

Due Process Handbook Review

September 2018 IFRS Advisory Council Meeting

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- Overview of the *Due Process Handbook Review*
- Considering the Review during other agenda items at this Advisory Council meeting
- Next steps
- Specific discussion in this session
 - *Agenda Decisions: the Board and the Interpretations Committee*
 - *Setting the Board's Agenda*

The DPOC and the *Due Process Handbook*

**IFRS FOUNDATION
TRUSTEES**

**The Due Process
Oversight Committee
(DPOC)**

- The Trustees through the Due Process Oversight Committee (DPOC) are the custodian of the *Due Process Handbook* (DPH)



Drivers, objective and scope of the Review

DRIVERS

- Reputation Survey →
- Technology →
- Periodic Review →

OBJECTIVE

To improve the way that the *Due Process Handbook* provides a framework to oversee the Foundation's due process through reviewing specific aspects of due process, having regard to developments in technology, and to improve clarity.

SCOPE

Consider

- The increased role of the Board in implementation activities
- The interaction between the Board and the Interpretations Committee
- Developments in the Effects Analysis process
- Technology streamlining due process procedures
- The process around anonymous complaints
- Process for adding projects to the Board's agenda
- Update for clarity (ie role of the DPOC on IFRS Taxonomy process)
- Navigability of the Handbook

The *Due Process Handbook* will be updated, not completely rewritten.

Advisory Council input on the key issues in scope

- Advisory Council provided input at its February 2018 meeting on one of the main issues in the scope of the *Due Process Handbook* Review—the role of Effects Analysis through the Standard-setting process.
- Main themes of Advisory Council advice:
 - Effects analysis should be proportionate and scalable to the nature of the standard-setting
 - Effects Analysis process should be explicitly embedded throughout the project
- Other agenda items at this meeting are also relevant to the Review. We would welcome your consideration of the objective of the Review when discussing them:
 - Improving timeliness of delivery of projects
 - Comment letters

