

Agenda PAPER

IFRS Foundation Trustees meeting – Due Process Oversight Committee

Kuala Lumpur **January 2019**

Agenda ref 1E

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Due Process Handbook Review—Explanation of amendments to the Handbook

Purpose

1. The purpose of this paper is to explain to the Due Process Oversight Committee (DPOC) how the staff has proposed amending the *Due Process Handbook* (Handbook) to reflect the decisions made to date by the DPOC as well as the staff's recommendations in this meeting's papers. The paper is accompanied by the current working draft of the proposed revised Handbook (but not as a public paper given that it is a draft). In the Appendix, we explain some of the minor issues and other updates the staff have proposed addressing in the proposed amendments to the Handbook.
2. The staff ask that DPOC members provide any final drafting comments by 15 February 2019 before the Handbook is amended to reflect those comments. Subsequently, the staff will liaise with DPOC members on the Exposure Draft package (including the Invitation to Comment document) and arrange a public call to finalise the draft and receive the agreement of the DPOC to expose the amended Handbook for public comment.

Reflecting the DPOC's October 2018 decisions

Adding projects to the Board's Work Plan

3. At its October 2018 meeting, the DPOC decided to propose refining the consultation required by paragraph 5.6 of the Handbook to require the Board to

consult before formally adding a major project to its Work Plan if that project was not subject to consultation in a previous Agenda Consultation. This applies whether that project is to be added initially to either the research or standard-setting programme. The DPOC also decided to clarify that the consultation required by paragraph 5.6 with ‘accounting standard-setting bodies’ is achieved through consulting the Accounting Standards Advisory Forum, which consists of both national standard setters and regional bodies. The intent of these proposals is not to reduce the input the Board is required to seek or receives but rather to improve the effectiveness and efficiency of the consultation.

4. To reflect this decision, we have drafted proposed amendments to Sections 4 and 5 of the Handbook. In Section 4 under the heading ‘Five Year Consultation on the Boards Work Programme’, we have clarified that projects can be added to the Board’s Work Plan between Agenda Consultations. However, if the Board wishes to add a major project to its Work Plan that has not been subject to consultation as part of an Agenda Consultation, it must consult the Advisory Council and ASAF before doing so.
5. Section 4 has also been amended to clarify that for minor or narrow-scope amendments to IFRS Standards, including Annual Improvements, the Board do not need to formally consult the Advisory Council and ASAF before the projects becoming standard-setting projects. This because such amendments are part of the implementation or maintenance of IFRS Standards. This is a continuation of previous practice.
6. As a result of these amendments to Section 4, in Section 5 on standards-level projects, we have removed the requirement for the Board to consult before it adds a project to the standard-setting programme—this is now covered in Section 4. Applying the revised Sections 4 and 5, the Board would be required consult if it added a new project to its standard-setting programme that was not subject to consultation in a previous Agenda Consultation. But the Board would not be required to consult if it was moving a project to the standard-setting programme from the research programme (that project would have been subject to consultation either in an Agenda Consultation or subsequently).

Board Agenda Decisions

7. At its October 2018 meeting, the DPOC decided to propose amending the Handbook to provide the Board with a due process tool subject to the same process as an Interpretations Committee Agenda Decision.
8. In a new Section 8, under the heading ‘Supporting Implementation’, we have drafted proposed new paragraphs to explain the Board’s ability to publish an agenda decision in support of consistent application of its Standards. These paragraphs explain the Board might publish an agenda decision when it decides not to add a project to the standard-setting agenda but decides that the consistency of application of IFRS Standards would be improved by providing material that explains how the applicable principles and requirements in the Standards apply to a particular transaction or fact pattern. These paragraphs also explain that:
 - (a) agenda decisions published by the Board have the same status and follow the same due process as agenda decisions published by the Interpretations Committee;
 - (b) stakeholders will continue to submit application questions to the Interpretations Committee, and not to the Board; and
 - (c) the Board is expected to publish an agenda decision that includes explanatory material only in rare circumstances.

IFRS Taxonomy

9. At its October 2018 meeting, the DPOC decided to propose amending the Handbook to:
 - (a) clarify the approval and review process associated with the issuance of IFRS Taxonomy due process documents;
 - (b) specify the DPOC’s oversight of IFRS Taxonomy content that refers to IFRS Standards; and
 - (c) include in the introduction to the Handbook an explanatory paragraph about the IFRS Taxonomy due process Annex to the Handbook.

10. As a result we have:
- (a) amended the introduction to the Handbook to explain the IFRS Taxonomy due process annex;
 - (b) added a table under the headings ‘Review and approval of the IFRS Taxonomy’, ‘Reviews and approval by the Board’ and ‘Reviews by the ITCG’ that explains the approval and review process for each IFRS Taxonomy publication; and
 - (c) added a heading and a paragraph (see draft paragraph A6) stipulating the DPOC’s oversight of the due process associated with the IFRS Taxonomy.

January 2018 decision making papers

Agenda Decisions

11. Agenda paper 1F sets out the staff recommendations for proposed amendments to the Handbook relating to agenda decisions. Agenda paper 1F recommends:
- (a) that the current status and role of agenda decisions is appropriate;
 - (b) amending the Handbook to explicitly specify the objective of including explanatory material in agenda decisions and to confirm that it cannot add or change requirement in IFRS Standards; and
 - (c) amending the description of Agenda Decisions to explain that an entity is expected to be entitled to sufficient time to (i) determine whether it needs to change an accounting policy as a result of an Agenda Decision and (ii) implement any change.
12. For the staff analysis on this matter and draft amendments to the Handbook see agenda paper 1F.

Effects Analysis

13. Agenda paper 1G sets out the staff recommendations for proposed amendments to the Handbook relating to the Board's work assessing the likely effects of new financial reporting requirements.
14. For the staff analysis on this matter and draft amendments to the Handbook see agenda paper 1G.

Education Material

15. Agenda paper 1H proposes refinements to the requirements in the Handbook relating to education material to update them in line with current convention. The staff proposals are to:
 - (a) establish three categories of education material; and
 - (b) specify the level of review for each of those categories.
16. For the staff analysis on this matter and draft amendments to the Handbook see agenda paper 1H.

Appendix—Minor issues update

Consultative Groups

- A1. We have amended the section on Consultative Groups to explain that the composition of a group may develop in line with the progression of a project reflecting that different expertise might be required at different stages of a project.

Public nature of DPOC meetings

- A2. We have clarified in the Handbook that DPOC meetings are now held in public, except when the Committee discusses personnel issues in a private session.

Remit of the Advisory Council

- A3. We have updated references in the Handbook to the Advisory Council to reflect that it now advises the Board (and Trustees) on strategic matters and is no longer used as a technical consultative body.

Consistency with Trade Mark Policy

- A4. We have updated the Handbook to ensure consistency with the IFRS Foundation's updated trade mark policy.

Role of the IFRS Foundation website in transparent communication

- A5. We have extended the subsection on the information found on the IFRS Foundation website to more clearly articulate how the IFRS Foundation website is utilised to inform stakeholders of ongoing due process.

Restructuring for navigability

- A6. As part of the amendments to material to support the consistent application of IFRS Standards, we have reordered sections following Section 5—Standards-level projects.

Drafts for editorial review

- A7. We have amended this sub-section to clarify the purpose of this particular type of review.