

# AGENDA PAPER

IFRS Foundation Trustees meeting – Due Process Oversight Committee

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## **Analysis of key due process steps as currently set out in the *Due Process Handbook***

### **Purpose of the paper**

1. The aim of this paper is to provide the Due Process Oversight Committee (DPOC) with information about its overall mission and its role throughout the standard-setting process as set out in the *Due Process Handbook* (Handbook). We are providing this information both as an important baseline for the DPOC in carrying out its work and as one input to be considered in the work of the DPOC in reviewing and modifying the *Handbook*. To this end, the mission of the DPOC as outlined in the *Handbook* is explained and the Appendix sets out in detail each occasion the *Handbook*:
  - (a) requires the DPOC to be informed about the due process activities of the International Accounting Standards Board (Board) and/or the IFRS Interpretations Committee (Committee);
  - (b) requires the DPOC to agree to matters concerning due process, for example when the Board requests a shortened comment period for an Exposure Draft; and
  - (c) specifies additional review and monitoring activities of the DPOC as outlined in paragraphs 2.8(b)–2.8(f) of the *Handbook*.

The Appendix also explains how the DPOC is provided with this information.

2. The information provided below is predominantly for DPOC member's information. However, the staff would welcome any feedback members of the DPOC have in considering their role.

### **Mission of the DPOC**

3. The mission of the DPOC is outlined in paragraphs 2.1–2.7 of the *Handbook*. The key points for the DPOC to consider are:
- (a) paragraph 2.2 explains that the DPOC is responsible for overseeing the due process procedures of the Board and the committee. Paragraph 2.2 also explains that the DPOC operates ‘in a manner that is timely and enhances rather than hinders the efficient operation of the IASB activities or the timely development’ of IFRS Standards.
  - (b) paragraph 2.4 states the DPOC provides continuous oversight of the Board and the Committee throughout the standard-setting process; and
  - (c) paragraph 2.5 explains that the DPOC achieves oversight through the defined steps it follows in its ongoing activities as well as issues raised by stakeholders.

## Appendix — Role of the DPOC through the standard-setting process

*As per paragraph 2.8 of the Due Process Handbook the DPOC is responsible for:*

***(a) reviewing regularly, and in a timely manner, together with the IASB and the IFRS Foundation staff, the due process activities of the standard-setting activities of the IASB.***

- A1. The DPOC receive periodic updates from the staff to ensure that paragraph 2.8(a) of the DPOC’s responsibilities is fulfilled. At each DPOC meeting the staff provide the DPOC with:
- (a) The Technical Update—this provides the DPOC with an update in each period on:
    - (i) standard-setting due process documents issued by the Board;
    - (ii) Agenda Decisions published by the Committee;
    - (iii) IFRS Taxonomy due process documents issued;
    - (iv) information on due process decisions made by the Board or the Committee;
    - (v) any late posting of Board papers through the compliance report; and
    - (vi) background information on each technical project on the Work Plan.
  - (b) Specific topic papers—these papers address specific matter of due process, for example:
    - (i) a decision required from the DPOC to publish a document with a shortened comment letter period;
    - (ii) a life-cycle review of the due process of a project before the Standard is issued.
- A2. The staff also send a monthly email to DPOC members. This provides them with a summary of any due process decisions that the Board is being asked to make at its next meeting.

## Appendix — Role of the DPOC through the standard-setting process

### DPOC role

Agenda Consultation	Developing a Standard — research phase to publishing an Exposure Draft					
<p>Paragraph 4.5 explains that the IASB keeps the Trustees informed, through the DPOC, of its five-yearly consultation and how the IASB expects to respond to the input it has received. The next consultation commences at the latest five years after the current consultation has been completed.</p>	<p><b>Compliance report provided in each technical update —</b></p> <p>Paragraph 3.12 requires the technical staff to report to the Board and the DPOC at least annually on the extent to which material discussed by the Board has not been made available to observers and the reasons why. In addition, the technical staff includes in that report the number of meeting papers that have been posted later than 5 working days in advance and the main reasons for doing so.</p>	<p><b>Decision not to form a consultative group —</b></p> <p>Paragraph 3.59 explains that this decision has to be explained on the project’s webpage and reported to the DPOC.</p> <p>Paragraph 3.44(b) and 3.45 explain that the DPOC is informed if the decision is taken not to establish a consultative group because it is a ‘comply or explain’ step.</p>	<p><b>Consultation with investors —</b></p> <p>Paragraph 3.48 explains that the DPOC receives periodic updates about how the Board is gathering information from investors.</p>	<p><b>Decision not to undertake fieldwork —</b></p> <p>Paragraph 3.70 explains that this decision has to be explained on the project’s webpage and reported to the DPOC.</p> <p>3.44(d) and 3.45 acknowledge that this is also a ‘comply or explain’ step.</p>	<p><b>Shortened comment letter period —</b></p> <p>Paragraph 4.17 explains that the Board normally allows at least a 120 day comment letter period for <i>Discussion Papers, Requests for Information and research papers</i>. However, if an ‘information request’ is narrow in scope and urgent the Board may set a shorter comment period without consulting the DPOC (see paragraph 4.17).</p> <p>Similarly, Paragraph 6.7 explains the Board normally allows at least a 120 day comment letter period for <i>Exposure Drafts</i>. The Board may set a period less than 120 days after only obtaining approval from the DPOC.</p>	<p><b>Decision to move to a Standards level project without a Discussion Paper —</b></p> <p>Paragraph 5.5 requires the Board to justify that it has sufficient information to proceed to a Standards level project to the DPOC.</p> <p>Paragraph 3.44(a) and 3.45 establish publishing a Discussion Paper, before an Exposure Draft is developed, as a ‘comply or explain’ step.</p>
<b>How the DPOC is informed</b>						
<b>Technical Update/ Individual paper</b>	<b>Technical Update and Annual Compliance Report</b>	<b>Separate Requests / Individual paper / Monthly email to DPOC members</b>	<b>Technical Update</b>	<b>Separate Requests / Individual paper / Monthly email</b>	<b>Separate Requests / Individual paper / Monthly email</b>	<b>Separate Requests / Individual paper / Monthly email</b>

