

AGENDA PAPER

IFRS Foundation Trustees' meeting—Due Process Oversight Committee

Hong Kong

22 January 2013

Agenda paper 3A(ii)

To: Due Process Oversight Committee

From: David Loweth

Date: 11 January 2013

Re: **Due Process Handbook: draft feedback statement**

DUE PROCESS HANDBOOK: [DRAFT] FEEDBACK STATEMENT

Introduction

This Feedback Statement summarises the results of the consultation by the IFRS Foundation to update and revise the *Due Process Handbook* for the International Accounting Standards Board (IASB) and the Interpretations Committee.

The Trustees of the IFRS Foundation oversee the operations of the IASB and 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.

In the course of reviewing its operating protocol during 2011 and 2012, the DPOC asked the IFRS Foundation staff to update the *Due Process Handbooks* for the IASB and the Interpretations Committee (currently there are two separate handbooks). The update does not, however, include a review of due process requirements for XBRL, which are set out in a separate document *Due Process Handbook for XBRL Activities*. The IFRS Foundation is currently reviewing its strategy for digital reporting, including XBRL, and the DPOC plans to review the XBRL Handbook following the conclusion of that review.

Consultation

Draft Due Process Handbook

In May 2012, the IFRS Foundation published for public comment a draft of a revised *Due Process Handbook*, with comments due by 5 September 2012.

The draft *Due Process Handbook* combined the separate IASB and Interpretations Committee handbooks into one document. This reflected steps taken, as a consequence of a review by the Trustees of the Interpretations Committee, to have the IASB and its Interpretations Committee work more closely together. In addition, the draft handbook incorporated 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.

The draft handbook described the three-yearly public review of the IASB work programme, clarifying 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 included sections to reflect these changes. The DPOC's responsibilities in overseeing the due process of the IASB and the Interpretations Committee were outlined. The draft handbook also described the protocols for the action Trustees could take in the event of a perceived breach of due process.

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

The draft handbook included a more extensive discussion of the process of assessing the likely effects of an IFRS. More importantly, the handbook reflected 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 other more substantive proposed changes were:

- A research programme was described, which would 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 had been moved into this research programme and would precede a proposal to add a major standards-

level project to the IASB work programme. Previously, a Discussion Paper was required as a step after a project has been added to the standards-level programme.

- A new section had also been added that described the oversight of the Conceptual Framework as a standing activity of the IASB.
- A new section on maintenance had been added, which formalised the practice the IASB and Interpretations Committee had been following for addressing matters that are narrow in scope. It clarified 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 had the discretion to initiate changes that are narrow in scope to IFRSs as part of the general maintenance of IFRSs. The new section also explained how the activities of the IASB and its Interpretations Committee were closely related.
- The sections explaining post-implementation reviews were expanded and now described in more detail how the IASB expected to develop each review. This section included an explanation of the related public consultation.
- Two changes were proposed to comment periods. The first increased 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 responded to concerns that the Interpretations Committee was not receiving sufficient feedback on draft rejection notices. The other change related to re-exposure of a document. The IASB could have a reduced comment period for documents it planned to re-expose. Some re-exposure documents were intended to focus on a narrow aspect of an exposure draft, rather than being a fundamentally different document. A minimum 120-day comment period might not be necessary in some cases and might lead to an undue delay in the publication of a final IFRS. A minimum comment period of 60 days was proposed.

In addition, the draft handbook proposed a number of amendments to reflect actual practice, plus additional editorial and structural changes.

The IFRS Foundation received 51 comment letters, all of which are available on the IFRS Foundation website. The names of responding organisations are listed on pages 18-19. In addition, the IFRS Advisory Council considered, and provided input on, the main proposals in the draft handbook at its meeting in June 2012. The DPOC considered a summary analysis of the comments received in October 2012 and considered the issues raised by respondents and how to deal with them over the period October 2012-January 2013.

Views and feedback

Oversight

In the draft *Due Process Handbook*, the Trustees proposed the inclusion of an introductory section dealing with oversight, and the responsibilities of the DPOC.

