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*This document is provided as a convenience to observers at IASCF meetings, to assist them in following the discussion.*

## **INFORMATION FOR OBSERVERS**

**IASCF Meeting, 15-16 January 2009**

### **Agenda Paper 6A**

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#### **Process Oversight Committee**

#### **Report on the Working Groups' Effectiveness**

#### **Survey and Interviews**

#### ***Introduction***

The Due Process Oversight Committee mandate is to undertake a review of the Trustee's oversight work, including the IASB's adherence to due process. The Committee carries out its oversight functions by developing proposals and measurement targets regarding oversight responsibilities for consideration by the Trustees.

In late spring 2008 the Committee concluded that the Working Groups (WG) constituted an important element of the IASB's project development and consultation process and therefore warranted a review of their effectiveness. For this reason, with the support of the Due Process Oversight Committee, the IASB initiated a survey of the effectiveness of existing working groups with a view to staff's making proposals that could enhance their effectiveness and usefulness. It is proposed that a revised document with recommendations be reviewed by the Committee and the IASB with a view for discussion at the next joint meeting.

The IASB's WGs, as of December 2008, are:

- Insurance
- Employee Benefits
- Financial Instruments
- Joint International Group [on Financial Statement Presentation]
- Leases and
- Private Enterprises

## *Methodology*

The methodology of this review was carried out in two parts:

- The first part consisted of a questionnaire which was sent to every Working Group member, both past and present, and all official observers of IASB working groups.
- The second part consisted of more detailed interviews with the various chairs of each Working Group, together with the technical staff members responsible for administering each Working Group.

The first part questionnaire was sent out on 23 July 2008. The deadline for reply was 30 September 2008. The questions were drafted by Peter Clark, Director of Research, and were reviewed, amended and approved by the Trustees.

In total, 73 responses appertaining to the above groups were received. The appendices provide detailed findings for information purposes.

This report aims to:

- Summarise the findings that emerged from the questionnaire survey.
- Summarise the findings that emerged from the interviews.
- Make staff recommendations based on the summary findings.

## *Observations and General Conclusions*

- **Support for the use of working groups generally:** Both the WG chairs and the members of the WGs concluded that the WGs were of value and assistance to the work of the IASB. The majority of members felt that they made a positive contribution and the WG chairs felt that the WGs provided a valuable opportunity to receive practical feedback and advice based on experience.
- **Some differences on views of effectiveness through, generally depending upon the group itself:** The differences of opinion centred on how the WGs might best achieve their objectives and fulfil their true potential. These were based on experience and largely depended in which WG a member participated.
- **Disconnect in the perceptions of IASB and WG members regarding objectives:** Overall, there was strong satisfaction throughout all WG members, that the WGs had clear objectives. However, the chairmen of the WGs were of the view that the WG members' perception of their objectives was in fact quite different from that of the IASB's perception and that this incongruity in expectation and objective was partially responsible for disappointment in both the WG members and the IASB. Particularly, WG members perceive themselves as having a more direct role in the formal development of standards, but the IASB perceive working groups to be more advisory in nature. As a result:
  - **A sense of some WG members that their impact was not significant:** This resulted in a plurality of the members of the WG being of the opinion that their views and comments were largely ignored by the IASB and that as such they served no real purpose other than to fulfil the IASB's duty of due process.

- **Difference of opinion depending upon working group:** Those that felt that their views were taken into account were aligned according to which WG they participated in. Accordingly some of the experiences differed according to the WG in question.
- **Differing views on size of WGs:** Most of the WG members felt that the size of the WG was satisfactory, but that they should not be extended. The reason for this conclusion was that the purpose of the WGs was to build consensus; so it would not be possible for them to be smaller. However most of the WG chairmen were of the view that in an ideal world, the WGs would be smaller and therefore more efficient. However, it was recognised that given the need for geographic and professional diversity this would not be possible. Some of the chairs expressed regret that leading experts were sometimes excluded due to the need to maintain geographical balance.
- **A desire for more frequent interaction between WGs and the IASB, but a question as to the most effective way:** A majority of WG members expressed a lot of concern that the WGs did not meet frequently enough. It was clear that different WG members had different experiences. Those that expressed satisfaction with the number of meetings had either attended more meetings or had received regular communication and updates between meetings.

