



PROPOSED AMENDMENTS TO THE IFRS FOUNDATION DUE PROCESS HANDBOOK

Issued 29 July 2019

ICAEW welcomes the opportunity to comment on the Proposed amendments to the IFRS Foundation Due Process Handbook published by IFRS Foundation in May 2019, a copy of which is available from this [link](#).

While we generally agree with the proposed amendments to the IFRS Foundation Due Process Handbook we have concerns with the proposed changes to Section 8 *Supporting consistent application of IFRS*. In particular, we believe that further clarity is needed on the due process procedures which determine whether a particular matter is dealt with as an agenda decision by the Interpretations Committee, as IASB educational material, or as a newly proposed IASB agenda decision. We also have some specific reservations over the proposal for the IASB to publish agenda decisions.

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KEY POINTS

ASSESSMENT OF THE PROPOSED AMENDMENTS

1. While we generally agree with the proposed amendments to the IFRS Foundation Due Process Handbook (the 'Handbook') we have concerns with the proposed changes to Section 8 *Supporting consistent application of IFRS*. We believe that further clarity is needed on the due process procedures which determine whether a particular matter is dealt with as an agenda decision by the Interpretations Committee, as IASB educational material, or as one of the newly-proposed IASB agenda decisions.
2. We also have some specific and important reservations over the proposal for the IASB to publish agenda decisions, as discussed in our response to question 2.

ANSWERS TO SPECIFIC QUESTIONS

Question 1 – Effect Analysis

The DPOC proposes to amend the section 'Effect analysis' to:

- embed explicitly the process of analysing the effects throughout the standard-setting process;
- explain the scope of the analysis;
- explain how the Board reports the effects throughout the process; and
- differentiate the effect analysis process from the final effect analysis report.

Do you agree with these proposed amendments?

3. Yes, we agree with the proposed amendments to the 'Effect analysis' section of the Handbook.

Question 2 – Agenda Decisions

The DPOC has proposed the following amendments relating to agenda decisions:

- to provide the Board with the ability to publish agenda decisions;
- to better explain the objective and nature of explanatory material in an agenda decision; and
- to reflect in the Handbook that an entity should be entitled to sufficient time both to determine whether to make an accounting policy change as a result of an agenda decision, and to implement any such change.

Do you agree with these proposed amendments?

4. The exposure draft suggests that the proposed IASB agenda decisions would relate to application questions that arise in the period after a standard has been issued but before it has become effective. In this situation there is currently no formal mechanism to enable the IASB to publish material that could explain how to apply the principles and requirements in the newly issued standard. Although we understand the rationale for introducing such agenda decisions, which are expected to be rare, we would welcome further consideration as to whether this is the most appropriate response to address these matters.
5. In our view, the IFRS Foundation must not lose sight of the importance of getting standards right first time. We appreciate that standard-setting is inherently a difficult process, especially when diverse views are expressed by global constituents. We nonetheless feel that the IASB must continue to strive to publish standards that are without exception clear, easy to understand and operational in practice. Therefore, before proceeding with the proposal to introduce IASB agenda decisions, it is important that the IFRS Foundation first considers whether the current review mechanism ensures that final standards are not only technically sound and applicable in practice but are also very well drafted and easily understood. It may

be that improvements to the current review process might be a better way to address the issue that this proposal is seeking to address.

6. In addition, we would welcome greater clarification over the due process procedures which determine whether a particular implementation issue is dealt with as an Interpretations Committee agenda decision, educational material, or potentially as an IASB agenda decision. This is important, not least because of the different due process procedures for educational material, which is much less demanding when compared to agenda decisions. Specifically, the exposure draft describes:
 - a. both an agenda decision and educational material as items that ‘do not have the status of the Standards and [therefore] cannot add or change requirements in the Standards’ (paragraphs 8.4 and 8.8);
 - b. the explanatory material in an agenda decision as explaining ‘how the applicable principles and requirements in IFRS Standards apply to the transaction or fact pattern described’ (paragraph 8.4); and
 - c. educational material as ‘material explaining or illustrating how the requirements in a Standard might be applied in particular transactions or other circumstances, such as a new example demonstrating how the requirements might be applied in a particular fact pattern’ (paragraph 8.10(c)).
7. Based on the exposure draft extracts in paragraph 5a–5c above, we do not see a difference in substance between the explanatory material in an agenda decision and a new example classified as educational material. Without clarity over what ‘types’ of issue would fall into the different categories of guidance, we believe it is difficult to accurately assess whether there is a need for another source of guidance (ie, the IASB agenda decisions) and/or whether the proposed changes to the due process procedures for education materials are appropriate.
8. As part of any further deliberations on this matter, we also believe careful consideration is needed on how the proposed IASB agenda decisions would interact with other sources of guidance on the application of IFRS (ie, agenda decisions published by the IFRS Interpretations Committee and IASB educational materials). Our concern is that producing numerous sources of non-authoritative guidance may, over time, lead to ‘unofficial’ standard-setting and place an unnecessary burden on users/preparers who would be required to keep up to date with the various types of accounting literature.

Question 3 – Other matters

The DPOC has proposed to amend the Handbook on other matters including:

- the type of review required for different types of educational material;
- consultation in connection with adding projects to the Board’s work plan; and
- clarifications of the IFRS Taxonomy due process and Taxonomy updates and the role of the DPOC in overseeing Taxonomy due process.

Do you agree with these proposed amendments?

9. Yes, we broadly agree with the proposed amendments. although we have some questions regarding the proposed due process for educational materials as discussed in our response to question 2.

Question 4 - Consequential amendments to the IFRS Foundation Constitution

The Trustees of the IFRS Foundation have proposed to amend the IFRS Foundation Constitution as a result of the proposed amendments to the Handbook relating to the role of the IFRS Advisory Council.

Do you agree with these proposed consequential amendments?

10. Yes, we agree with the proposed amendments.