

AGENDA PAPER

IFRS Foundation Trustees' meeting—Due Process Oversight Committee

London

12-13 April 2012

Agenda ref

3F

To: DPOC

From: Paul Cherry, Chair of the IFRS Advisory Council

Re: The Advisory Council's involvement in the IASB's agenda consultation process

Report to the Due Process Oversight Committee

Mr David Sidwell, Chairman,

IFRS Foundation Due Process Oversight Committee

Dear David,

Thank you for inviting me to meet with the Committee. Unfortunately, I have a scheduling conflict and instead I am providing this brief written report on the Advisory Council's involvement in the IASB's agenda consultation process. The agenda consultation and related topics have been discussed in open sessions at every Council meeting since November, 2009, including three break-out sessions to allow more in-depth discussion. The former and current IASB Chairmen, and current Vice-Chairman, as well as a number of other IASB members, participated in the sessions. The only constraint imposed on us was the assumption that the remaining IASB/FASB joint projects would be completed by June 2011. Members were not confident that this assumption was realistic.

Related agenda items included:

- The IASB's agenda selection criteria. Members proposed revised criteria that could be used on an interim basis pending completion of the agenda consultation.
- Resources and constraints. An assessment of the resources (IASB members and staff) available to the IASB.
- The process for the public agenda consultation. Members expressed misgivings that the proposed consultation document might be too general and too open-ended. To enable respondents to provide meaningful input, members favoured exposing for public comment a broad strategic analysis and a more detailed 'straw man' work plan.

A small work group assisted in organising the discussions and preparing a report to the IASB called *Paper on the post-2011 work plan*. In June 2010, Council unanimously approved the paper, which set out our views and advice on a range of strategic considerations. In November 2010 Council received an update from the previous IASB Chairman, including the IASB's preliminary reactions to the Council's paper. He explained that the Board had rejected our advice for a 'straw man' detailed work plan to avoid any impression that the Board had already made up its mind or had a strong predisposition for particular projects.

Members were given the opportunity to review and comment on a near final draft of the consultation document.

In June 2011 the current IASB Chairman provided an overview of the draft consultation document. Members expressed no fundamental concerns, except about:

- the lack of an overall plan of what needs to be looked at over the next 5-10 years; and
- the fact that no indication is provided of the IASB's capacity for new projects or the order of magnitude (resources and time constraints) of the various potential projects.

In February 2012, Council members were provided with an overview of the staff's analysis of responses to the consultation document and discussed their preliminary reactions. Members continued to give high priority to completion of the updated conceptual framework and supported

an evidence-based approach to standard-setting and a robust agenda-setting process. However, the completion of the remaining joint IASB/FASB projects should remain the top priority, the precise timing of which is unclear. Circumstances could change in the interim and hence Council urged caution in assessing the priorities of potential new projects at this early stage. Substantive work in the form of research and cost-benefit analysis needs to be performed before a project is considered for the IASB's agenda, before the need for a change is demonstrated and before the objectives of the possible project can be clearly defined.

In my view, the consultation process with the Council on this matter has functioned well. Council has been consulted on a timely basis and has been given ample opportunity to provide input. The IASB has carefully considered our input and provided appropriate feedback when they disagreed with us. The consultation paper makes explicit reference to the role that Council has played and clearly reflects many of the items in our paper.

I would be pleased to discuss my report at your convenience and to provide any additional information you may require.

Kind regards,

Paul Cherry