRS Foundation and its standard-setting body rests with its twenty trustees, who are also responsible for safeguarding the independence of the IASB, appointments to the various boards and committees and ensuring the financing of the organisation. The Trustees are publicly accountable to the Monitoring Board of public authorities. The Trustees promote the work of the International Accounting Standards Board (IASB) and the rigorous application of IFRSs but are not involved in any technical matters relating to the standards. This responsibility rests solely with the IASB.

Trustees are appointed for a renewable term of three years. Each Trustee is expected to have an understanding of, and be sensitive to, international issues relevant to the success of an international organisation responsible for the development of high quality global accounting standards for use in the world's capital markets and by other users.

Six of the Trustees must be selected from the Asia/Oceania region, six from Europe, six from North America, one from Africa, one from South America and two from the rest of the world.

The goal of the IFRS Foundation to develop a single set of high quality, understandable, enforceable and globally accepted financial reporting standards is achieved through the following:

- An independent standard-setting board (IASB), overseen by a geographically and professionally diverse body of trustees, publicly accountable to a monitoring board of public capital market authorities,
- Supported by an external IFRS Advisory Council and an IFRS Interpretations Committee to offer guidance where divergence in practice occurs,
- A thorough, open, participatory and transparent due process in arriving at financial reporting standards,
- Engagement with investors, regulators, business leaders and the global accountancy profession at every stage of the process,
- Collaborative efforts with the worldwide standard-setting community.

### **The IASB (International Accounting Standards Board)**

The IASB which was set up in April 2001 is the independent standard-setting body of the IFRS Foundation. It replaced the International Accounting Standards Committee (IASC) which had been setting international accounting standards (IASs) since 1973. At the time of its initiation, the IASB adopted in full all existing IASs and decided that all new standards they developed would be called International Financial Reporting Standards (IFRSs).

Its members (currently 16 full-time members) are responsible for the development and publication of IFRSs, including the IFRS for SMEs and for approving Interpretations of IFRSs as developed by the IFRS Interpretations Committee (formerly called the IFRIC). All meetings of the IASB are held in public and webcast.

In fulfilling its standard-setting duties the IASB follows a thorough, open and transparent due process of which the publication of consultative documents, such as discussion papers and exposure drafts, for public comment is an important component. The IASB engages closely with stakeholders around the world, including investors, analysts, regulators, business leaders, accounting standard-setters and the accountancy profession.

### ***Convergence with Other Major Standard Setters notably US's FASB***

A large part of the IASB's time and efforts have gone into convergence with other major standard setters in world accounting notably the US's Financial Accounting Standards Board (FASB). The IASB and the US Financial Accounting Standards Board (FASB) have been working together since 2002 to achieve convergence of IFRSs and US generally accepted accounting principles (US GAAP).

In September 2002 the IASB and the FASB agreed to work together, in consultation with other national and regional bodies, to remove the differences between international standards and US GAAP. This decision was embodied in a Memorandum of Understanding (MoU) between the boards known as the Norwalk Agreement. The boards' commitment was further strengthened in 2006 when the IASB and FASB set specific milestones to be reached by 2008 in their 'roadmap for convergence 2006 - 2008'.

In light of the progress achieved by the two boards and other factors, the US Securities and Exchange Commission (SEC) removed in 2007 the requirement for non-US companies registered in the United States to reconcile their financial reports with US GAAP if their accounts complied with IFRSs as issued by the IASB. At the same time, the SEC also published a proposed roadmap on adoption of IFRSs for domestic US companies.

In 2008 the two boards issued an update to the MoU, which identified a series of priorities and milestones, emphasising the goal of joint projects to produce common, principle-based standards. Historically, the FASB had based their standards on a 'rules' basis but scandals such as Enron had highlighted weaknesses in this approach to setting standards.

In September 2009, the Group of 20 Leaders (G20) called for standard-setters to re-double their efforts to complete convergence in global accounting standards. Following this request, in November 2009 the IASB and the FASB published a progress report describing an intensification of their work programme, including the hosting of monthly joint board meetings and to provide quarterly updates on their progress on convergence projects.

In April 2012 the IASB and FASB published a joint progress report in which they describe the progress made where short-term projects identified for action have been completed or are close to completion and one has been determined to be a lower priority and of the longer-term projects, the two main, of the originally identified projects, yet to be finalised by the two boards in relation to the technical decisions, are in relation to leases and revenue recognition. As recently as September and October 2013, the chairmen of both the IASB and the FASB reiterated their continued support for convergence of IFRS and US GAAP.

### **The IFRS Advisory Council**

The IFRS Advisory Council is the formal advisory body to the IASB and the Trustees of the IFRS Foundation. It consists of a wide range of representatives from groups that are affected by and interested in the IASB's work. These include investors, financial analysts and other users of financial statements, as well as preparers, academics, auditors, regulators, professional accounting bodies and standard-setters. Members of the Advisory Council are appointed by the Trustees.

The Advisory Council normally meets three times a year for a period of two days, in London. The Chairman of the IASB, the Director of Technical Activities, the Director of Research, the Director of Implementation Activities, and IASB members and staff who are responsible for items on the Advisory Council meeting agenda are normally required to attend the meetings.

### **The IFRS Interpretations Committee**

The IFRS Interpretations Committee is the interpretative body of the IASB. The Interpretations Committee comprises 14 voting members appointed by the Trustees and drawn from a variety of countries and professional backgrounds. The mandate of the Interpretations Committee is to review on a timely basis widespread accounting issues that have arisen within the context of current IFRSs and to provide authoritative guidance (IFRICs) on those issues. Interpretation Committee meetings are open to the public and webcast. In developing interpretations, the Interpretations Committee works closely with similar national committees and follows a transparent, thorough and open due process.

**Special mention must go to the IASB and their website for sourcing of relevant information for this article.**