Comments received	Our responses
<p>Support for inclusion</p> <p>Most respondents supported the inclusion of an introductory section on oversight and its content, subject to comments received as outlined below.</p>	<p>Given the broad support for its inclusion, the introductory section on oversight and the responsibilities of the DPOC is included in the revised Due Process Handbook.</p>
<p>Transparency of the DPOC</p> <p>Most respondents did not comment specifically on this issue, but some suggested that the DPOC should meet in public. A number of other respondents, while not going so far, called for transparency to be ‘maximized’ and for ‘greater visibility’, especially in the reporting of DPOC meetings and activities.</p>	<p>The DPOC agrees that it must operate as transparently as possible. The DPOC has considered carefully whether it should hold parts of its meetings in public session, with a range of views being expressed. Some members think that meetings in public might affect the candour and tone of the discussions; while others do not think that this would be the case. Meeting in public would be more of an imperative if it was felt that the DPOC has a credibility problem, but this is not thought to be the case. In the DPOC’s view, it is more important that the Committee operates efficiently, effectively and independently. The DPOC believes that it can best do this by continuing to meet in private, but by enhancing its transparency. The DPOC already operates with a high level of transparency, and, on balance, members favour increasing the level of transparency of the reporting of DPOC activities and meetings, in particular:</p> <ul style="list-style-type: none"> • the reports of DPOC meetings to include the conclusions of its review and evaluation of the IASB’s compliance with due process on each of the technical activities, including whether due process concerns have been identified or not; • public confirmation that the DPOC has completed its review of due process before any new or amended

Comments received	Our responses
	<p>IFRS or Interpretation is finalised;</p> <ul style="list-style-type: none"> making public the DPOC’s conclusions and discussions on perceived breaches of due process, notably where it has determined that a breach has occurred but concluded that no additional action by the IASB is needed to remedy the breach.
<p>Fears that the due process might be seen as too ‘bureaucratic’</p> <p>Some respondents expressed concerns that the due process as described and its oversight by the DPOC might be seen as too bureaucratic. Particular concerns were expressed in relation to the Due Process Protocol.</p>	<p>We agree with the concerns. The Due Process Handbook specifies that the DPOC must operate in a manner that is timely and enhances rather than hinders the efficient operation of the IASB and the timely development of IFRSs. As noted below, the Due Process Protocol is maintained as a reporting tool for the technical staff and is not an integral part of the Due Process Handbook.</p>
<p>Concerns that the due process is too passive and not independent enough</p> <p>Some respondents took the view that the due process as described is passive. Some respondents also wanted to see a greater element of independence for the DPOC, for example in having its own information gathering role, with some expressing concerns about the role of the technical staff in relation to the IASB and the Interpretations Committee. In particular, some respondents wanted the DPOC to formally, and transparently, ‘sign-off’ on due process before any final pronouncement was issued.</p>	<p>The DPOC notes the comments but takes the view that its oversight is both active and independent. The Due Process Handbook specifies that the DPOC provides continuous oversight over the due process throughout the development stages of an IFRS or Interpretation. The DPOC acknowledges that the reporting of its discussions and the actions taken as a result of them could be more detailed. On independence, the Due Process Handbook specifies that the DPOC request a review by Trustee staff of any information provided to it. The DPOC already ‘signs-off’ on due process before any final pronouncement is issued (especially on major projects) and the Due Process Handbook now clarifies that this is the case.</p>
<p>Role and objectives of the DPOC</p> <p>Some respondents thought that the description of the role and responsibilities of the DPOC should be included in the IFRS Foundation <i>Constitution</i> rather than the Due Process Handbook.</p>	<p>The DPOC prefers that the description of its role and responsibilities should be set out in the Due Process Handbook. The <i>Constitution</i> sets out, in high level terms, the responsibilities of the Trustees to establish due process and monitor compliance with it, but how they fulfil those responsibilities is</p>

