

AGENDA PAPER

IFRS Advisory Council Meeting

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Agenda ref 7

TOPIC IFRS Foundation due process

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IFRS Foundation due process

Presentation for February 2013 IFRS Advisory Council meeting



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

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Topics

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1. Introduction
2. Process
3. Revised Due Process Handbook – section-by-section highlights
4. Due Process Protocol
5. Feedback Statement
6. Q&A

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Introduction

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- During 2011 and 2012 the Trustees' Due Process Oversight Committee (DPOC) reviewed its operating protocol and asked for the existing Due Process handbooks to be updated
- Updated Handbook 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: one Handbook covering both IASB and Interpretations Committee;
 - Reflects enhanced role of the DPOC;
 - New research and standards-level programmes;
 - But does not include review of XBRL due process – that will follow later.

Process

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- Draft Handbook issued for comment May 2012: 120-day comment period.
- Advisory Council discussion June 2012.
- 51 comment letters received: broad support, but issues of detail.
- DPOC considered summary of analysis of comments received in October 2012 and considered issues raised over the period October 2012-January 2013.
- DPOC recommendation to the Trustees to publish the revised Handbook January 2013.
- Trustees' approval to publish given.
- Revised Handbook to be published February 2013, together with Feedback Statement and Due Process Protocol. All available on the Foundation website.

Section 1: Introduction

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- Sets out primary objective of the organisation, what the Handbook covers, and why due process is important.
- Main changes from draft Handbook:
 - Align the wording of the primary objective to that which was set out in the Trustees' *Strategy Review*;
 - Clarify the objective of due process to ensure that the IASB conducts its standard-setting process in a transparent manner, considering a wide range of views from interested parties during the development of IFRSs;
 - Clarify the role of staff as assisting the IASB, Interpretations Committee and Trustees, as well as distinguishing between technical and Trustee staff.

Section 2: DPOC's oversight

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- Sets out the oversight roles and responsibilities of the DPOC (and its accountability to the Trustees).
- Main changes from draft Handbook:
 - Clarify that the DPOC's activities are limited to matters of due process: not there to review or 'second-guess' the IASB's technical decisions;
 - Include text on the Trustees' independent staff resource and that the DPOC has the right to request any information provided to it;
 - Clarify the transparency of reporting by the DPOC, including that the DPOC 'signs-off' on its review of due process before any final pronouncement is issued. But DPOC decided, after consideration, not to hold sessions in public.

Section 4: Technical work programme

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- Outlines how the IASB considers potential candidate projects for its technical work programme, in particular the three-yearly agenda consultation and the research programme.
- Main change from draft Handbook:
 - Clarifies that while the focus of the agenda consultation is still on strategic direction of the IASB's work programme, also scope to seek views on areas of financial priority to which the IASB should give priority, together with suggestions where projects should be withdrawn.

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Section 5: Standards-level projects

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- Outlines how projects get selected, whether as comprehensive projects or implementation and maintenance projects.
- Main changes from draft Handbook:
 - Include an introduction to clarify distinction between comprehensive projects and implementation and maintenance projects;
 - Clarify the criteria for comprehensive projects, focusing on users' needs while taking into account the costs of preparing financial reports;
 - Clarify that there is a range of solutions available for implementation and maintenance projects: minor or narrow scope amendments, annual improvements and Interpretations;
 - Clarify that rejection notices should not be confused with an IFRS or Interpretation, or be perceived as being mandatory.

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Section 6: New or amended IFRSs

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- Outlines process of developing and publishing Exposure Drafts (EDs), developing final proposals and Post-Implementation Reviews (PIRs).
- Main changes from draft Handbook:
 - Specify that the minimum comment period for a narrow-scope re-exposure will be 90 days, not 60 days;
 - Clarify the criteria for re-exposure – the fact that there are changes proposed from an ED (and, inevitably, there will be changes) does not compel the IASB to re-expose proposals.

Section 7: Interpretations

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- Outlines the process followed by the Interpretations Committee in developing a draft, and then final, Interpretation.
- Main change from draft Handbook:
 - Aligns the re-exposure criteria as they relate to the Interpretations Committee with those for the IASB.

Section 8: Perceived breaches of due process

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- Outlines the Protocol for Trustee action.
- Main changes from draft Handbook:
 - Address concerns that the technical staff write the report on complaints;
 - Clarify that when DPOC concludes that a breach of due process would not question the decisions already made by the IASB, it is required to make its conclusions and discussions public;
 - Clarify that if a due process complaint relates to a project where the IASB has yet to issue a new/amended standard, the IASB cannot complete the phase of the project in progress until the complaint has been addressed by the IASB.
 - Clarify that where a new/amended standard has already been issued, the pronouncement shall remain valid until the complaint has been addressed by the DPOC.

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Due Process Protocol

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- Not an integral part of the Handbook.
- 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.
- Transparency – Due Process Protocol 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 (Due Process Handbook, paragraph 4.3).

Due Process Oversight Committee (DPOC) objective: to satisfy the DPOC that the IASB has undertaken a review of its work programme with a sufficiently broad public consultation, considered that information and reported its findings.

Step	Required/ Optional	Metrics or evidence	Evidence provided to DPOC	Actions
Planning				
Formal consultation with the IFRS Advisory Council (Advisory Council).	Required	Extent of discussions on the agenda consultation held with the Advisory Council.	Work programme consultation discussions scheduled on the Advisory Council agenda. The DPOC meets with the Advisory Council to ensure that discussions are scheduled on their agenda and that they occur.	
Keeping the Trustees informed.	Required	Extent of discussions on the agenda consultation held with the Trustees.	Work programme consultation discussions scheduled on the Trustees' agenda with the IASB. The DPOC responds to any letters or other communications that are received in connection with the IASB processes for the work programme. The IASB Chair reports regularly to the DPOC and the Trustees on how the comments that are received through extensive outreach and public consultation are taken into account.	

Feedback Statement

- Summarises:
 - The consultation that has taken place;
 - The main views expressed by respondents; and
 - How the Foundation has responded to those views.

Feedback Statement: highlights

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- Role and objectives of DPOC: Foundation view is that these are better reflected in the Handbook rather than the *Constitution*.
- Concern about due process being too bureaucratic: confirmed status of Due Process Protocol and Handbook specifies that DPOC must operate in a way that enhances rather than hinders efficient operation of the IASB.
- Handbook refers to importance of co-operation and co-ordination with National Standard-Setters and regional bodies on outreach and due process, but do not think it can be exclusive. All parties should retain ability to undertake their own outreach and due process.
- PIRs: confirmed that they should be conducted by IASB rather than Trustees. Confident that transparency of the process will protect its integrity.
- Instituting a time limit for due process complaints: think this would be impracticable.

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Questions or comments?

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