

Agenda PAPER

IFRS Foundation Trustees meeting – Due Process Oversight Committee

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CONTACTS

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Due Process Handbook Review — Update on progress

Purpose of the paper

1. This paper provides the Due Process Oversight Committee (DPOC) with an update on the progress of the 2018 *Due Process Handbook* review (2018 Review).
2. The paper does not ask the DPOC any questions. However, we welcome feedback on:
 - (a) progress on the 2018 Review;
 - (b) the staff's preliminary thoughts on how to address Effects Analysis in the 2018 Review; and
 - (c) next steps on the 2018 Review.

Objective and scope of the 2018 Review

3. The DPOC agreed to develop proposals for a formal review of the *Due Process Handbook* at its November 2017 meeting. The objective agreed for the 2018 Review is:

To improve how the *Due Process Handbook* provides a framework to oversee the IFRS Foundation's due process having regard to developments in technology.
4. The reasons for the 2018 Review are:
 - (a) To respond to feedback received on the Trustees' 2017 Perception Survey, which suggested that it is timely to reassess what can be done to promote efficient and effective standard-setting;

- (b) To update the *Due Process Handbook* to:
 - (i) make it easier and more efficient to use;
 - (ii) remove anomalies and amend overlaps in the requirements following developments in convention; and
 - (iii) reflect the increasing use of technology and electronic communication, which may affect the way staff receive and process comments on due process documents.

5. At its January 2018 meeting the DPOC agreed to the scope and timetable of the 2018 Review. The DPOC agreed that the initial list of points to be addressed in the 2018 Review did not amount to an exhaustive list of matters (see Appendix B). The DPOC agreed that as staff consulted on the areas identified that further matters to address may arise.

Progress of the 2018 Review

6. Following the Trustees meeting in January 2018 the staff have:
- (a) formed an internal group of senior technical staff to consider the proposed changes to the *Due Process Handbook*. This group will draw on collective experience to assess areas of due process that may be updated in line with the objectives of the 2018 Review.
 - (b) informed the IFRS Foundation Monitoring Board on the initial work undertaken on the 2018 Review.
 - (c) considered the discussions concerning the role of Effects Analysis in the standard-setting process by the IFRS Advisory Council at its February 2018 meeting.
 - (d) consulted the Accounting Standards Advisory Forum at its April 2018 meeting (see Appendix A to this paper).

Effects Analysis

7. At its January 2018 meeting, the DPOC agreed that the update to the *Due Process Handbook* should reflect developments to the Effects Analysis process.
8. The IFRS Advisory Council considered whether and how the IFRS Foundation could improve the effectiveness of its Effects Analysis work during the standard-

setting process at its February 2018 meeting. The main themes of their were to ensure:

- (a) effects analysis is proportionate and scalable to the type of standard-setting undertaken. The methodology used in the effects analysis should be scalable to ensure that the effects analysis is proportionate to the type of standard-setting undertaken;
- (b) the Board is more explicit about how the potential effects of a Standard are considered throughout the standard-setting process; and
- (c) the scope of a post-implementation review includes an ex-post effects analysis.

9. The staff's initial thoughts on how to address the IFRS Advisory Council advice as part of the 2018 Review are set out below:

- (a) specifying in the *Due Process Handbook* the use of effects analysis methodology earlier in the standard-setting process. For instance, paragraphs 4.12–4.15 of the *Due Process Handbook* could articulate how an ex-ante assessment of the potential effects of standard-setting is used in the research phase of a project.
- (b) clarifying, in paragraphs 6.52–6.63 of the *Due Process Handbook*, the scope and timing of the Post-implementation Review and how it includes an ex-post Effects Analysis.
- (c) explaining, in paragraphs 3.73–3.76 of the *Due Process Handbook*, how the assessment of the effects is proportionate to the type of standard-setting undertaken. For example, the assessment of the effects of a Standard would be expected to be more comprehensive if that Standard is cross-cutting and affects a wide range of stakeholders across sectors, than if it is narrow in scope.

10. The staff will return to the DPOC with developed recommendations about the use of effects analysis in the standard-setting process at a future meeting.

