LONDON	18 – 19 June 2012	**Agenda ref**	**2A**
TOPIC	Updates to the IASB due process – presentation		

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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.

Updates to the IASB due process
Presentation for June 2012 IFRS Advisory Council meeting

International Financial Reporting Standards

IFRS Foundation
due process enhancements
IFRS Advisory Council June 2012

The views expressed in this presentation are those of the presenter,
not necessarily those of the IASB or IFRS Foundation.

IFRS

Topics

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1. Introduction – why review due process?

2. Draft Due Process Handbook – highlights

3. Issues for the break-out sessions

4. Feedback

5. Q&A

Introduction

Why a review?

- During 2011 and 2012 the DPOC reviewed its operating protocol and asked for the existing Due Process handbooks to be updated

- The review reflects the conclusions of the Trustees' Strategy Review, the review of the Interpretations Committee and the IASB's Agenda Consultation:

  - Opportunities to reflect steps taken to have the IASB and Interpretations Committee work more closely together and reflect the DPOC's due process protocol

  - Reflects enhanced role of the DPOC

  - New research and standards-level prorgrammes

  - But does not include review of XBRL due process – that will follow later

DPOC's oversight (1)

Mission

- responsible for overseeing the due process procedures of the IASB and Interpretations Committee, accountable to the Trustees

Process

- DPOC operates throughout the development of an IFRS or Interpretation

Communication

- DPOC must operate transparently

DPOC's oversight (2)

Areas of responsibility

- Reviewing regularly the due process of all the IASB's standard-setting activities, including Interpretations Committee
- Reviewing and proposing updates to *Due Process Handbooks* to ensure procedures are best practice
- Approving the composition of consultative groups
- Responding to correspondence on due process matters
- Making recommendations on changes to composition of committees integral to due process

Due process principles

Transparency

- Public meetings, voting and balloting
- Education sessions, small group meetings and assigned IASB members

Full and fair consultation

- Minimum safeguards – mandatory due process steps
- 'Comply or explain' steps
- Considering the perspectives of those affected by IFRSs globally

Accountability

- Effect analysis – a process of assessment throughout the development of an IFRS
- Basis for conclusions and dissenting views

Technical work programme

- Three-yearly consultation
- Objective – a faithful portrayal
- Consistent application of IFRSs
- Research programme – this is expected to become the development base from which potential standards-level projects will be identified –
    - research papers, discussion papers, Requests for Information
- Conceptual framework – a standing activity of the IASB

Standards-level projects (1)

New IFRSs or major amendments

- Criteria
    - Importance to users
    - The types of entities likely to be affected
    - Pervasiveness
- IASB considers adding projects to its standards-level programme after considering research undertaken on the topic and undertaking consultation.
- Issues referred by the Monitoring Board.

Standards-level projects (2)

Implementation and maintenance

- New section to formalise practice of the IASB and Interpretations Committee to address narrow scope matters
- Explains how activities of the IASB and Interpretations Committee are closely related
- Changes respond to Trustees' call for IASB to play more active role in improving consistency of application and implementation
- Highlights Interpretation Committee agenda rejection process – increase in minimum comment period for proposed rejections from 30 days to 60 days

New or amended IFRSs – development

Exposure Drafts (EDs)

- Developing EDs – normal comment period minimum 120 days
- Exposing Annual Improvements
- Publication

Consideration of comments received and consultations

- Review of comment letters and other consultations, notably with investors
- Completion of the deliberations
- Re-exposure criteria and proposal to shorten minimum comment period to 60 days if re-exposure is narrow in focus (note that a full ED would be published, so that focus of re-exposure can be set in context)

New or amended IFRSs – finalising an IFRS

Finalisation stage

- Mandatory parts of an IFRS
- Consideration of accompanying material
- Effective date and transition

Publication

- Need for Project Summary, Feedback Statement and Effect Analysis

Post-publication procedures and maintenance

Post-implementation Reviews (PIRs)

Phase 1 – Initial assessment and public consultation

- Initial review drawing on broad network
- Establish an appropriate scope for the review
- Develop a publish a *Request for Information* to seek feedback