Comments received	Our responses
	<p>more appropriately dealt with in the Due Process Handbook. Adopting this approach also allows for more frequent review and updating of the roles and objectives than the five-yearly cycle for the review of the <i>Constitution</i>.</p>
<p>Breaches of due process In answering this question, some respondents also addressed the section in the draft Due Process Handbook (Section 8).</p> <p>Some respondents wanted a requirement for which a breach of due process would not question the decisions already made by the IASB to be made public.</p> <p>Some respondents felt that there should be a time limit in which complaints about due process could be made, to within 120 days of the perceived breach occurring, in particular to try and avoid any due process challenge being lodged after the issue of an IFRS and any legal challenges coming for those jurisdictions in which IFRSs become law.</p> <p>Some respondents expressed a view that the IASB, rather than the technical staff, should prepare a report in response to a due process complaint.</p>	<p>The Due Process Handbook now clarifies this. The DPOC will make public its conclusions and discussions in such circumstances. The handbook also clarifies that if a due process complaint relates to a project for which the IASB has yet to issue a new IFRS or amendment to an IFRS, the IASB cannot complete the phase of the project in progress until the complaint has been discussed by the DPOC. However, where an IASB or amendment to an IFRS has already been issued, the pronouncement shall remain valid until the due process complaint has been addressed by the DPOC. This change is designed to address the concerns expressed by some respondents of any legal challenges coming for those jurisdictions in which IFRSs become law.</p> <p>The DPOC thinks that imposing such a time limit would be impracticable.</p> <p>The fact that the staff prepare a report simply reflects the working arrangements for the concerns to be addressed in an effective and timely manner. The responsibility for due process remains that of the IASB or Interpretations Committee, as appropriate. The attendance at DPOC meetings by the Chair and/or Vice-Chair of the IASB and the</p>

Comments received	Our responses
	fact that they are answerable to the Committee reflects that. The handbook also provides that the DPOC may request additional information before finalising a response.

Due Process Protocol

The draft *Due Process Handbook* sought views on the *Due Process Protocol* in the form of a table that shows the steps that the IASB must, or could, take, as well as reporting metrics to demonstrate the steps that have been taken to meet due process obligations. The Protocol was included as an appendix and not as an integral part of the *Due Process Handbook*.

Respondents were asked whether such a table should be maintained for each project on the IASB's public website.

Comments received	Our responses
<p>Fear that the Due Process Protocol might make due process too bureaucratic</p> <p>As noted above, some respondents expressed concerns that the Due Process Protocol tables were very detailed and that such a checklist could lead to a time-consuming bureaucratic 'box-ticking' approach. Some respondents felt that, if the Due Process Protocol was used at all, it should be for internal purposes only and not made available on the website.</p>	<p>We agree with the concerns. The Due Process Protocol is maintained as a reporting tool for the technical staff and is not an integral part of the Due Process Handbook. The technical staff are using the relevant Due Process Protocol tables as appendices to their due process reports to the IASB, to ensure both that all due process steps have been completed and to document compliance with those steps. However, for transparency purposes, the full Due Process Protocol template is available on the IFRS Foundation website.</p>
<p>The Due Process Protocol should be formally part of the Due Process Handbook</p> <p>Some respondents thought that the Due Process Protocol should be integrated formally into the Due Process Handbook and made totally consistent with it.</p>	<p>As noted above, we think that the Due Process Protocol should be maintained as a reporting tool for the technical staff and should not be an integral part of the Due Process Handbook. However, we agree that the Due Process Protocol tables should be consistent with the Due Process Handbook and have reviewed them to ensure that this is the case.</p>

Comments received	Our responses
<p>Mandatory due process steps only Some respondents thought that the Due Process Protocol should focus only on mandatory due process steps and not include details as to whether any optional due process steps had been followed.</p>	<p>In our view, the Due Process Protocol should cover both mandatory and optional due process steps.</p>

Distinguishing between narrow-scope and comprehensive projects

The draft *Due Process Handbook* sought views on the distinction between narrow-scope projects, which come under the heading of implementation and maintenance, and comprehensive projects, which come under the heading of development of IFRSs.

Comments received	Our responses
<p>Support for the distinction The proposal to distinguish between narrow-scope and comprehensive projects was broadly supported, subject to the comments below.</p>	<p>Given the broad support for its inclusion, the distinction between narrow-scope and comprehensive projects is included in the revised Due Process Handbook.</p>
<p>Clarity in the distinction Some respondents thought that the distinction should be more clearly set out and introduced in this section.</p>	<p>Section 5 of the Due Process Handbook includes an introduction setting out how the IASB or the Interpretations Committee considers whether to add a project to the standards-level programme, including whether any proposal should be for a comprehensive or a narrow-scope project. The text clarifies that, either way, all proposed new IFRSs, amendments to IFRSs or Interpretations are exposed for public comment.</p>
<p>Consultation Some respondents noted that before deciding to take on a new comprehensive project the IASB will consult with the Advisory Council and accounting standard-setting bodies, but that there was no such requirement for minor or narrow-scope amendments.</p>	<p>While we continue to believe that a formal consultation process is not necessary before a minor or narrow-scope amendment is added to the standards-level programme, the Due Process Handbook specifies that the Advisory Council should be informed of any such proposed additions. In addition, the section on implementation and maintenance makes clear that the Interpretations Committee normally consults with national accounting standard-setting bodies and regional bodies associated with accounting</p>

