

**Review of the IASB's due process****Introduction**

The Due Process Oversight Committee (DPOC) held a telephone conference call on 16<sup>th</sup> March to discuss five standards which are planned for issue prior to the end of March. The DPOC plans to review another group of standards at their in person meeting at the end of the month.

At the Tokyo meeting, in the context of the Committee's mandate and the ongoing strategy review, the Trustees discussed a more continuous and interactive oversight role for the DPOC. This would include a regular review of the due process status of major IASB projects against an agreed framework. This would also include a confirmation of due process compliance before issuing a final standard. The effort undertaken at the March meeting is an effort to begin the evolution of the DPOC's role and a reflection that a number of key IASB projects are coming to an end.

**Projects reviewed**

IASB staff had written to the DPOC explaining how the IASB had met its due process requirements for the following forthcoming standards:

*IFRS 10 Consolidated Financial Statements*  
*IFRS 11 Joint Arrangements*  
*IFRS 12 Disclosure of Interests in Other Entities*  
*IAS 27 Separate Financial Statements*  
*IAS 28 Investments in Associates and Joint Ventures*

The letter explains how compliance with due process had been achieved for each of the standards for the following mandatory steps:

1. Publishing an exposure draft, with a basis for conclusions and alternative views if relevant
2. Reviewing comments made within a reasonable period on documents published for comment
3. Consulting the Advisory Council on major projects
4. Including a basis for conclusions in the IFRS

It also covered additional and non mandatory steps that had been undertaken for each project.

In fulfilling their due process obligations Trustees were particularly keen to understand if there had been any issues raised by stakeholders concerning due process for the above standards. Sir David indicated that the publication of the standards would engender limited opposition and that the IASB had undertaken significant outreach to respond to issues of concern.

### **Further projects to review**

There are a number of projects which are planned for issue in the coming months. The same methodology and approach will be used for these standards but to the extent possible it will be further strengthened by the addition of the feedback statement. In addition as the due process methodology is enhanced additional steps will be added.

In particular, the DPOC asked the IASB to highlight contentious issues and the process that it used to resolve these issues.

### **Future Due Process Enhancements**

**Development of a protocol to review due process:** It was agreed that this was a helpful approach and that it should be built upon in future. A significant change going forward would be that the Committee would be updated on the issues arising with the standards throughout their development. In addition, the IASB would seek prior approval of the DPOC before the IASB departs from normal mandated due process requirements, for example, shortening the comment period. These changes would enable the Committee to judge whether steps had been taken to address matters being raised. It was agreed that a protocol for staff updating the Trustees on due process should be developed. The How We Consult document could be used as a framework for this.

**Trustee response:** One topic meriting further consideration is to address a rare occasion where the Committee does not agree with an approach taken by the Board. The Committee needs to consider further what steps it would want to take in this event. It was generally agreed that the DPOC and the IASB could avoid that situation by consulting together on a regular basis.

**Enhanced communication of DPOC activity:** It was agreed that a communication strategy will be developed for the DPOC and this will clarify how outreach might be conducted to ensure a balance approach for all constituents. The role of the IFRS Advisory Council should be considered further in this regard.

**Effect analysis:** Over the coming months the Committee will also consider further how to address effect analysis (impact analysis). Whilst a number of constituents have argued for this, there are conflicting views on what this actually means in practical terms. It is also clear that the IASB staff are also already undertaking work in this regard, but have not consistently communicated what has been done. In some instances this has been due to the confidential nature of the modeling performed. It is recognised that the organisation could do a better job of promoting the good work already undertaken.

The DPOC discussed EFRAG's paper on effect analysis and its letter to the Acting Chairmen. The DPOC requested that Ian Mackintosh assume responsibility for formulating a response and organizing a working group to address how the IASB should proceed on this topic.