Next steps

11. Before the Trustees meeting in October 2018 the staff will:

- (a) update the IFRS Foundation Monitoring Board at its joint meeting with the Trustees in June 2018;
- (b) consider the DPOC's feedback on its role through the standard-setting process (see Agenda Paper AP1E of this meeting);
- (c) seek the advice of IFRS Advisory Council members on the 2018 Review at its next meeting in September 2018; and
- (d) consult with the IFRS Interpretations Committee at its meeting in September 2018 on the scope of matters to be considered in the 2018 Review.

Appendix A: Extract from the Accounting Standards Advisory Forum April 2018 *Draft Meeting Summary*

IFRS Foundation *Due Process Handbook – Review*

- A1. The IASB staff presented an update on the Trustees' Review of the *Due Process Handbook* (DPH) and asked ASAF members for their views on its scope.
- A2. The DRSC member recommended that the DPH include an explanation of what should happen when the Board decides to stop a project, for example, if the Board decides not to proceed with the proposals in an Exposure Draft.
- A3. The ASBJ member said the Basis for Conclusions, and the objective of the Basis for Conclusions, should be addressed in the DPH.
- A4. The AcSB member noted the importance of the DPH within Canada, as it forms a part of their endorsement process. The AcSB had recently updated its own due process manual and had put a lot of emphasis on making the document more understandable to stakeholders, including with the use of flowcharts. They would be happy to discuss their work with the Trustees.
- A5. The AcSB and ANC members supported the proposal to consider in the Review improvements to the interactions between the Board and the IFRS Interpretations Committee.
- A6. The AcSB agreed the DPH should specify the procedure to be followed when an anonymous complaint is received by the DPOC.
- A7. The ANC member:
- (a) supported the proposals in the Review relating to the effects analysis process, noting that effects analysis was considered highly important both within France and for EFRAG's analyses; and
 - (b) suggested that the due processes relating to non-mandatory guidance should be considered in the Review as the guidance can quickly become *de facto* required.
- A8. The AOSSG member noted that most AOSSG members agreed with the proposed scope of the review. They recommend the review considers implementation support activities and the publication of educational materials, highlighting that an important role of the Board is to ensure consistent application of IFRS Standards. The AOSSG member stated that an AOSSG member suggested that paragraph 5.2 of the *Due Process Handbook* would require amendment if the Board finalises the proposals in the recent Exposure Draft *Accounting Policy Changes* (amendments to IAS 8).
- A9. Some ASAF members suggested that in the Review cooperation with National Standard Setters should be considered in more areas of the DPH, such as in the development of an Effects Analysis and Educational Material.
- A10. The OIC member recommended that the Trustees introduce a (simplified) version of the due process requirements for the IFRS Interpretation Committee agenda decisions.

**Appendix A: Extract from the Accounting Standards Advisory Forum
April 2018 *Draft* Meeting Summary**

A11. The FASB member observed that only one of the suggestions outlined in the scope of the Review focused on increasing efficiency and timeliness. He noted that in the Review the Trustees need to balance improvements to the Board's already transparent processes and the Board's ability to respond to stakeholder needs in a timely manner.

**Appendix B: Scope of the *Due Process Handbook Review* — as agreed
January 2018**

- B1. The proposed scope of the review of the DPH, discussed in more detail below, will be to:
- a. improve the navigation and the efficiency of the use of the DPH;
 - b. consider the interaction between the International Accounting Standards Board (the Board) and the IFRS Interpretations Committee (the Committee);
 - c. consider if technology can help streamline due process procedures, such as the comment letter process;
 - d. reflect developments to the Effects Analysis process;
 - e. reflect the increased role of the Board in implementation activities and the publication of education material;
 - f. consider the process around anonymous complaints made by stakeholders on alleged breaches of due process;
 - g. improve consistency in the use of terminology;
 - h. add clarity on the types of due process document issued by the Board and the Committee; and
 - i. reflect that DPOC meetings are now public.
- B2. This does not amount to an exhaustive list of matters that will be addressed in the forthcoming review of the DPH. However, the following are the matters that have been identified in the initial stage of work on the project. As staff consult on the areas identified it is envisaged that further matters to address may arise.