Comments received	Our responses
	<p>standard-setting on issues referred to it.</p> <p>On consultation in general, the Due Process Handbook includes references to the Accounting Standards Advisory Forum (ASAF), which is being established to provide technical advice and feedback to the IASB.</p>
<p>Implementation and maintenance</p> <p>Some respondents thought that the section on implementation and maintenance focused only in Interpretations, and should also cover the options of minor or narrow-scope amendments and annual improvements, which is in line with the recommendations of the Trustee’s review of the efficiency and effectiveness of the Interpretations Committee, published in May 2012.</p>	<p>The Due Process Handbook clarifies that matters considered under the heading of implementation and maintenance can be taken forward either as minor or narrow-scope amendments to IFRSs, annual improvements or Interpretations.</p>
<p>Rejection notices</p> <p>Some respondents thought that the Due Process Handbook should specify that Interpretations Committee agenda rejection notices should not be confused with an IFRS, Interpretation or perceived as being mandatory.</p>	<p>The Due Process Handbook clarifies the status of rejection notices and clarifies that they do not have the status of IFRSs and therefore will not provide mandatory requirements.</p>

Research Programme

The draft Due Process Handbook sought views on the introduction of a research programme that will likely be the development base from which potential standards-level projects will be identified.

Comments received	Our responses
<p>Support for research programme</p> <p>The proposal to have a research programme and to build a better evidence base was well supported by respondents.</p>	<p>We agree that research should be important to the IASB’s future standard-setting approach. The comments reflect those on research made by respondents to the IASB’s <i>Agenda Consultation 2011</i>. The document <i>Feedback Statement: Agenda Consultation 2011</i>, published in December 2012, sets out the IASB’s priority research projects.</p>

Comments received	Our responses
<p>Managing research projects</p> <p>Some respondents thought that the Due Process Handbook should include guidance on managing a research project, including clearly stated and realistic project objectives, work plan and methodology, and for the project to be realisable in an appropriate length of time.</p>	<p>We agree that these issues are important, but do not think that the Due Process Handbook is the place to get into the detailed operational procedures on the management of research projects. In our view, the issue of timing can be reflected in the triennial review of the agenda, including the research programme.</p>
<p>Public consultation.</p> <p>Some respondents thought that a research project should always be finalised by a public consultation.</p>	<p>The Due Process Handbook notes that the main output of the research programme is expected to be a discussion paper or a research paper for public consultation, but sometimes with a research project, we do not know what the result will be.</p>

Comment periods

The draft Due Process Handbook sought views on two proposed changes to comment periods:

- an increase in the minimum comment period for the Interpretations Committee exposing the draft of a rejection notice from 30 days to 60 days; and
- the ability for the IASB to have a reduced comment period of a minimum of 60 days for documents it plans to re-expose, if the re-exposure is narrow in focus.

Comments received	Our responses
<p>Period for Rejection notices</p> <p>The proposal to increase the minimum comment period for rejection notices was well supported by respondents.</p>	<p>The Due Process Handbook specifies a minimum comment period of 60 days for exposing the draft of a rejection notice.</p>

Comments received	Our responses
<p>Period for narrow focus re-exposure Responses to this proposal were mixed. Some respondents were supportive. However, other respondents maintained that a minimum period of more than 60 days should be retained, in that it would (i) allow respondents to understand the whole provisions in order to assess the implications of the narrow focus revisions, (ii) allow constituents time to discuss and evaluate proposals with stakeholders and committees to allow for an informed response, (iii) allow more respondents time to respond when they were balancing multiple priorities, and (iv) provide time for the revised proposals to be translated and enable stakeholders time to understand them in their native language. Some respondents suggested a 90-day minimum comment period, others 120 days.</p>	<p>We agree that a 60 day minimum comment period may be challenging for the reasons articulated by respondents. The Due Process Handbook provides for a minimum comment period of 90 days.</p>
<p>Other comment periods Some respondents took the opportunity to question some other comment periods for exposure drafts, in particular (i) that if a matter was narrow in scope and urgent, the IASB might consider a comment period of no less than 30 days, and (ii) in exceptional circumstances, the IASB might reduce the period for public comment but might not dispense with a comment period. In the view of some respondents, the minimum period comment period should be 60 days. Some respondents felt that a comment period of under 30 days should not be allowed under any circumstance.</p>	<p>We acknowledge the concerns about having shortened comment periods in certain circumstances, but we believe that they are necessary to cater for urgent and exceptional situations. To ensure proper oversight of any decision to shorten comment periods, the Due Process Handbook specifies that any proposal by the IASB to reduce a comment period on an ED (other than for annual improvements) to less than 120 days requires the approval of the DPOC. Any IASB proposal to reduce a comment period to below 30 days requires the prior approval of 75 per cent of the Trustees.</p>