On the other hand, the WG chairmen expressed concern about holding big meetings that did not justify the administration and financial expense. A common theme throughout the interviews was that smaller ad hoc meetings and regular e-mail or telephone communication achieved far more than large grandstanding meetings. This proposal would probably sit comfortably with the WG members since some of them had recommended additional communication tools between meetings, such as the use of webcasts.

Both groups were however unanimously of the view that regular communication between meetings is the key to keeping the WG members engaged, enthused and providing valuable feedback to the IASB.

- **Differing levels of engagement among WG members:** Some of the WG members expressed concern that other members did not participate fully and felt that more should be done to encourage participation and to focus meetings on specific relevant issues. However, these comments were very much in the minority.
- **High quality staff and chairs:** Both the WG members and the WG chairmen were of the view that the technical staff provided excellent summaries of meetings and assistance. All agreed that meetings needed to be scheduled well in advance to give everyone an opportunity of attending. There was also very strong satisfaction with the leadership of the WG chairmen. The chairman of the WGs recognised that they needed to be proactive, prepared, and to focus discussions so that they got the most out of the WGs.

### ***Recommendations based on both summary findings***

The following recommendations can be drawn from the results of both the questionnaire responses and the interviews:

1. **Use of meetings improved:** There is a need to make sure that the time of the IASB and WG are used in the most efficacious manner. Some considerations include:
  - **Appropriate use of meetings:** Full meetings should be called only when necessary.
  - **Contact by other means:** Instead regular ad hoc contact by way of e-mail, webcasts, telephone and other electronic communication should replace large grandstanding meetings. This will ensure that that the WG members feel included and can make positive contributions without the administrative and financial burden of holding large meetings that achieve little.
2. **Need for feedback:** Building on the suggestions above, there is a perception that the feedback mechanism could be improved, and regular dialogue and feedback from the IASB to the WG is important. IASB should ensure that feedback is given explaining whether comments were taken into account and if so, how.
3. **Clarify objectives:** It is essential for the members of the WG to be aware of their role and remit and for there to be an alignment of expectations - both for the IASB and for the members of the WG. As a consequence the WGs terms of reference should be clarified and properly articulated.
4. **Enhancements and observations on composition:** There are a number of relevant points to be made regarding the composition of WGs.
  - In order for a WG to be effective, the right combination of members is essential. Each group will have different requirements, but overall there seems to be a need for more users.
  - The composition of the WGs should be reviewed regularly to ensure that the mix of membership is relevant and that members are qualified to provide the IASB with the assistance it requires. Furthermore, members of WGs should have aligned experiences and abilities, thereby ensuring generation of ideas and valuable debate; where participants can contribute equally.
  - The WG should be kept as small as reasonably possible. It is recognised however that the requirement to include both a wide geographic and professional spread means that the WGs can not reasonably be smaller than 20 in number.

Tamara Oyre  
7 January 2009

## *Appendix A*

### *Summary Findings of the Results of the Questionnaire*

The questionnaire was sent to past and present members and official observers of IASB working groups. These working groups are:

- Insurance
- Employee Benefits
- Financial Instruments
- Joint International Group [on Financial Statement Presentation]
- Leases
- SMEs

In total, 73 responses appertaining to the above groups were received.

The summary of the responses received to each of the questions will now be analysed:

#### Question 2.

Does / did the working group have a clear objective?

82% answered positively.

10% answered negatively.

8 did not reply.

Overall, there was strong satisfaction throughout all groups, however, whilst many indicated that they understood what their objectives were they did not have any confidence in achieving their objectives, and neither did the IASB staff.

Some noted that although the objective was clear, there were diverse and protracted discussions that implied that it detracted from the primary purpose.

Some noted that the WGs were used by the IASB for purposes other than what they understood their objective and remit to be.

There were also some comments that the advisory role of the WGs did not sit comfortably with some of the members.

There were some concerns about the coordination of the Groups which impacted on their ability to achieve their objectives.

There were some comments that the IASB is unclear as to what they seek from the WGs.

#### Question 3.

Is / was the size of the working group appropriate?

77% answered positively.

15% answered negatively.

8 did not reply.

