

# OBSERVER NOTE

IFRSF TRUSTEES / MONITORING BOARD  
NEW YORK, 13 JULY 2011  
AGENDA PAPER MB 2

## Memorandum

**To:** IFRS Foundation Monitoring Board

**From:** David Sidwell, Chairman, Trustees' Due Process Oversight Committee

**Date:** 27 June 2011

**Re:** Due Process Oversight Activities

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This memorandum provides a report of the Trustees' due process oversight activities since the last Monitoring Board meeting on 1 April.

### Due process steps on the IASB's convergence work and other projects

At the last meeting, the Monitoring Board, the Trustees, and the IASB discussed their shared commitment to the completion of the IASB-FASB convergence programme and the importance of quality. As chair of the Due Process Oversight Committee (DPOC), I indicated that the DPOC would be meeting on a monthly basis with the IASB to discuss how the IASB was taking into account stakeholder comment into its due process.

Since the April meeting, the IASB and the FASB have made a number of important decisions concerning the convergence programme:

- On 14 April, David Tweedie and Leslie Seidman announced that the boards would not be beholden to the 30 June 2011 target date for the remaining Memorandum of Understanding (MoU) projects.
- On 21 April, the IASB and the FASB issued a progress report describing the progress to date on convergence and laying out a timetable for the remaining MoU projects.
- The IASB and the FASB made significant progress on convergence by issuing standards. The IASB has published new standards on consolidated financial statements (including disclosure of interests in other entities), joint arrangements and post-employment benefits. Both boards issued new requirements in relation to fair value measurement and the presentation of other comprehensive income. The DPOC reviewed the due process on all of these projects before the issuance of the final standards. The reports provided by the IASB to the DPOC are currently found on the DPOC's webpage, and an example is attached as appendix 1.
- On 15 June, the IASB announced that it would re-expose proposals on revenue recognition.
- At its July meeting, the IASB will consider the next due process step on leasing, including the potential need to re-expose proposals.

The DPOC believes the due process steps taken on the projects described above are appropriate and reflects the necessary commitment to quality and full due process. The enhanced oversight will continue on the IASB's ongoing technical work programme.

The DPOC and the Trustees will review the IASB's work programme at their meetings immediately preceding the Monitoring Board meeting. A report and summary of the IASB's ongoing work is

described in appendices 2 and 3. Hans Hoogervorst and Ian Mackintosh will be available to answer questions on technical content at the meeting.

### **Future work programme**

On a number of occasions, the Monitoring Board has stressed the need to have an open and thorough process in setting agenda priorities. The Trustees and the IASB are committed to such a process. The IASB intends to launch its public consultation on its future agenda in the third quarter after input from the Trustees. There will be a 120-day public consultation period. A draft of the proposed consultation is attached as appendix 4.

### **Other DPOC activities**

In addition to reviewing the ongoing work of the IASB and the proposed agenda consultation, the DPOC is undertaking the following activities in 2011:

- **Development of a protocol for enhanced oversight:** The DPOC is now creating 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 issue 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.
- **A review of the effectiveness of the IFRS Interpretations Committee.** The DPOC has conducted a public consultation and expects to complete this review in the third quarter.
- **Increased transparency:** The DPOC is providing enhanced transparency and visibility of its own activities, including the creation of a dedicated DPOC section of the IFRS Foundation website. The DPOC will continue to publish summaries of the conclusions of its meetings, as well as other related documents and correspondence with third parties regarding due process oversight.