Other matters

The draft Due Process Handbook asked respondents whether there were any other matters in the proposed handbook that they wished to comment on.

Comments received	Our responses
<p>Objectives of due process While supporting the principles of due process outlined in the draft handbook, some respondents thought that the objectives of</p>	<p>We agree with the comments. The Due Process Handbook specifies that the objective of due process is to ensure that, in</p>

Comments received	Our responses
<p>due process should also be specified.</p>	<p>exercising its independent decision making, the IASB conducts its standard-setting process in a transparent manner, considering a wide range of views from interested parties throughout all stages of the development of IFRSs.</p>
<p>Quorums and voting procedures Some respondents noted that, while the draft handbook specified a quorum for the Interpretations Committee, none was specified for the IASB. In addition, some respondents believed that a supermajority of IASB members should be required for all decisions in the standard-setting process, not just for the issue of EDs and final pronouncements.</p>	<p>We agree that a quorum for IASB meetings should be set out in the Due Process Handbook, which clarifies that the quorum for an IASB meeting is that 60 per cent of the members must be in attendance in person or by telecommunications. We think that the current voting requirements are appropriate and that any extension of the requirements for a supermajority could hinder the effective operation of IASB activities.</p>
<p>Status of review drafts Some respondents wanted review drafts to be always published on the website for systematic ‘fatal flaw’ reviews to help identify potential implementation difficulties or undue costs and to serve as the basis for ultimate field tests on proposal. This would have the effect of making review drafts a mandatory due process step.</p>	<p>We do not think that having a ‘review draft’ should become a mandatory due process step. The Due Process Handbook clarifies what the purpose is of such a draft and what it is not, noting that it does not constitute a formal step in the due process, nor does it substitute for a formal due process step. It has a limited purpose, representing an editorial ‘fatal flaw’ review in which reviewers are asked whether the draft is clear and reflects the technical decisions made by the IASB. To reflect this, the Due Process Handbook uses the term ‘draft for editorial review’.</p>
<p>Outreach Some respondents thought that the Due Process Handbook should refer to the need for greater transparency in the reporting of outreach and how the results of such activities are assessed by the IASB. In particular, some respondents expressed concern that the proposal in the draft handbook that the IASB must take additional steps to consult investors on proposals for new IFRSs or major amendments to IFRSs implied giving them preferential treatment and allowing them to by-pass arrangements that other constituents had to follow to put across their views.</p>	<p>We agree with the comments on transparency. The Due Process Handbook specifies that the feedback from any fieldwork, public hearings or other outreach is summarised in a technical staff paper and assessed by the IASB along with comment letters. This includes feedback from any additional consultation steps with investors. Given that IFRSs are developed to serve investors and other market participants in making informed resource allocation and other economic decisions, and such users tend to be under-represented as submitters</p>

