

AGENDA PAPER

IFRS Foundation Trustees meeting

Johannesburg October 2018

Agenda Ref 1H

Contacts Richard Thorpe
 Henry Rees
 Samuel Prestidge

Update on the *Due Process Handbook Review*

Purpose

1. The purpose of this paper is to provide the Due Process Oversight Committee (DPOC) on the current status of the *Due Process Handbook Review* (the Review).
2. The paper also provides an overview of the Agenda Papers the DPOC will discuss at this meeting relating to the Review.
3. In Appendix B this paper also sets out the current list of sweep issues the staff will bring to the DPOC at its January 2018 meeting. The staff may add additional sweep issues that come to light in the period between October and January.
4. This paper is for information only and does not ask the DPOC any questions.

Background

5. 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 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.
6. The reasons for the 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; and

- (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.

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

- 8. At its June 2018 meeting the DPOC received an update on the progress made on the Review. Agenda Paper 1D of that meeting, noted that staff:
 - (a) formed an internal group of senior technical staff to consider the proposed changes to the *Due Process Handbook*. This group has drawn on collective experience to assess areas of due process that may be updated in line with the objectives of the Review.
 - (b) informed the IFRS Foundation Monitoring Board on the initial work undertaken on the 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.

- 9. At its June 2018 meeting the DPOC also considered an analysis of the key due process steps as set out in the *Due Process Handbook*. The aim of that paper (Agenda Paper 1E, June 2018 DPOC meeting) was to provide the DPOC with information about its role in monitoring the standard-setting process as set out in the *Due Process Handbook*. By providing the DPOC with the information about its role it helps the DPOC in considering changes to the *Due Process Handbook*.

- 10. Following the June 2018 DPOC meeting the staff have:

- (a) updated the IFRS Foundation Monitoring Board at its joint meeting with the Trustees in June 2018;
- (b) considered the DPOC’s feedback at its June 2018 meeting on its role through the standard-setting process;
- (c) sought the advice of the IFRS Advisory Council members on the Review at its meeting in September 2018;
- (d) consulted with the IFRS Interpretations Committee (Committee) at its meeting in September 2018 on the scope of matters to be considered in the Review; and
- (e) met with the large accountancy firms to discuss the Review.

Discussion at this meeting

11. At this meeting the DPOC will discuss the main points the staff have identified that can be address in the Review:
- (a) Agenda Paper 1G(i)—Agenda Decisions: Supporting consistent application;
 - (b) Agenda Paper 1G(ii)—Adding projects to the Board’s Work Plan;
 - (c) Agenda Paper 1G(iii)—Effects Analysis;
 - (d) Agenda Paper 1G(iv)—IFRS Taxonomy due process; and
 - (e) Agenda Paper 1G(v)—The treatment of anonymous complaints.

Agenda Paper 1G(i)— Agenda Decisions: Supporting consistent application

12. The purpose of this paper is to provide the DPOC with background on the due process tools available to the International Accounting Standards (Board) and the Committee to publish explanatory material to help entities apply IFRS Standards. We are providing this background information to help the DPOC decide if it agrees with the staff recommendations to amend the *Due Process Handbook* to provide the Board with a due process tool that is equivalent to an Agenda Decision.

13. Agenda paper 1G(i) also acknowledges some feedback on the Exposure Draft *Accounting Policies and Accounting Estimates* (Proposed amendments to IAS 8). The feedback received relates to the status/authority of Agenda Decisions as published by the Committee. It is expected that the Board and the Committee will discuss the analysis on the comments received to this Exposure Draft late in 2018. We propose to update the DPOC on this matter at its January 2019 meeting.

Agenda Paper 1G(ii)— Adding projects to the Board’s Work Plan

14. This Agenda Paper proposes refinements to the requirements in the *Due Process Handbook* regarding the consultation required before adding projects to the Board’s work plan. The proposal is not intended to reduce the input the Board is required to seek or receives; rather it is intended to improve the effectiveness and efficiency of the consultation.

