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

INFORMATION FOR OBSERVERS

IFRS Foundation Trustees Meeting, Seoul 13 October 2010

AGENDA PAPER 8E**M E M O R A N D U M**

To: Due Process Oversight Committee

From: Tamara Feldman

Date: 20 September 2010

Re: *Review of Due Process Best Practice*

Attached please find a proposed framework document which was discussed at the joint meeting with the IASB on 13 September 2010. This document indicates how the review will be carried out.

In order to get this review underway, the Committee must now consider the following:

1. Documentation: At the outset, the Committee should have an accurate and updated description of the IASB due process. The Committee should consider whether a new document is required to enable a discussion on a comparative basis with other organizations. Alan Teixeira has been asked to advise whether the Due Process Handbook of the IASB is up to date and accurate.

It should be noted that the section of the Handbook outlining Annual Improvements is being reviewed and there are some suggested changes. These changes are the subject of a consultation that was commenced on 31 August and is presently underway. The closing date is 30 November 2010. The proposed changes will need to be included with the materials (the Due Process Handbook) that will be sent to the benchmarked organisations.

2. Staffing: I will be leaving for a six-month maternity leave. This may cause a challenge regarding the project staffing and timing. Tom Seidenstein is considering who will be the project manager to work alongside the Committee in conducting the review.

3. Logistics: Antonio Vegezzi has contacted the ISO. He will also be speaking to Ian Ball of IFAC on 21 September to give him a broad outline of the proposed review and to seek their agreement to participate in the review.

Staff is in the process of contacting the relevant personnel at the various national standard setters.

Appendix to paper 8E

MEMORANDUM

To: Due Process Oversight Committee

From: Tamara Feldman

Date: 20 September 2010

Re: *Proposed Framework to carry out the Review of the Trustees Oversight Responsibilities*

At the Trustees' meeting in early July it was agreed that the Due Process Oversight Committee would provide an interim report on their review of the effectiveness of the Trustees' oversight functions and responsibilities.

The Aim of the Review

The aim of this review is to consider whether the due process procedures adopted by the Foundation, and overseen by the Due Process Oversight Committee, stand up to the scrutiny of best practice procedures adopted by similar international standard setting bodies.

The purpose of the benchmarking process will be to establish:

- The effectiveness of the Trustees in overseeing existing due process – is the current framework operating optimally;
- Whether more could be done to improve due process procedures, and the accountability and reporting duty of the IASB;
- The effectiveness of the feedback and transparency of the due process procedures as reported to the Trustees;
- The suitability and effectiveness of the Trustees' communication mechanisms and outreach with stakeholders;

At the same time, the review will gather feedback on how our due processes are understood and appreciated by key stakeholders, whether they are meeting stakeholders' expectations and whether there is any perceived need for improvement. This is considered essential in a public interest environment where perception is as important as substance.

This review will not assess how the Trustees discharge their entire oversight responsibilities, which encompass many more functions than solely due process procedures, since this will be considered during the Trustees' strategic review.

Methodology

The Foundation's due process is build around three main pillars which are known as "the conceptual framework":

- **Procedural transparency** (e.g. broadcast of board decisions, updates during the standard setting process);

- ***Inclusiveness*** (willingness to reach out to key constituents and stakeholders, working groups, Advisory Council etc.) and
- ***Notice and comment*** (collection of feedback and its disclosure in feedback statements and other similar documents).

On the basis of the above, staff recommends the following methodology to carry out this review:

- Identify all the relevant standard-setting bodies and similar organisations that operate internationally, against which the Foundation can benchmark its due process procedures. These organisations will be chosen because they cover a very similar area of work and they must have many of the same considerations. It would therefore be most useful to see what they do and compare that to what we do. The criteria for the selection of the organisations to be interviewed will be the similarity of missions, activities and global outreach in common with the IFRS Foundation.
- Contact the relevant organizations and enquire whether they would be willing to meet with staff in order to carry out this benchmarking activity. If so, then they will be sent copies of the Foundation's due process procedures and other relevant information so that they understand and are aware of the Foundation's due process.
- A set of questions will need to be devised and each organisation must be asked to respond to the same questions. There must be scope for feedback and comment in general, so that the organisation being interviewed can comment on their observations of the Foundation's due process procedures and any perceived weaknesses.
- The questions will be drawn up by staff, with input from the members of the Due Process Oversight Committee. The focus of the questions should be on due process procedures, accountability and communication with stakeholders and the effectiveness of these procedures. . Care should be taken to ensure that there is no duplication with matters being considered by the strategic review. The emphasis of this process should be to enquire about what these organisations do, how they do it and what they think of our processes and how, if any, these could be improved. If differences exist then why do they exist?
- Meetings will be arranged with the identified organisations. The questions will be posed and there will be wider scope for general feedback and discussion. The review is to be carried out informally through a series of meetings with both senior people at Trustee level and also at staff level, where the procedures and protocols are being implemented.
- Once the review is undertaken, the results will be analysed and staff will carry out an assessment of the feedback. This will enable a paper to be prepared indicating whether improvements/changes are required. It will also enable us to determine whether there is a perception that the Foundation's effectiveness framework is achieving its purpose or whether there is room for improvement.
- On the basis of this analysis, staff will formulate staff proposals and recommendations, for consideration by the Trustees in general meeting.

Identification of Organisations and Stakeholders

The benchmarking organisations will include the following:

- the Financial Accounting Standard Board (FASB),
- The International Standards Organisation (ISO),
- the [International Federation of Accountants](#) (IFAC),
- The International Auditing and Assurance Standards Board (IAASB),
- The FAF Trustees who have oversight over the FASB,

- It would also be worthwhile to look around the globe at other standard-setters and assess how they operate. It is suggested that that we should approach the UK ASB, the French, the German, the Australian and the Japanese Standard-Setters.
- If time permits, the Foundation could also carry out this benchmarking activity outside of the field of accounting standards. An approach could be made to Jens Røder of the International Valuation Standards Council (IVSC) and to the electricity industry, for example, which may regulate the conduct of the various industry participants.
- At the same time the Foundation will hold dialogues with its key stakeholders, in order to obtain their feedback and perception of the Foundation's due process procedures. This will include the members of the Monitoring Board.

Willingness of the Organisations to Participate in this Review

To date the Foundation has received confirmation that senior officials from the following organisations are willing to meet with the Foundation's Trustees and senior staff in order to participate in this review:

- The International Standards Organisation (ISO),
- the [International Federation of Accountants \(IFAC\)](#), and
- The International Auditing and Assurance Standards Board (IAASB),

Meeting with the FASB is a priority. The necessary arrangements will be made as soon as possible.

Other initiatives

Since, despite all the changes and improvements made over recent years, the Foundation is regularly attacked by some about its due process and perceived lack of effective oversight, more needs to be done to improve the communication policy. The Foundation will simultaneously focus on making this information publically available. There could be a possible augmentation of the Annual Report with a separate annual Due Process Oversight Report which we could send to relevant stakeholders and also make available on our website.

Next Steps

1. Draw up the relevant questions;
2. Send out the questions and supporting documents in advance of the meetings, so as to provide sufficient opportunity for preparation;
3. Provide an update for the Trustees' meeting in October.