Comments received	Our responses
	<p>of comment letters, we believe that the IASB must therefore take additional steps to consult investors on proposals for new IFRSs or major amendments to IFRSs. The Due Process Handbook specifies that the feedback from these steps will be as transparent as possible while respecting requests for confidentiality.</p>
<p>Co-operation Some respondents took the opportunity of this consultation to promote a shared due process between the IASB and national accounting standard-setters (NSS) and regional bodies associated with accounting standard-setting. This would mean that, in each jurisdiction, the stakeholder consultation would be co-ordinated and shared between the IASB and the relevant national and/or regional body in order to obtain the views from stakeholders on a particular subject.</p>	<p>The Due Process Handbook refers to the importance of close co-ordination between the due process of the IASB and that of other accounting standard-setters. The handbook also refers to the role that national accounting standard-setters (NSS) and regional bodies associated with accounting standard-setting can play with the IASB in facilitating and co-operating on outreach. While greater co-ordination and co-operation is clearly desirable, we do not think that it can be exclusive. The IASB or any NSS or regional body associated with accounting standard-setting should retain the ability to undertake its own due process and outreach where it believes it appropriate to do so.</p>
<p>Comment letter analysis Some respondents did not agree with the statement in the draft handbook that the staff does not normally provide the IASB with any numerical analysis of how many respondents expressed a particular view. In their view, a numerical analysis could provide useful supplementary information and should be given.</p>	<p>We continue to firmly believe that it is the strength of the analysis provided in comment letters, and the evidence supporting the analysis, that is important for the IASB when considering comment letters and assessing the matters raised. The Due Process Handbook makes that clear. That said, we acknowledge that an analysis of the type of respondent and their geographical origin can help the IASB assess whether there are any areas or types of respondent for which additional outreach might be appropriate. For some technical matters it can be helpful if the , although the technical staff may, for information purposes, provide the IASB with an analysis of the extent to which the views of particular sectors are shared or divided—for example the extent to which investors have a common view or whether views differ between the types of respondent or regions.</p>

Comments received	Our responses
<p>Consultative groups Some respondents questioned the distinction in the draft handbook between consultative groups, where the membership was approved/reviewed by the DPOC, and representative groups, where it was not.</p>	<p>We agree with the comments made that there should be no distinction and the Due Process Handbook refers only to consultative groups. The DPOC has taken the opportunity to assess whether its role should be to approve the membership of consultative groups or review the membership to ensure that the membership comprises an appropriate balance of perspectives. The IFRS Foundation <i>Constitution</i> (paragraph 37(g)) notes that it is the IASB that shall ‘normally form working groups or other types of specialist advisory groups to give advice on major projects’. Given this, the DPOC’s view is that its role should be to review the membership proposed by IASB to ensure that an appropriate balance has been achieved.</p>
<p>Effect analysis Many respondents welcomed the commitment that the IASB should carry out effect analyses and embed them throughout the standard-setting process. Some respondents made suggestions as to how the process of carrying out effects analyses and what they should cover could be enhanced.</p> <p>Some respondents thought that the Due Process Handbook should make clear that effect analyses (and feedback statements) should be owned and signed off by the IASB.</p>	<p>We welcome the suggestions. In line with a recommendation made by the Trustees in their February 2012 report <i>Strategy Review 2011</i>, the IASB has established a consultative group to assist it in developing an agreed methodology for fieldwork and effect analyses. It is planned that the consultative group will hold its first meeting in early 2013. The suggestions will provide useful input to the work of the group.</p> <p>We agree that effect analyses should be approved by the IASB and this is specified in the Due Process Handbook. However, the DPOC’s view on feedback statements is that these are communication documents which the IASB should have the flexibility to develop without requiring formal sign-off, although it is important that they are consistent with the formal IASB documents to which they relate.</p>
<p>Fieldwork/field testing Some respondents felt that fieldwork should be a mandatory step in comprehensive projects. Some respondents felt that the criteria for undertaking fieldwork should be specified, especially on the characteristics of a project that should require the IASB to</p>	<p>While we continue to take the view that the requirement to carry out fieldwork is not a mandatory due process step, the Due Process Handbook makes it clear that it is likely that some fieldwork will be undertaken on all standards-level projects to develop or</p>