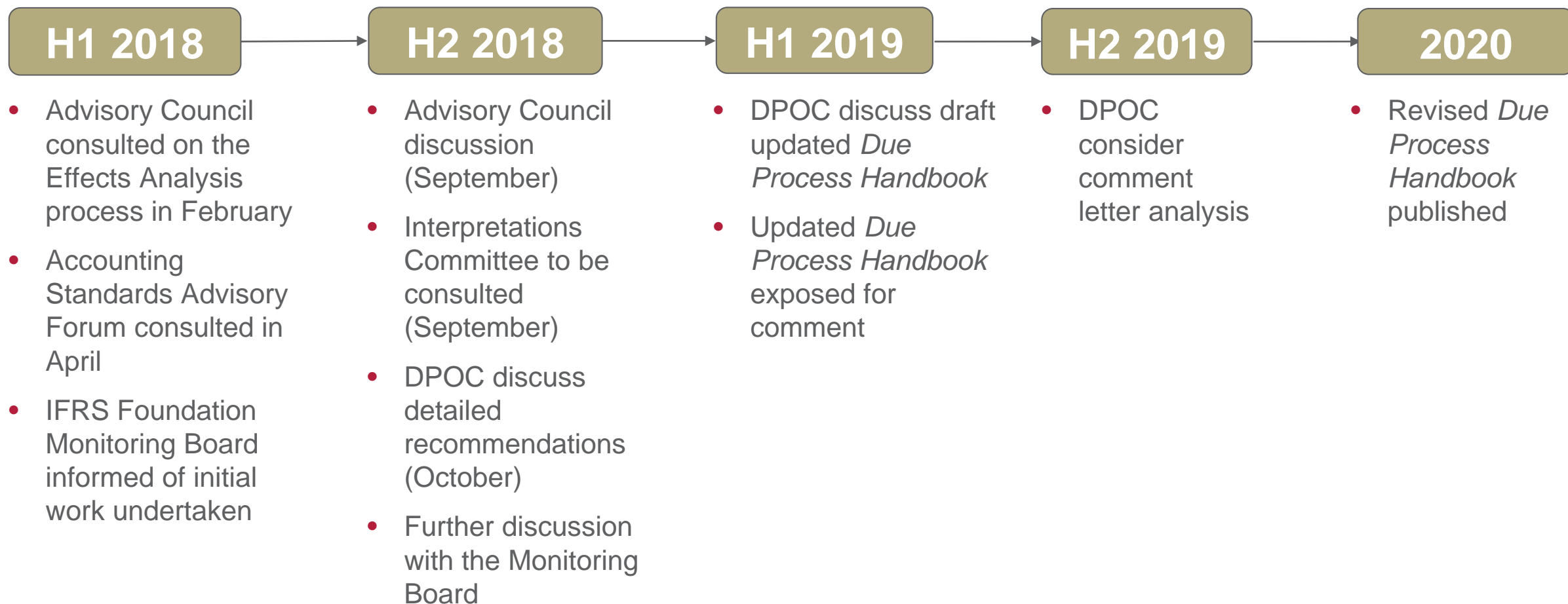
Issues for discussion in this session

- This session will focus on two specific issues within the scope of the Review of the *Due Process Handbook*
 - Agenda Decisions: the Board and the Interpretations Committee (Committee)
 - Setting the Board's Agenda

Moving forward

Timeline and next steps

Timeline and next steps



Specific discussion

Agenda Decisions: The Board and the Interpretations Committee

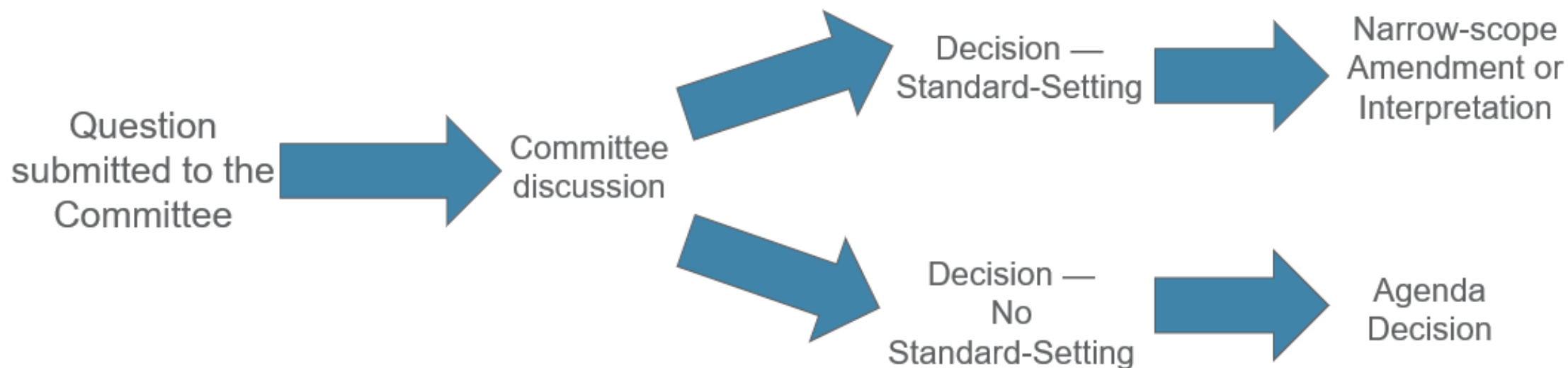
- The relationship between the Board and the Committee regarding the maintenance of IFRS Standards is outlined in paragraphs 5.14 and 5.15 of the *Due Process Handbook*

5.14 The IASB and the Interpretations Committee are responsible for the maintenance of IFRSs [...]

5.15 [...] The IASB and the Interpretations Committee share a common view on the role that the Interpretations Committee should play: both bodies see the Interpretations Committee as working in partnership with the IASB to give guidance that responds to the implementation needs of those applying IFRSs.

The Interpretations Committee's process

- The Committee's work begins with an application question
- Once a question is submitted to the Committee it can utilise the Due Process tools below



Agenda Decisions due process

- Agenda Decisions are published when the Committee decides standard-setting is not required
 - An Agenda Decision explains why the Committee did not recommend Standard-setting in response to a question submitted
- Agenda Decisions often include information to help companies apply IFRS Standards. They explain how the applicable principles and requirements apply to the question submitted.
- Agenda decisions are subject to due process



- The *Due Process Handbook* explains the status of Agenda Decisions and their purpose in paragraph 5.22

5.22 *If the Interpretations Committee does not plan to add an item to its work programme it publishes this as a tentative rejection notice [Agenda Decision] in the IFRIC Update and on the IFRS Foundation website and requests comments on the matter. **The comment period for rejection notices [Agenda Decisions] is normally at least 60 days.** After considering those comments the Interpretations Committee will either confirm its decision and issue a rejection notice [Agenda Decision], add the issue to its work programme or refer the matter to the IASB. **Rejection notices [Agenda Decision] do not have the authority of IFRSs and they will therefore not provide mandatory requirements but they should be seen as helpful, informative and persuasive.** The IASB is not asked to ratify rejection notices [Agenda Decisions]*