Those who responded positively thought that the sizes of the groups were satisfactory but that they should not be extended further.

Of those who responded negatively; they thought that the group was too large.

There was a comment that expressed concern that there was a lack of meetings and enquired whether this was a result of the size of the Group.

There was also a comment that the size was not relevant, rather the willingness or lack thereof of the members to participate.

A number of respondents were of the view that the objective of the WGs was to build a consensus and that as a consequence the size of the WGs was right – it could not be smaller.

#### Question 4.

Is / was the balance of membership in the group appropriate?

75% answered positively.

14% answered negatively.

11 did not reply.

There was strong satisfaction throughout all groups.

There were some who commented that there were duplications of representative groups.

There was one comment that there was a plurality of European representatives, most of whom had similar views.

There was a recommendation that membership should be reviewed annually to ensure that the membership is still relevant and that they possess the skill to represent the discussion topics.

Two respondents felt that there were too many representatives from standard-setting bodies.

Once again some commented that the contributions of the members were mixed, with some contributing very little.

#### Question 5.

Is / was the frequency of meetings appropriate?

33% answered positively.

51% answered negatively.

16 did not reply.

There was particular criticism from the Leases working group – all 11 respondents from this group answered “no”.

The Joint International Group on Financial Statement Presentation also had a particularly high dissatisfaction rate (69%)

60% of SME Working Group respondents answered “yes”, as did 50% of Employee Benefits Working Group respondents.

Accordingly it would appear that the responses are very much dependent on the individual Groups and the way they have been managed by the chairs and the staff.

Question 6.

Is / was the discussion at meetings appropriate?

63% answered positively.

21% answered negatively.

16 did not reply

Respondents from Employee Benefits Working Group and Financial Instruments Working Group answered most positively. The members of the Leases WGs were most negative.

Some said that the staff and the IASB members should press a little harder on the matters that they require input.

There was a helpful comment that there should be an attempt to summarise discussions at the end of each topic so as to provide an overview.

Someone said that the discussions were steered to give the IASB affirmation rather than input.

There was also a comment that the very formal role of the chairman did not encourage a lively debate. The chair should play a more active role in combining views and stimulating discussions instead of just pointing at members to say their thing.

Question 7.

Do / did the staff provide an appropriate summary of meetings?

78% answered positively.

11% answered negatively.

11 did not reply

Strong satisfaction throughout all groups (100% of PE Working Group respondents answered “yes”).

There was a recommendation to distribute minutes at the meeting.

Question 8

Does / did the Chairman chair meetings effectively and ensure participation from a broad range of the working group’s membership?

86% answered positively.

4% answered negatively.

10 did not reply

There was strong satisfaction throughout all groups. However, there were some comments that the format left little room for adequate debate.

The chairs make an effort to encourage everyone to participate.

There was one comment that suggested the chairman defended the IASB's positions rather than encouraged discussion of alternative views held within the WG.

Comment that meetings were too infrequent.

Question 9.

Do / did the Board and staff seek sufficient and appropriate use of the group between meetings?

35% answered positively.  
40% answered negatively.  
25 did not reply

Mixed opinion, but several respondents complained of no contact between meetings. There was a comment that there were some "blank" times when a member wondered what was happening. Generally more frequent communication is appreciated.

Question 10.

Do you feel that the Board and staff have given sufficient consideration to input from the group?

29% answered positively.  
41% answered negatively.  
30 did not reply

Respondents from the Leases working group were most critical, with 8 out of 11 answering "no".

There was a comment that some IASB members were present at the meetings and the views of the working groups were presented to the whole Board. However, there was some scepticism that the Board gave much consideration to the WG's input.

Someone commented that whilst the IASB appeared to be interested in what the group had to say, the "outcomes" did not always seem to reflect input from the group. It would therefore be good to fully explain the Board's decision.

There was a comment that the Board and the staff certainly listened to the comments, but that it seemed like the discussion had no impact on several of the issues being discussed; thus; it seems like an insufficient dialogue was held on some of the issues.

Question 11.

Are / were the members of the working group sufficiently engaged in the discussions?

78% answered positively.  
14% answered negatively.  
8 did not reply

There was strong satisfaction throughout all groups.