Comments received	Our responses
<p>undertake fieldwork.</p> <p>Some respondents also called for the outcome of fieldwork to be documented and made publicly available.</p>	<p>amend IFRSs, other than minor or narrow scope amendments. The level of fieldwork activities will be appropriate and proportionate for a particular project, taking into consideration the costs of the activity and what the IASB is likely to learn from the fieldwork. The Due Process Handbook requires that, if the IASB does not undertake fieldwork on a particular project, it must explain why to the DPOC and make this publicly available on the relevant project page on the website.</p>
<p>Agenda consultations</p> <p>Some respondents questioned the statement in the draft handbook that the three-yearly review of the agenda was designed to seek public input on the strategic direction and balance of the IASB’s work programme and not on whether to add individual projects. They noted that the IASB’s <i>Agenda Consultation 2011</i> did invite comments on specific projects.</p> <p>Some respondents also noted that there had been instances where projects added to the IASB’s work programme had not subsequently progressed as planned. In their view, the Due Process Handbook should specify that, where this was the case, and the prospects for progress were limited, there should be a procedure to determine whether or not to discontinue the project.</p>	<p>While we believe that the primary focus on agenda consultation should be on the strategic direction and balance, the Due Process Handbook acknowledges that the review could also seek the views of respondents on financial reporting issues that they think should be given priority by the IASB, together with any proposals to withdraw from the IASB’s work programme any projects which have not proceeded as planned and the prospects for progress are limited.</p>
<p>Monitoring Board</p> <p>Some respondents expressed concerns that the process of the Monitoring Board’s ability to refer technical financial reporting matters to the Trustees and the IASB might impact on the independence of the IASB. The provision in the draft handbook that the IASB must report to the Monitoring normally within 30 days was also questioned.</p>	<p>The ability of the Monitoring Board to refer accounting issues to the Trustees and the IASB is set out in the 2009 Memorandum of Understanding between the Trustees and the Monitoring Board. In its February 2012 <i>Final Report on the Review of the IFRS Foundation’s Governance</i>, the Monitoring Board maintain this arrangement, noting that the Trustees and the IASB Chair will ensure that any such issues are addressed in a timely manner. In its report, the Monitoring Board specified that it will continue to follow the principle that it will not undermine the independence of the IASB’s decisions with</p>

Comments received	Our responses
	respect to agenda- and standard-setting. This is made clear in the Due Process Handbook.
<p>Re-exposure criteria Some respondents called for a further criterion that re-exposure was necessary if significant changes were made to a proposed IFRS in the light of comments received on an ED. This would allow for consideration of the significance and extent of changes made to ED proposals and the benefit of identifying unintended consequences.</p> <p>Some respondents also questioned why the re-exposure criteria for EDs were different to those for draft Interpretations.</p>	<p>We are mindful of the need to avoid re-exposure becoming embedded as a regular due process step, rather than when the circumstances make it appropriate. The Due Process Handbook specifies that it is inevitable that the final proposals will include changes from those originally proposed. The fact that there are changes does not compel the IASB to re-expose the proposals. That said, the handbook specifies the factors to that the IASB needs to consider in assessing whether or not to re-expose proposals.</p> <p>The Due Process Handbook specifies the same criteria for re-exposure for EDs and draft Interpretations.</p>
<p>Effective dates Some respondents asked for clarification of the statements in the draft handbook that, in setting an effective date and transitional provisions, the IASB would give ‘sufficient time’ for incorporation by jurisdictions and preparation by entities. Some respondents wanted a specified minimum period.</p>	<p>We think that the reference to ‘sufficient time’ is appropriate, as it gives the IASB the flexibility to consider, on a project-by-project basis, the appropriate mandatory effective date and transitional provisions so that jurisdictions have sufficient time to incorporate the new requirements into their legal systems and those applying IFRSs have sufficient time to prepare for the new requirements.</p>
<p>Post-Implementation Reviews (PIRs) Some respondents believe that PIRs should be conducted by the Trustees rather than the IASB, along the lines of the model in the USA, where the Financial Accounting Foundation (FAF) carries out PIRs, rather than the Financial Accounting Standards Board (FASB).</p>	<p>We have considered carefully the issue of who carries the PIRs. As reported in the report of the IFRS Foundation staff analysis of the SEC Final Staff Report on IFRSs, published on 23 October 2012, “the Trustees and the IASB have concluded that the IASB will be able to conduct a more effective review by having the IASB consider and assess directly the views of respondents rather than receiving a summary report from the Trustees. The Trustees and IASB understand the risk that this could be perceived as not being an independent assessment. However, they are confident that the transparent way in which the</p>

