

Report of the Due Process Oversight Committee

I am grateful to Antonio Vegezzi, my predecessor as Chairman of the Trustees' Due Process Oversight Committee (DPOC), for his work to establish the DPOC in 2006 and lead its development into one of the most important and increasingly active Trustee subcommittees.

2010 priority areas

The 2009 *Report of the Due Process Oversight Committee* identified four priority areas for the work of the DPOC during 2010. They were;

1. to monitor the IASB's compliance with its due process as it completes its convergence programme;
2. to review the efficiency of the IFRS Interpretations Committee;
3. to consider the extent to which the IFRS Foundation should be involved in the development of extensions to the XBRL taxonomy; and
4. to assist the IASB with its own outreach activities.

First, the DPOC undertook to monitor the IASB's compliance with its due process as it completes its 2006 Memorandum of Understanding with the FASB. Consistently with that objective, during 2010 the DPOC intensified its interaction with the IASB as the boards published exposure drafts of major convergence standards for public comment. During this period, the DPOC responded to concerns from interested parties about their difficulty in providing high quality input on a timely basis due to the number of due process documents published for public comment at the same time. In consultation with the DPOC, the IASB agreed with the FASB to limit the number of concurrent due process documents published for public comment

at one time, and to give priority to those projects on which improvements in financial reporting were considered most urgent. The DPOC has continued to monitor the due process followed by the IASB as it completes its convergence work and, at the request of the Chair of the IASB, will meet monthly in order to monitor the quality and robustness of the due process followed by the IASB in finalising its convergence work.

Second, the DPOC initiated a review of the efficiency of the IFRS Interpretations Committee and to benchmark the IASB's due process against comparable organisations. In October 2010 the DPOC conducted a survey of those who attend meetings of the Interpretations Committee in an official capacity, including Committee members and observers, to learn about members' views on the efficiency and effectiveness of the Interpretations Committee in achieving its objectives and to seek suggestions for improving its operations. Responses to the survey were also sought from members of the IASB, members of the IFRS Advisory Council, national standard-setters and other interested parties including the large accounting firms and various regulatory bodies. The survey was also posted on the IFRS Foundation website for completion by other interested parties. In July 2010 the DPOC began its work to benchmark the IASB's due process against comparable

organisations. Members of the DPOC have now met their counterparts at the Financial Accounting Foundation (oversight body of the FASB), the International Standards Organisation and the International Federation of Accountants.

Third, the DPOC agreed to determine the extent of involvement of the IFRS Foundation in the development of extensions to the IFRS taxonomy. This process is continuing to evolve and is subject to our current strategy review.

Lastly, the DPOC agreed to assist the IASB in enhancing its outreach activities, particularly those targeted at the investor community and prudential supervisors. In accordance with this objective, in April 2010 the IASB appointed its first dedicated investor liaison manager, to co-ordinate the IASB's interaction with members of the investor community and to seek higher levels of investor participation in the standard-setting process. The IASB has continued to deepen its involvement with prudential supervisors through an enhanced technical dialogue.

2011 priorities

The comprehensive programme of work undertaken by the DPOC during 2010 further strengthened Trustee oversight of the IASB's due process. In determining its priorities for 2011, the DPOC noted its



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intention to take into account any recommendations arising from the Trustees' strategy review on the need for enhanced Trustee oversight of the IASB's due process, including reviewing the IASB's due process on particular agenda decisions or standards before completion.

Notwithstanding the outcome of the review, during 2011 the DPOC intends to undertake further substantive reform of its own activities, as well as consideration of further enhancements to the IASB's own due process.

1. Review the IASB's due process

First, the DPOC will undertake a systematic review of the IASB's due process. This review will include consideration of effect analysis requirements as part of the IASB's due process, and the extent to which the

Foundation's XBRL activities can be integrated into its mainstream standard-setting activities and due process requirements. Once the review is completed, the DPOC will provide an update to the Due Process Handbook.

2. Create an enhanced DPOC protocol

Second, the DPOC will create an enhanced protocol that describes how it discharges its responsibilities. The enhanced protocol will describe the interaction between the IASB and the DPOC, while respecting the independence of the IASB in its standard-setting activities. Once established, the enhanced protocol will provide a framework for the DPOC to oversee due process compliance from agenda consultation through to the issuing of a standard. It is intended that the DPOC will issue a final report on the due process review at the end of each

major project, as well as providing regular updates on the results of its review and discussions with the IASB throughout the life cycle of the projects.

3. Enhance transparency of activities

Third, the DPOC will provide enhanced transparency and visibility of its own activities, including the creation of a dedicated DPOC section of the IFRS Foundation website. The DPOC will publish summaries of the conclusions of its meetings, as well as other related documents and correspondence with third parties regarding due process oversight.

4. Increased engagement with the IASB

Lastly, the DPOC recognises the importance of 2011 in achieving the broader mission of the IFRS Foundation, and in particular the importance of maintaining confidence and trust in the standard-setting process followed by the IASB in finalising its programme of work with the FASB. The DPOC has an important role to play in providing assurance that the IASB has followed an extensive, robust and transparent process in accordance with its published due process. As part of this responsibility, the DPOC will continue to meet the staff and leadership of the IASB monthly to ensure that the remaining standards resulting from the convergence process have benefited from the full extent of the IASB's due process.