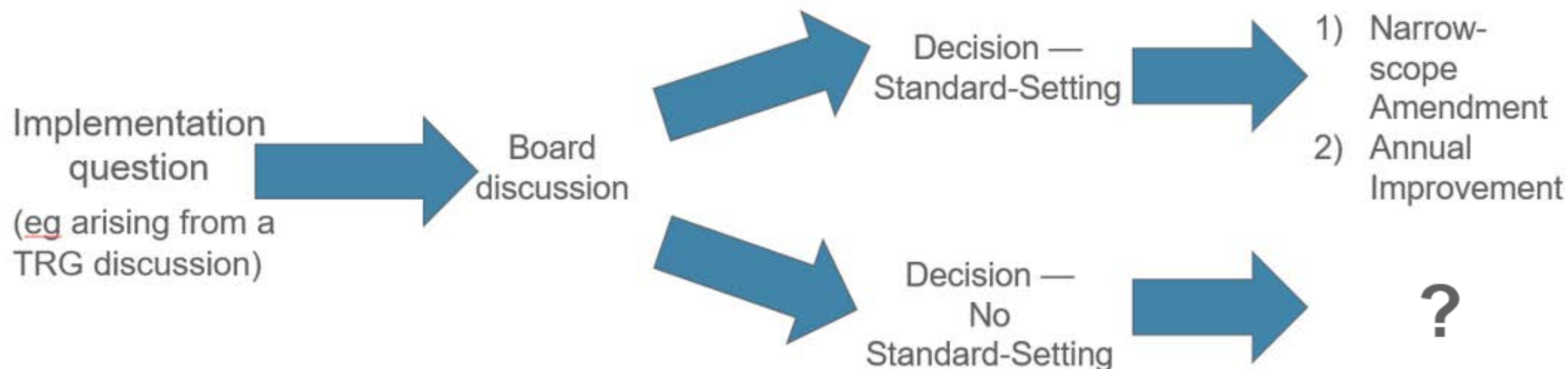
- The Committee's due process explained in the Due Process Handbook relating to Agenda Decisions
 - Allows the Committee to respond to specific application questions in a timely manner, but
 - Helps maintain the principle-based nature of IFRS and encourage appropriate use of judgement, and
 - Subject to Due Process (minimum 60 day comment period)
- Staff will recommend updating the language in the *Due Process Handbook* from 'Rejection Notice' to 'Agenda Decision'
 - 'Rejection Notice' fails to convey that the explanatory material is responsive to a stakeholder's question
- Staff will consider the relevant feedback received on the Exposure Draft *Accounting policy changes (Proposed Amendments to IAS 8)* relating to Agenda Decisions

The Board and explanatory material

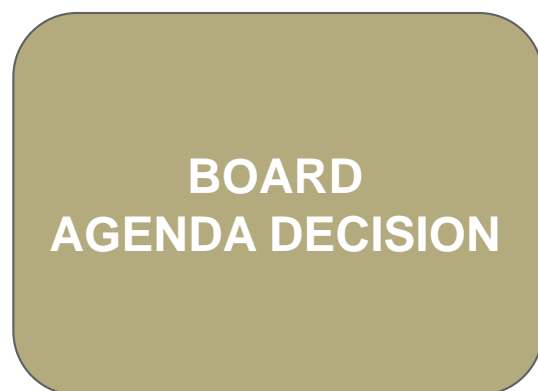
- Currently there is no due process tool at the Board's disposal to publish explanatory material equivalent to the material in an Agenda Decision as published by the Committee
- The DPOC agreed in January 2018 that this would be one of the issues considered in the DPH Review

The Board and explanatory material

- The Board currently does not have an equivalent to the Committee's Agenda Decision



- We are considering whether to propose that the Board also has the ability to publish ‘Agenda Decisions’



Advantages

- Enables the Board to explain existing requirements to support consistent application
- Timely publishing of explanatory material that do not have the status of IFRS Standards to help companies applying IFRS Standards
- Can mirror the established due process of the Committee’s Agenda Decisions (minimum 60 day comment period)
- Helpful, particularly have recent knowledge (eg on new Standards)

Question for the Advisory Council

- What are Advisory Council members' views on the possible approach to provide the Board with an equivalent Due Process tool to a Committee Agenda decision?