Comments received	Our responses
<p>Some respondents asked for clarity on the objectives of PIRs and whether they should also seek to determine whether the standards being reviewed have achieved the objective assigned to them in terms of improving the quality of financial reporting.</p>	<p>reviews are being conducted will protect the integrity of the process. The DPOC receives regular updates on the steps being taken. This approach ensures a combination of effective self-review, with the highest levels of transparency through publication of all views received and the evaluation of those views by staff, combined by effective scrutiny by the Trustees and the public at large”.</p> <p>We think that the thrust of these comments is met already, given that the Due Process Handbook states that the goal of improving financial reporting underlies any new IFRS. A PIR is an opportunity to assess the effect of the new requirements on investors, preparers and auditors. The handbook provides for an initial review to be undertaken with a broad network of IFRS related bodies and interested parties, the aim of which is to inform the IASB so that it can establish an appropriate scope for the PIR. The first PIR, on IFRS 8 <i>Operating Segments</i>, is underway and the experience gained from this review will inform the planning for future PIRs.</p>
<p>Some respondents also noted that the timing of PIRs needed to be carefully considered and suggested that, after the first round of PIRs, the IASB should assess whether the current presumption to review a new standard two years after the new requirements have become mandatory was the optimal point for such reviews, especially for standards that dealt with a subject that did not occur every year.</p>	<p>We agree that such an assessment should be made. In the meantime, the Due Process Handbook specifies that the IASB may decide, on the basis of its initial assessment, that it would be premature to undertake a review at that time. In this circumstance, the IASB must inform the DPOC of its intention to defer a PIR, explaining why it has reached this conclusion and indicating when it expects to resume the review.</p>
<p>Dissenting views Some respondents questioned the provision in the draft handbook that members of the Interpretations Committee could not dissent from an Interpretation.</p>	<p>The Due Process Handbook reflects the existing position that it is the IASB that ratifies Interpretations and IASB members may dissent from ratification. The handbook also provides that when the Interpretation is sent to the IASB for ratification, the technical staff paper accompanying the request for ratification should identify how many Interpretations Committee members objected to the Interpretation and their</p>

Comments received	Our responses
	reasons for doing so.

Respondents

Accounting Standards Board of Canada (AcSB)

Accounting Standards Board of Japan (ASBJ)

Accounting Standards Council (ASC) (Singapore)

Accounting Standards Oversight Council (AcSOC) (Canada)

Association of Chartered Certified Accountants (ACCA)

Association pour la participation des entreprises françaises à l'harmonisation comptable internationale (ACTEO), Association Française des Entreprises Privées (AFEP), Mouvement des Entreprises de France (MEDEF)

Australian Accounting Standards Board (AASB)

Autorité des Normes Comptables (ANC)

BDO

BusinessEurope

Center for Capital Markets Competitiveness (USA)

Comitê de Pronunciamentos Contábeis (CPC) (Brazil)

Confederation of British Industry (CBI)

Consejo Mexicano de Normas de Información Financiera (CINIF)

CPA, the Institute of Chartered Accountants in Australia and the Institute of Public Accountants (the Joint Accounting Bodies)

Credit Suisse Group

Deloitte Touche Tohmatsu Limited

Deutsches Rechnungslegungs Standards Committee e.V. (DRSC) (Germany)

Dutch Accounting Standards Board (DASB)

Ernst & Young

European Accounting Association (EEA)

European Financial Reporting Advisory Group (EFRAG)

European Securities and Markets Authority (ESMA)

External Reporting Board of New Zealand (XRB)

Financial Reporting Council (FRC) (UK)
Financial Reporting Foundation (FRF) (Malaysia)
Group of Latin American Accounting Standard Setters (GLASS)
Group of 100 (Australia)
Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC)
(Australia)
Hong Kong Institute of Certified Public Accountants (HKICPA)
Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW)
Institute for the Accountancy Profession in Sweden (FAR)
Institute of Certified Public Accountants of Singapore (ICPAS)
Institute of Chartered Accountants in England and Wales (ICAEW)
Institute of Management Accountants (IMA)
Instituto de Contabilidad y Auditoría de Cuentas (ICAC) (Spain)
International Federation of Accountants (IFAC)
International Organisation of Securities Commissions (IOSCO)
Japanese Institute of Certified Public Accountants (JICPA)
Juvenal, Denise Silva Ferreira
Korea Accounting Standards Board (KASB)
KPMG
Life Insurance Association of Japan (LIAJ)
Mazars
Nippon Keidanren (Japan Business Federation)
Norsk RegnskapsStiftelse (Norwegian Accounting Standards Board)
PricewaterhouseCoopers (PwC)
South African Institute of Chartered Accountants (SAICA)
Svenskt Näringsliv (Confederation of Swedish Enterprise)
Swedish Financial Reporting Board
van Mourik, Carien