There was one comment that the differences in languages were isolating some members who did not have the same fluency as the rest of the group. This could result in the IASB losing perspective from some important parts of the world which would be valuable.



There were some who expressed concern that members did not participate as fully as they should do.

Question 12.-

Do you have any comments on the logistics of the group (eg meeting arrangements, web site)?

47% answered positively.

43% answered negatively.

10 did not reply

A significant number of respondents requested meeting dates to be set further in advance, and for meeting materials to be distributed further in advance. Some commented that communication had been poor and that regular e-mails with links to relevant materials would have been useful.

There was a suggestion to hold regional meetings rather than once a year meeting in London. This would allow the characteristics of the different regions to be fully listened to.

Meetings should be more closely aligned with the IASB meetings.

Additional communication tools would be of value, such as webcasts to more actively engage members of the WG between meetings.

Question 13.- Do you have any other comments on the IASB's use of this group?

58% answered positively.

72% answered negatively.

Those who commented negatively said the following:

- The IASB's use of the WG was disappointing and was purely for appearances from the outside.
- Some of the leading IASB members are not really "open" to changes and amendments, even if oriented towards simplification.
- User's needs need to be prioritised.
- It seems that the WG was used as a kind of "alibi". We were allowed to discuss the issues but our opinion had no real influence on the later decisions. I have the feeling that later, when preparers probably will complain about the new standard, it will be stated, that some preparers were involved in the development, which in reality was not the case. This is the main reason for the establishment of the WG.

However there were positive comments too, commending the IASB in seeking outside input and congratulating the chairs and the staff for the success of some of the groups.

## ***Appendix B***

### ***Summary Findings of the Results of the Board and Staff Interviews***

Interviews were conducted with each of the chairs of the main WGs. What follows is a summary of the main findings of those interviews:

#### ***1. Paul Pacter – Chairman of the Private Enterprises Working Group (PE WG)***

Mr. Pacter said that he inherited the WG from before 2001. He commenced by regenerating the WG by expanding its size and ensuring more active, relevant participants. He carried out surveys to ensure a more even balance, aimed to include members from developing countries and included critics of the standard, as he saw this as a means of obtaining diverse and constructive criticism and it presented an opportunity to bring opponents round to support the standard. The reinvigoration of the membership of the Group has helped to make it more efficient and the contributions have been of greater value. However, the composition of the WG could be further improved if it were possible to get more bank lenders (users) onto the group.

As chairman it is essential to be in constant communication with the members of the Group. Far more important than regular meetings is good ongoing communication, the provision of good quality materials and careful control of the Agenda when a meeting is held. The chairman needs to be proactive and thorough who can focus attention in the right direction and ensure active participation. Mr. Pacter was highly praised in the questionnaire responses for his proactive and well prepared approach to the PE WG.

As the IASB progressed towards ratification of the standard, the chairman drew up a detailed report of the comment letters, which included the comments of the WG members. Consequently, the members of the WG are satisfied that their views and comments are being fed back to the IASB and that they are making a valuable contribution.

Mr. Pacter also set up a private web and sent out updated newsletters. The members are referred to in between meetings and their views are sought. Even if there was no progress it was essential for the members of the WG to be aware of what was transpiring. This made them feel included in the process and more willing to contribute.

#### ***2. Warren McGregor – Chairman of the Insurance Working Group Peter Clark – Director of Research***

Mr. McGregor said that in his view the Insurance WG has been effective and is well structured. There are the right levels of participants and there is a reasonably good mix from different professional backgrounds. However, there are too many auditors and preparers. More users are needed on the group.

Participants are active and they are encouraged. The size of the group is effective (25 members and four bodies that are official observers).

Attendance at meetings is not however consistent and non-attendance has become a problem. This is largely due to the fact that membership is on a pro bono basis and the members have demanding professional obligations.

Membership of the WG is not personal as they are appointed as representatives of stakeholder groups. Consequently, it can sometimes be difficult to get participants in a debate to contribute in a valuable way. In addition, since membership is not personal, changing membership is a problem since there is a high churn rate.

Staff support has been excellent in preparing high quality papers on relevant topics, ongoing feedback and communication and ensuring active and relevant engagement. It is essential for the WG to be kept informed between meetings.