## Appendix — Role of the DPOC through the standard-setting process

Developing a Standard— post Exposure Draft to issuing a Standard

<p><b>Compliance report provided in each technical update —</b></p> <p>Paragraph 3.12 requires the technical staff to report to the Board and the DPOC at least annually on the extent to which material discussed by the Board has not been made available to observers and the reasons why. In addition, the technical staff is required to include in that report the number of meeting papers that have been posted later than 5 working days in advance and the main reasons for doing so.</p>	<p><b>Consultation with investors —</b></p> <p>Paragraph 3.48 explains that the DPOC receives periodic updates about how the Board is gathering information from investors.</p>	<p><b>Decision to proceed to ballot stage for a Standard —</b></p> <p>Paragraph 6.24 explains that the Board informs the DPOC of this decision, explaining why it is satisfied that re-exposure is not necessary.</p>	<p><b>Life-cycle review —</b></p> <p>Paragraph 2.12 explains that the DPOC reviews and evaluates evidence provided by the Board of its compliance and established due process.</p> <p>The life-cycle review allows the DPOC to review the due process undertaken in a project in relation to the mandatory due process steps outlined in paragraph 3.43.</p> <p>The life-cycle review also provides the DPOC the opportunity to review any ‘comply or explain’ steps taken in the project as outlined in paragraphs 3.44 and 3.45. The ‘comply or explain’ steps are:</p> <ul style="list-style-type: none"> <li>(a) publishing a discussion document (for example, a Discussion Paper) before an Exposure Draft is developed;</li> <li>(b) establishing consultative groups or other types of specialist advisory groups;</li> <li>(c) holding public hearings; and</li> <li>(d) undertaking fieldwork.</li> </ul> <p>The life cycle review also enables the DPOC to assess if the Board has used external reviewers and the extent to which they were used (See paragraph 3.33).</p>
<p><b>How the DPOC is informed</b></p>			
<p><b>Technical Update and Annual Compliance Report</b></p>	<p><b>Technical update</b></p>	<p><b>Life cycle review of due process steps paper / Monthly email</b></p>	<p><b>Life-cycle review</b></p>

## Appendix — Role of the DPOC through the standard-setting process

Implementation			Post-implementation Review			
<p><b>Compliance report provided in each technical update —</b></p> <p>Paragraph 3.12 explains that the technical staff is required to report to the Board and the DPOC at least annually on the extent to which material discussed by the Interpretations Committee has not been made available to observers and the reasons why. In addition, the technical staff is required to include in that report the number of meeting papers that have been posted later than 5 working days in advance and the main reasons for doing so.</p>	<p><b>Shortened comment letter period —</b></p> <p>Paragraph 7.11 explains the Board and the Committee usually allow a minimum period of 90 days for comments on a draft Interpretation. If the matter is narrow in scope, this can be reduced to no less than 30 days, but the DPOC is required to approve this.</p>	<p><b>Periodic review of Education Materials produced due process —</b></p> <p>Paragraph 6.45 explains that the DPOC receives a periodic report on the education material that is being developed and the level of review it has/is receiving applying paragraphs 6.43 and 6.44.</p>	<p><b>Informing the DPOC through the PIR process —</b></p> <p>Paragraph 6.63 explains that the Board reports regularly to the DPOC during the period of a PIR.</p>	<p><b>Decision to defer undertaking a PIR —</b></p> <p>Paragraph 6.59 explains that the Board informs the DPOC of any intention to defer a PIR after its initial assessment.</p> <p>Paragraph 6.52 explains that a PIR normally begins after the new requirements have been applied internationally for two years, which is generally about 30 to 36 months after the effective date.</p>	<p><b>The Board recommending it should make changes to its procedures —</b></p> <p>Paragraph 6.62 acknowledges that following review of the comments received to a RFI on a PIR, the Board can recommend to the DPOC that the Board makes changes to its procedures, such as how effects of the Standard are assessed or additional to be taken during the development of a Standard.</p>	<p><b>Finalising a PIR feedback statement/report —</b></p> <p>Paragraph 6.63 explains that the DPOC is provided with a draft of the final feedback statement/report to ensure that the “DPOC is satisfied that the IASB has completed the review satisfactorily” before it is finalised.</p>
<b>How the DPOC is informed</b>						
<b>Annual Compliance Report</b>	<b>Separate Requests / Individual paper / Monthly email</b>	<b>Annual review of Education Material — due process</b>	<b>Technical update / Individual paper / Monthly email</b>	<b>Technical update / Monthly email</b>	<b>Separate Requests / Individual paper / Monthly email</b>	<b>Draft PIR Feedback Statement</b>

