

AGENDA PAPER

IFRS Foundation Trustees' meeting—Due Process Oversight Committee

London 12-13 April 2012 Agenda ref 3Bii

Draft Due Process Handbook – invitation to comment

Invitation to Comment

IASB and IFRS Interpretations Committee Due Process Handbook

Comment to be received by xxx



Introduction and invitation to comment

The Trustees of the IFRS Foundation oversee the operations of the IASB and the IFRS Interpretations Committee (the Interpretations Committee). The Trustees have a committee—the Due Process Oversight Committee (DPOC)—which has the task of reviewing and, if necessary, amending the due process procedures in the light of experience and comments from the IASB and interested parties.

During 2011 and 2012 the DPOC has been reviewing its operating protocol and, as part of this, asked the IFRS Foundation staff to update the *Due Process Handbook* for the IASB and the Interpretations Committee.

It is not unusual for the handbooks to be updated. The IASB and the Interpretations Committee will often perform steps and procedures over and above those described in their handbooks because they are continually striving to improve how they consult and operate. From time to time the IASB and the DPOC review how the IASB and the Interpretations Committee are operating to determine whether some of these new and additional steps should be embedded in their due process. Similarly, such reviews could remove or amend due process steps that impede, rather than enhance, the efficient and effective development of IFRSs and Interpretations.

This update is more substantial than earlier reviews, largely because it combines the separate IASB and Interpretations Committee handbooks into one document. This reflects steps taken, as a consequence of a review of the Interpretations Committee, to have the IASB and its Interpretations Committee work more closely together. In addition, the new handbook incorporates the due process protocol developed by the DPOC. The DPOC also took the opportunity to redraft existing requirements in a more principled way and using plain English.

Main features of the [draft] revised handbook

General

The handbook now describes the three-yearly public review of the IASB work programme (currently referred to as the 'triennial agenda consultation'). The handbook clarifies that the focus of the review is strategic and is not designed to add individual projects to the IASB's work programme. Instead, the focus is on seeking formal, public input on the strategic direction and balance of the IASB's work programme.

The DPOC has been enhancing its role and the handbook includes sections to reflect these changes. The DPOC's responsibilities in overseeing the due process of the IASB and the

Interpretations Committee are outlined. This section also describes the protocols for the action Trustees can take in the event of a perceived breach of due process.

The handbook no longer refers to the liaison roles that the IASB had with individual standard-setters when it was first set up. The section is now broader and anticipates the likely steps the IASB will take to develop a more formal network of standard-setters and others.

The handbook includes a more extensive discussion of the process of assessing the likely effects of an IFRS. More importantly, the handbook reflects the fact that the IASB has begun the process of embedding this assessment throughout the development of an IFRS rather than simply having an assessment document at the end of the process.

The more substantive changes are:

- A research programme is described, which we expect will become the development base from which potential standards-level projects will be identified. The use of a Discussion Paper as the first external due process document has been moved into this research programme and would precede a proposal to add a standards-level project to the IASB work plan. Currently, a Discussion Paper is required as a step after a project has been added to the standards-level programme. A new section has also been added that describes the oversight of the *Conceptual Framework* as a standing activity of the IASB.
- A new section on maintenance has been added, which formalises the practice the IASB and Interpretations Committee have been following for addressing matters that are narrow in scope. It clarifies that the more formal project proposal processes, such as prior consultation with the Advisory Council, was always intended to apply to new IFRSs and major amendments. The IASB has the discretion to initiate changes that are narrow in scope to IFRSs as part of the general maintenance of IFRSs. The new section also explains how the activities of the IASB and its Interpretations Committee are closely related.
- The sections explaining post-implementation reviews have been expanded and now describe in more detail how the IASB expects to develop each review. This section includes an explanation of the related public consultation.
- Two changes to comment periods are proposed. The first would increase the minimum comment period for exposing the draft of a rejection of a request for an Interpretation request from 30 days to 60 days. This change responds to concerns that the Interpretations Committee is not receiving sufficient feedback on draft rejection notices. The other change relates to re-exposure of a document. The DPOC is proposing to allow the IASB to have a reduced comment period for documents it plans to re-expose. Some

re-exposure documents are intended to focus on a narrow aspect of an exposure draft, rather than being a fundamentally different document. A minimum 120-day comment period may not be necessary in some cases and may lead to an undue delay in the publication of a final IFRS. A minimum comment period of 60 days would be permitted.

The redrafted handbook has also been updated to reflect actual practice and includes expanded discussions of some matters that seem not to be well understood:

- References to observer notes have been replaced by a simple principle that all IASB
 papers are made available for observers. There is also a clearer basis for withholding
 material and an example of such an instance is provided.
- The IASB has used a Request for Views document to solicit feedback on many topics, for example, the three-yearly agenda consultation and a targeted request for input on the practical implications and approach to impairment. The handbook explains the purpose of this type of consultation and the process for issuing such a request.
- The process for correcting typographical and other editorial errors is explained.
- The nature of technical votes in meetings has been explained, as well as how they relate to the ballot process. The balloting process is also set out, including the role of review drafts in this process. This section replaces the current references to fatal flaw reviews, and provides an explanation of the scope of such reviews.
- The nature and purpose of education sessions and small group sessions are explained, along with a description of the role of assigned IASB members.
- The purpose of staff papers is explained, including the relative responsibilities of IASB members and staff.
- The different types of consultative groups the IASB uses, such as working groups and expert advisory panels, are explained. This section also clarifies which types of meeting must be held in public and which groups have their membership ratified by the DPOC.
- The manner in which the IASB uses fieldwork to support the development of IFRSs
 (which the current handbook refers to as 'field testing' and 'field visits') is explained.
 Fieldwork can include components of field tests and field visits, but may also include
 other methods of collecting information to assess the feasibility and cost of a potential
 IFRS.

• The purpose of the Annual Improvements criteria is clarified as helping the IASB to decide whether it would be appropriate to expose several unrelated proposals to amend IFRSs in a single document rather than separately.

The handbook also includes five new appendices:

- (a) A glossary of terms. The glossary should make it easier to find explanations of many of the terms we use regularly but are specific to the IASB.
- (b) An explanation of the peer review processes preceding the publication of material produced by the IASB's Education Initiative. In documenting these steps, the IASB has enhanced the peer review process to protect the integrity of these publications.
- (c) A description of the main issues that should be included in the terms of reference for consultative groups to the IASB.
- (d) The template for submitting requests to the Interpretation Committee.
- (e) A summary of the changes made to the handbook, both in the current review and in earlier reviews.

There are many additional editorial and structural changes to the document. However, the main purpose of these changes is to make the document more consistent and easier to read.

Invitation to comment

The DPOC invites comments on any aspect of the proposed update to the IASB and Interpretations Committee *Due Process Handbook*. It would particularly welcome answers to the questions set out below.

[Note to DPOC: This section will set out the particular questions for which feedback is sought. We anticipate that the questions would focus on the 'more substantive changes' and the DPOC protocol. The other changes reflect on or clarify current practice. Respondents will be given the opportunity to provide additional comments].