

Memorandum

To: Due Process Oversight Committee
From: Tom Seidenstein, Miranda Corti
Date: 22 March 2011
Re: Due Process attestation or confirmation

In Tokyo, the Committee had a preliminary discussion on the possibility of attesting to the IASB's compliance with its due process. This discussion was prompted by the Strategy Review report. The Committee will note the relevant section in the Strategy Review document:

C2. The framework for the Trustees in their oversight of the IASB's due process should be clarified. The Trustees' Due Process Oversight Committee should confirm due process compliance on a regular basis throughout the standard-setting process and at the end of the process before a standard is finalised.

The Trustees believe that stakeholder confidence in the standard-setter process will improve if the regular interaction between the Trustees' Due Process Oversight Committee and the IASB includes a focused and systematic review of the due process of on-going projects. While this occurs already, the Trustees recommend that the Due Process Oversight Committee consider how it could enhance this interaction and then communicate its results publicly. Furthermore, the IASB should consult with the Due Process Oversight Committee before it decides to skip a non-mandatory portion of its due process (under the 'comply and explain' approach). Any deviation from the mandatory due process requires full Trustee approval.

Before finalising a new standard or a major revision in an existing standard, the IASB should make a presentation to the Trustees' Due Process Oversight Committee explaining how it has complied with each step of its required due process. The IASB should also explain, using the constitutionally required 'comply-or-explain' approach, how it used the optional elements of its due process.

Following the IASB's presentation and before the conclusion of the IASB's project, the Due Process Oversight Committee would need to certify compliance with the IASB's procedures. The International Auditing and Assurance Standards Board has a similar procedure in place. To complement the other elements of the IASB's due process which is considered best practice, the Trustees believe that the addition of this 'attestation' step will be a significant enhancement.

In responding to the review recommendations, the Due Process Oversight Committee will need to:

1. Establish a framework to assess the IASB's due process

2. Discuss and agree what the goal of the 'attestation' step will be, what the 'attestation' will entail, and how the Committee will represent the conclusion of its work

Framework for review

The Committee previously discussed the need to have a common framework to assess whether the IASB is following its due process. **The checklist on pages 2-4 of the document, titled Outreach and Consultation Activities, should provide the basis for this framework and is consistent with the IASB.**

The Committee also discussed that its review the due process on major projects throughout the cycle of project development with the IASB against this framework. This would permit the early identification of issues of concern related to process, not substance. Furthermore, the Committee would have a better understanding of how the IASB was attempting to address contentious issues, which often become the basis of due process complaints.

Attestation/certification

In London, the Committee should discuss what is meant by attestation, certification, or confirmation of due process compliance. The recommendation in the strategy review document implies that the Committee attests to compliance at the end of the standard-setting process. However, it is important to set expectations appropriately. The chair of the Committee wishes to invite discussion on this point.

One possibility is that the IASB would report formally, similarly to the PIOB approach, on how each mandatory and informal element of the due process was handled. They would indicate evidence of performance of each element of the due process. Committee could then represent to the general public that they have received appropriate assurances that due process has been followed.

Staffing

The continuous approach to due process oversight and the attestation requirement, even limited in format, will entail a significant increase in project management. If implemented, the Committee will need a dedicated staff resource. This request will need to be made to the full Trustees.