Specific discussion

Setting the Board's Agenda

The DPH requires a five-yearly consultation on the IASB work programme:

- 4.3 *The IASB is **required to undertake a public consultation on its work programme every five years** by way of a **public Request for Information**. The IASB normally allows a minimum of 120 days for comment on a work programme (agenda) consultation Request for Information. 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**. The review could also seek views on financial reporting issues that respondents think should be given priority by the IASB, together with any proposals to withdraw from the IASB's work programme any projects that have not proceeded as planned and for which the prospects for progress are limited. Section 5 details how a project is added to the IASB's standards-level programme.*
- 4.4 *In addition to the public consultation, **the IASB must consult the Advisory Council**.*

- The Agenda Consultation enables the Board to obtain feedback on:
 - overall balance and prioritisation of its work programme (eg resources devoted to different projects)
 - whether it is focusing on the appropriate financial reporting problems
- Stakeholders can also suggest other topics that the Board might explore
- The Agenda Consultation provides the Board with valuable input in setting its priorities—we see no need to reconsider requirements in DPH

Setting the Board's Agenda

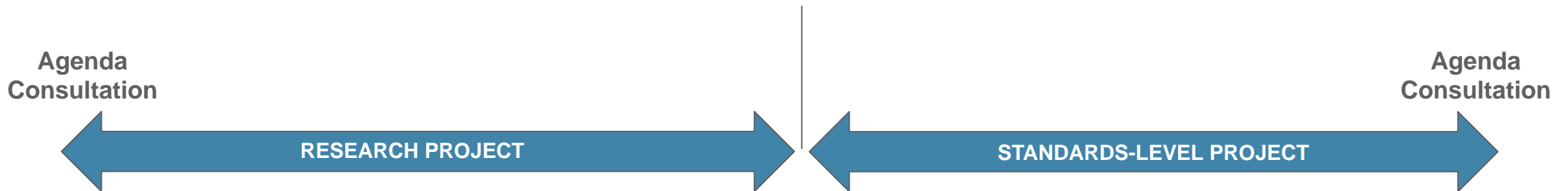
- The Board's work programme is not set in stone after completing the Agenda Consultation
 - For instance Board can add other projects to its research programme or change its existing priorities in response to changing circumstances
- However, if a project is to be added to the Board's standard-setting programme paragraph 5.6 of the DPH explains:

The IASB's discussion of potential projects and its decisions to adopt new projects take place in public IASB meetings. Before reaching such decisions [adding a project onto the Board's Standard-setting programme], the IASB consults its Advisory Council, ASAF and accounting standard-setting bodies on proposed agenda items. The IASB's approval to add agenda items, as well as its decisions on their priority, is by a simple majority vote at an IASB meeting.

Setting the Board's Agenda

- Consequently, paragraph 5.6 of the DPH requires the Board to consult the Advisory Council, ASAF and National Standard Setters (NSS) if it wishes to move a project from the Research phase to the Standards-level phase

Paragraph 5.6 of the *Due process Handbook* requires the Board to consult the Advisory Council, ASAF, and NSS on proposed agenda items before the Board decides to add a topic to the Standard-level programme



- In the context of the Review we are considering the appropriateness of the consultation in DPH 5.6—is it the right consultation and at the right point in the standard-setting process bearing in mind other relevant consultation:
 - The 5-yearly Agenda Consultation
 - Advisory Council having regular opportunity to comment on the Board's work programme
 - Regular feedback on the direction of the individual projects, including the need for and feasibility of standard-setting, from the Board's consultative groups
 - Stakeholder feedback in the initial consultative document (Discussion Paper or Exposure Draft)
 - As noted by DPH 5.3, stakeholders could comment if they think the Board has failed to establish the need for improvements to an area of financial reporting

Objective of the consultation in DPH 5.6

- If the objective of the requirements in paragraph 5.6 is for the Board to consider its priorities it may come at too late a stage in the process—significant resources may have already been allocated in the research phase
 - If so, should the Board consult the Advisory Council and ASAF earlier?
 - For instance on a new project not contemplated in the Agenda Consultation, after preliminary research work has been undertaken to see if a financial reporting problem exists that the Board may wish to commit resource to
- If the objective of the consultation is to obtain input on the Board’s assessment that Standard-setting is required and feasible the timing for consultation is correct. However:
 - Has this consultation already taken place through the feedback received on the project’s initial consultative document (eg Discussion Paper)?
 - Is the consultation more appropriate for ASAF rather than the Advisory Council given its technical, as opposed to broader strategic, focus?

Question for the Advisory Council

- What are Advisory Council members' views on the objective of the current requirement to consult on adding projects to the Board's Standard-setting agenda as per paragraph 5.6 of the *Due Process Handbook*?

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