

# AGENDA PAPER

IFRS Advisory Council Meeting

LONDON

18 – 19 June 2012

**Agenda ref 2**

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TOPIC	<b>Updates to the IASB due process – presentation and breakout sessions</b>
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This paper has been prepared for discussion at a public meeting of the IFRS Advisory Council. The views expressed in this paper are those of the authors. Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS.

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## Introduction

1. On 8 May, the Trustees of the IFRS Foundation published for public comment an updated version of the *IFRS Due Process Handbook* ('the draft Handbook'), with a comment deadline of 5 September 2012. The draft Handbook was distributed to Advisory Council members at the time and can be accessed on the Foundation's website at:  
<http://www.ifrs.org/DPOC/DueProcessHandbook/Handbookand.htm>.
2. At this session, the staff will give a presentation on the main features of the draft Handbook and would like to hear the Council's views on the document and, in particular, on a number of key issues for the break-out sessions, which are outlined below.

## Due Process Oversight

3. The draft Handbook (Section 2) sets out the role and responsibilities of the Trustees' Due Process Oversight Committee (DPOC) in overseeing the due process of the IASB and the Interpretations Committee. This is a new section and has been included to reflect the enhancement of the DPOC's role.
4. The draft Handbook also describes (in Section 8) the protocols for the actions that the Trustees can take in the event of a perceived breach of due process.

### Issue 1

**Do you agree with the inclusion and content of the section of the draft Handbook on oversight and the responsibilities of the DPOC? Why or why not?**

**Do you have any views on the protocols for the action that the Trustees can take in the event of a perceived breach of due process?**

**Do you have any further comments or suggestions for how the role and responsibilities of the DPOC are set out?**

## **Due Process Protocol**

5. The DPOC has created a Due Process Protocol in the form of a reporting template that shows the steps that the IASB and the Interpretations Committee must, or could, take, as well as reporting metrics to demonstrate the steps that they have taken, in meeting their reporting obligations. The template is set out in Appendix 4 accompanying the draft Handbook. The intention is that a reporting protocol should be available on the website for each project.
6. The template is being used already by the IASB and the Interpretations Committee, and an example is at Appendix A, which sets out the due process steps followed by the IASB in the development of the *Annual Improvements to IFRSs 2009-2011* Cycle, as reported to the DPOC in advance of publication.

## **Issue 2**

**Do you agree that a reporting protocol should be maintained on the website for each project? Why or why not?**

**Do you have any views on the protocols as set out in appendix 4 accompanying the draft Handbook, in particular on the reporting metrics to demonstrate the steps the IASB has taken in meeting its due process obligations?**

**Do you have any further comments or suggestions for how the reporting protocol might be enhanced?**

## Research Programme

7. The draft Handbook (section 4) describes a research programme, which is expected to become the development base from which potential standards-level projects will be identified. The use of a Discussion Paper (DP) as the first external due process document has been moved into this research programme phase and would precede a proposal to add a standards-level project to the IASB's technical work programme. Currently, a DP is required as a step after a standards-level project has been added to the technical work programme.

### Issue 3

**Do you agree with the introduction of a separate research programme that will likely become the development base from which potential standards-level projects will be identified? Why or why not?**

**Do you have any comments or suggestions for how the description of the research programme might be enhanced?**

## Implementation and maintenance

8. The draft Handbook includes a new section (section 5), which formalises the practice that the IASB and the 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, were 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 the Interpretations Committee are closely related. These changes respond to the Trustee's call for the IASB to play a more active role in the on-going work to improve consistency of application and implementation.

**Issue 4**

**Do you agree with the distinction between narrow-scope projects, which come under the heading of maintenance, and comprehensive projects, which come under the heading of development of IFRSs? Why or why not?**

**Do you have any comments or suggestions for how the description of the implementation and maintenance of IFRSs might be enhanced?**

## Appendix A

### Confirmation of Due Process Steps followed in the finalisation of Annual Improvements to IFRSs 2009-2011 Cycle

The following table sets out the due process steps followed by the IASB in the development of the Annual Improvements to IFRSs 2009-2011 Cycle.