Agenda Paper 1G(iii)—Effects Analysis

15. The purpose of this paper is to provide the DPOC with background on the process for assessing the likely effects of an IFRS Standard—referred to in the *Due Process Handbook* as ‘effects analysis’. This background is to help the DPOC determine if they agree with the staff recommendations to amend the *Due Process Handbook* to reflect developments to the effects analysis process.

Agenda Paper 1G(iv)—IFRS Taxonomy due process

16. The purpose of this paper is to inform the DPOC of the proposed clarifications to the process of reviewing publications relating to the IFRS Foundation Taxonomy.

Agenda Paper 1G(v)—The treatment of anonymous complaints

17. The purpose of this paper is to provide the DPOC with information about the current protocol concerning complaints received on due process matters in the *Due Process Handbook*. This Agenda Paper is to assist the DPOC in determining if the *Due Process Handbook* needs to be amended to deal with circumstances where a due process complainant requests to remain anonymous.

Next steps

18. Following this meeting of the DPOC the staff will:
- (a) consider the DPOC's decisions and feedback made during this meeting;
 - (b) inform the IFRS Foundation Monitoring Board and the Monitoring Board Deputies;
 - (c) January 2019—remaining sweep issues and draft updated *Due Process Handbook* to be considered by the DPOC;
 - (d) May 2019—draft updated *Due Process Handbook* exposed for comment;
 - (e) June 2019—DPOC meeting;
 - (f) July 2019—comment letter deadline;
 - (g) October/November 2019—comment letter analysis discussed with the DPOC;
 - (h) first quarter of 2020—update to the DPOC; and
 - (i) third quarter of 2020—updated *Due Process Handbook* and feedback statement published.

Appendix A—Scope of the *Due Process Handbook* Review | as agreed January 2018

- A1. The proposed scope of the review of the *Due Process Handbook* will be to:
- (a) improve the navigation and the efficiency of the use of the *Due Process Handbook*;
 - (b) consider the interaction between the International Accounting Standards Board (Board) and the IFRS Interpretations Committee (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.
- A2. This does not amount to an exhaustive list of matters that will be addressed in the forthcoming review of the *Due Process Handbook*. However, the above 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.

Appendix B — Current list of sweep issues

Education Material

- B1 To determine if the *Due Process Handbook* needs to be updated in line with updated convention and the appropriate level of review undertaken for each type of Education material published by the Board.

Comment letters

- B2 To consider if any changes need to be made to the *Due Process Handbook* to ensure the description of a comment letter does not prevent the use of technology to submit comments on due process documents.

Post-Implementation Reviews (PIR) Reviews

- B3 Consideration of changes to the provisions in the *Due Process Handbook* relating to Post-Implementation Reviews (PIRs), based on feedback and some experience of the first PIR conducted by the Board on IFRS 8.

Consultative Group

- B4 If changes need to be made to the *Due Process Handbook* considering the composition of Consultative Groups relative to the function they must perform and how the composition may develop in line with the progression of a project.

Balloting

- B5 To clarify the type of due process documents that are required to go through the Board's balloting process.

Reference to Disclosures

- B6 If changes need to be made to the *Due Process Handbook* to place equal emphasis on disclosure along with recognition and measurement.

Clarification of distribution and posting of agenda papers

- B7 To clarify the language between the distribution of papers and when they are posted on the IFRS Foundation website.

Public nature of DPOC meetings

- B8 To clarify in the *Due Process Handbook* to take account that DPOC meetings are now held in the public domain, except for where the Committee is discussing personnel issues. Such changes will be made throughout the document, where appropriate.

Remit of the Advisory Council

- B9 Ensuring all references in the *Due Process Handbook* to the Advisory Council reflect that it is the Board's Strategic Consultative Group and remove outdated references to it being used as a technical consultative body.

Consistency with Trade Mark Policy

- B10 Update references in the *Due Process Handbook* to ensure consistency with the IFRS Foundation's updated trade mark policy.