The WGs give back as much as is put into them. If the staff and the IASB make an effort to give feedback and actively seek views, then the WG will be more effective. It is helpful if the members of the WG know that they have a particular function to fulfil and that their contributions are of value and assistance.

It is essential for the members of the WG to be aware of their role and remit and for there to be an alignment of expectations - both for the IASB and for the members of the WG.

Meetings should be scheduled well in advance to give members ample opportunity of attending. Furthermore, arranging meetings of the WGs is time consuming and costly. It is therefore essential that the IASB makes the most of these WG meetings. Thus IASB members should attend the WG meetings so that they hear the feedback at first instance.

### **3. *John Smith – Chairman of the Financial Instruments Working Group and Gavin Francis – Director of Capital Markets***

Mr. Smith said that the Financial Instruments WG was not as effective as it might be as it is hampered by being concerned with narrow interpretation matters and making small changes rather than looking at the strategic overview of the standard and giving appropriate feedback. This is largely because there appears to be a misalignment of objectives between the WG itself and the expectation of the IASB. The WG is of the view that its object is to influence the IASB whilst the IASB sees the role of the WG to provide a sounding board to give experienced feedback that would result in improvements to financial instruments.

The way to address these issues is to:

- Stop holding big meetings and conduct more e-mail correspondence and one to one's, in the similar vein to FASB. Some large meetings could still be held on limited topics.
- More users would be of particular assistance, with a technical background.
- Co-operation with FASB would speed things considerably and provide valuable synergies.
- Members should have aligned experiences and abilities. At present, the range of experiences and abilities means that members lack the context for some of the topics of discussion. Consequently there is no generation of ideas.
- The size of the WG is too big, because of historical reasons. The optimal size would be 25 members.

### **4. *Rachel Knubley – Senior Project Manager for Leases Working Group.***

Ms Knubley explained that the Leases WG had a somewhat unfortunate start since it had been set up in 2006 and it met for the first time in February 2007. Nothing was progressed after that first meeting in 2007 primarily due to the renegotiation of the MoU with the US

FASB. There was also no communication with the members of the WG due to staff shortages arising from maternity leave.

As a consequence of this inactivity, some of the members of the WG complained. Efforts were then made to reinvigorate the WG and it met again in October 2008. It was acknowledged that there should have been better communication with the WG and they should have been kept informed of the reasons for the delays in the work.

Ms. Knubley noted that the group is composed of 20 members from around the world. In her view the Group is too large to generate effective debate or to get a good test of ideas. In her opinion, the way to solve this problem is to introduce greater flexibility. There should be less large meetings which take up considerable time to prepare and produce very little of value in comparison to the time and financial investments required. Smaller ad hoc meetings held more regularly, will make members feel engaged.

Furthermore, the IASB's emphasis on geographical balance has resulted in the exclusion of leading experts who could make valuable contributions to the Group.

The aim of the WGs is to allow the IASB to road test ideas with the WG members and as such members should have practical experience and come from industry sectors that can provide the feedback the IASB seeks.

The IASB's expectations are not communicated properly to the Groups and as a consequence there is a difference in expectation which results in disappointment on both sides. The terms of reference for the WGs should be more clearly articulated.

Ongoing communication is the key to future success, as the history of the Leases WG proves.

**5. *Jan Engström – Chairman of the Post Employment Benefits Working Group (including Pensions)***  
***Anne McGeachin –Senior Project Manager***

Jan Engström said that the purpose of the WG is to provide the IASB with the required due process so that it can understand norms and expert views. A project will require both technical and specialist skills. The IASB is there to provide the technical skills and the WGs are there to provide the specialist feedback. The respective roles of the IASB and the WGs should be clarified so that both bodies are fully aware of what they are trying to achieve.

It is not possible to have a creative discussion with more than eight people. In an ideal world, the WGs would be far smaller and therefore more effective. However, given the need to obtain representation from around the world and from different industry backgrounds, it is not possible to limit the size of the WGs.

Regular communication and meetings is the key to keeping the WGs alive. If there is no need for a regular meeting then the WG should be dissolved until required.

Each meeting should have a meeting target to ensure that the chairman gets the most out of the meeting and that the WGs provide the feedback that is sought.