Phase 2 – Consideration of evidence & presentation of findings

- Review of comments and other evidence
- Completion of the deliberations
- Findings presented in public report
- Important to note that there is no presumption that a PIR will lead to any changes to an IFRS

First PIR underway – on IFRS 8

Interpretations

Draft Interpretations

- Development
- Publication

Consideration of comments received

Finalising an Interpretation

- Effective date and transition
- Agreement and ratification by the IASB
- Publication

Perceived breaches of due process

- Draft Due Process Handbook outlines Protocol for Trustee action
- Procedure for handling complaints
  - covers scenario where DPOC and the IASB cannot resolve differences of opinion as to whether due process has been breached
  - referred to the Trustees as a whole
- Transparent process
  - complaint, IFRS Foundation staff report and DPOC response all posted on the DPOC web pages

Due Process Protocol

- Draft Due Process Handbook sets out Protocol for the DPOC to follow in its oversight of the IASB's due process
- Initial Working Draft posted on the website 10 November 2011
- Reporting template for demonstrating to the DPOC how the IASB and Interpretations Committee have met their due process requirements
- Outlines metrics for the IASB and Interpretations Committee to evidence due process compliance and effectiveness
- Proposal to maintain a table on the public website for each project – part of wider revamp of the way project-related information is presented on the website
- Revised system will allow users to track a project through its full life-cycle

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Due Process Protocol: example

Three-yearly consultation on the IASB work programme

General IASB requirements: At least once every three years the IASB is required to undertake a public consultation on its work programme. The primary objective of the review is to seek formal public input on the strategic direction and balance of the IASB's work programme, including the criteria for assessing projects that may be added to the IASB's standards-level programme.

DPOC objective: To satisfy the DPOC that the IASB has undertaken a review of its work programme with sufficiently broad public consultation, considered the information it has gathered and reported its findings.

Step	Required/ Optional	Metrics or evidence	Protocol for and evidence provided to DPOC	Actions
Formal consultation with the Trustees	Required	Number of discussions held with both bodies on agenda selection	Discussions on work programme consultation scheduled on Trustee agenda with the IASB. DPOC responds to any letters or other communications received in connection with IASB processes for the work programme.	
Formal consultation with the IFRS Advisory Council	Required		DPOC meets with IFRS Advisory Council to ensure discussions are scheduled on their agenda and occur. IASB chair reports regularly to DPOC and Trustees on how comments received through extensive outreach and public consultation are taken into account.	

Draft Due Process Handbook – seeking views

- Draft published 8 May – 120 day comment period up to 5 September
- Comments welcome on all aspects, but seeking views from the break-out sessions in particular on –
  - introduction of section dealing with oversight and DPOC responsibilities
  - the Due Process Protocol
  - introduction of a separate research programme
  - distinguishing between narrow-scope projects and comprehensive projects
- In all the above, has the right balance been struck between demonstrating complying with due process and ensuring the efficient operation of IASB activities?

Break-out session – Issue 1

Role and responsibilities of the DPOC

- Do you agree with the inclusion and content of the section of the draft Handbook on oversight and the responsibilities of the DPOC (section 2)? 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 (section 8)?
- Do you have any further comments or suggestions for how the role and responsibilities of the DPOC are set out?
- If you have time, consider Issue 2, Issue 3 and then Issue 4.

Break-out session – Issue 2

Due Process Protocol

- Do you agree that a reporting protocol should be maintained on the website for each project (appendix 4)? Why or why not?

- Do you have any views on the protocols as set out in appendix 4, 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?

- If you have time, consider Issue 3, Issue 4 and then Issue 1.

Break-out session – Issue 3

Research programme

- Do you agree with the introduction of a separate research programme that will likely be the development base from which potential standards-level projects will be identified (section 4)? Why or why not?

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

- If you have time, consider Issue 4, Issue 1 and then Issue 2.

Break-out session – Issue 4

Implementation and maintenance

- 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 (section 5)? Why or why not?
- Do you have any comments or suggestions for how the description of implementation and maintenance of IFRSs might be enhanced?
- If you have time, consider Issue 1, Issue 2 then Issue 3.

Questions or comments?