## Appendix — Role of the DPOC through the standard-setting process

IFRS Taxonomy

<p><b>Shortened comment letter period —</b></p> <p>Paragraph A39(b) explains that for a <i>Proposed IFRS Taxonomy Update</i>, the DPOC is required to approve a comment period of less than 60 days for “a proposed change that is not narrow in scope but urgent”.</p>	<p><b>Annual review of consultative groups —</b></p> <p>The annual review of consultative groups considers whether each group is continuing to serve the function for which it was established and whether, if that is the case, the membership should remain the same. (See also paragraph 3.63.) This also includes a review of the IFRS Taxonomy Consultative Group.</p>	<p><b>Finalisation of substantive changes to the IFRS Taxonomy technology —</b></p> <p>Paragraph A46 explains the DPOC is “informed about the due process steps that have been undertaken” before substantive changes to the IFRS Taxonomy technology are made.</p>
<p><b>How the DPOC is informed</b></p>		
<p><b>Separate requests / Individual paper / Monthly email</b></p>	<p><b>Annual review of consultative groups</b></p>	<p><b>Technical Update / Monthly email</b></p>

## Appendix — Role of the DPOC through the standard-setting process

### Additional requirements of the DPOC

Updates to the Due Process Handbook	Reviewing the composition of consultative groups	Due process complaints	Effectiveness of bodies relevant to the standard-setting process	Constitutional changes relating to the composition of committees that are integral to due process Due Process
<p><b>Reviewing and proposing updates to the Due Process Handbook as per paragraph 2.8(b) —</b></p> <p>There is no formal due process concerning reviews of the Due Process Handbook, however there is developed convention.</p> <ul style="list-style-type: none"> <li>Update to the <i>Due Process Handbook</i> proposed by and/or agreed by the DPOC;</li> <li>DPOC considers draft update;</li> <li>Update to <i>Due Process Handbook</i> exposed for comment;</li> <li>Comment letter analysis considered by the DPOC;</li> <li>DPOC to agree on final amendments to the Handbook and Feedback Statement which summarises the results of the consultation to update the Handbook.</li> </ul>	<p><b>Reviewing the composition of consultative groups as per paragraph 2.8(c) —</b></p> <p>Paragraph 3.59 explains the DPOC “reviews the proposed composition of each group to ensure that there is a satisfactory balance of perspectives, including geographical balance”.</p> <p>If the composition of a consultative group is proposed to change the Board will inform the DPOC of the proposed change.</p> <p>The annual review of consultative groups also provided to the DPOC enables a review the composition of consultative groups.</p>	<p><b>Responding to correspondence from third parties about due process matters, in collaboration with the Director for Trustee Activities and the technical staff as per paragraph 2.8 (d) —</b></p> <p>Section 8 ‘Protocol for Trustee action for perceived breaches of due process’ (paragraphs 8.1-8.9) explains the processes to be followed by the DPOC, the Board, the Director of Trustee Activities and IFRS Foundation staff in response to complaints on due process matters received from a third party.</p>	<p><b>Monitoring the effectiveness of the IFRS Advisory Council, the Interpretations Committee and other bodies of the IFRS Foundation relevant to its standard-setting activities as per paragraph 2.8(e) —</b></p> <p>The annual review of consultative groups considers whether each group is continuing to serve the function for which it was established and whether, if that is the case, the membership should remain the same. (See also paragraph 3.63).</p>	<p><b>Making recommendations to the Trustees about constitutional changes related to the composition of committees that are integral to due process, as appropriate as per paragraph 2.8(f)</b></p>
<b>How the DPOC is informed</b>				
<b>Separate Requests / individual papers</b>	<b>Annual review of consultative groups</b>	<b>Separate Requests / individual papers</b>	<b>Annual review of consultative groups</b>	