Step	Required/Optional	Metrics or evidence	Protocol for and evidence provided to DPOC	Actions
<b>Consideration of information gathered during consultation</b>				
IASB posts all comment letters received in relation to the exposure draft on the project pages.	Required if request issued	Letters posted on project pages	IASB reports on progress as part of the quarterly report at Trustee meetings, including summary statistics of respondents.	The staff reviewed the comment letters and provided a comment letter summary giving a general overview of the comments received and the major points raised in the letters. This summary was discussed at the IASB February 2012 meeting. This analysis indicated to the Board that it should proceed with the proposed amendments.
Board meetings held in public, with papers available for observers. All decisions are made in public session.	Required	<p>Number of meetings held to discuss topic.</p> <p>Project website contains a full description with up-to-date information on the project.</p> <p>Meeting papers posted in a timely fashion.</p> <p>Number of meetings with Consultative Group and confirmation that critical issues have been reviewed with Consultative Group</p>	<p>IASB discusses progress on major projects, in relation to the due process being conducted, with DPOC.</p> <p>IASB reviews with DPOC its due process over project life cycle, and how any issues regarding due process have been/are being addressed.</p> <p>DPOC meets with the Advisory Council to understand perspectives of stakeholders.</p> <p>DPOC reviews and responds to comments on due process as appropriate.</p>	<p>The issues were discussed on the basis of agenda papers and approved for inclusion in the 2009-2011 cycle of the Annual Improvements process by the Board in its meeting in February 2012.</p> <p>Project webpage was updated by the staff after every Interpretations Committee or Board meeting in which issues proposed for inclusion in Annual Improvements were discussed.</p>
<b>Finalisation</b>				
Need for re-exposure of standard considered	Required	An analysis of the need to re-expose is considered at a public IASB meeting, using the agreed criteria	IASB discusses its thinking on the issue of re-exposure with the DPOC	The comment letter analysis discussed at the Board meeting in February 2012 meeting indicated us that we should proceed with the proposed amendments

<i>Step</i>	<i>Required/Optional</i>	<i>Metrics or evidence</i>	<i>Protocol for and evidence provided to DPOC</i>	<i>Actions</i>
<b>IASB sets an effective date for standard, considering the need for effective implementation, generally providing at least a year.</b>	Required	Effective date set, with full consideration of implementation challenges	The IASB discusses any proposed shortening of the period for effective application with the DPOC	Effective date for each proposed amendment was set for annual periods beginning on or after 1 January 2013.
<b>Drafting quality assurance steps are adequate</b>	Required	Translations team included in review process.	DPOC receives summary report on due process steps before an IFRS is issued.	Formatting changes have been made at the request of the translation team
<b>Drafting quality assurance steps are adequate</b>	Required	XBRL team included in review process.	DPOC receives summary report on due process steps before an IFRS is issued.	XBRL team reviewed the pre-ballot draft, ballot draft and post-ballot draft
<b>Due process steps reviewed by IASB</b>	Required	Summary of all due process steps discussed by the Board before an IFRS is issued	DPOC receives summary report on due process steps before an IFRS is issued.	Each amendment was re-assessed against the annual improvements criteria that were in force at the time it was finalised.
<b>Publication</b>				
<b>Press release to announce final standard.</b>	Optional	Release announced in timely fashion Amount of media coverage of release	DPOC receives a copy of the press release and a summary of media coverage.	Press release prepared and ready to be published with final standard.
<b>Podcast to provide interested parties with high level updates or other useful information about the standard.</b>	Optional	Number of podcasts held	DPOC receives a report on outreach activities.	We will record a podcast of a discussion of the amendments, which will be available on our public website.
<b>IFRS published</b>	Required	Official release	DPOC informed of release.	The final standard will be made available on the subscriber website on publication date.