

Meeting: IAASB Consultative Advisory Group
Meeting Location: New York, USA
Meeting Date: March 9–10, 2015

Agenda Item



Efficiencies – Report Back and Issues

Objectives of Agenda Item

1. To provide a report back on comments of the Representatives on this project as discussed at the September 2014 CAG Meeting.

Papers to be Referred to during Discussion

2. The discussion of this topic will follow the structure of this CAG paper. Within this paper, reference is made to the updated agenda materials included as **Agenda Items I.1** and **I.2**.

Project Status and Timeline

3. In September 2014, IAASB Staff sought views and further direction from Representatives and Observers in an effort to progress the following:
 - Policy document related to the Due Process explaining the procedures for amendments to the due process in circumstances requiring an accelerated response (formerly referred to as the “rapid response mechanism”).
 - A process for developing International Practice Notes (IPNs), which could also be applied to other forms of non-authoritative material (other than staff publications for which there is an established process).
4. Since then, successive drafts of the processes to address circumstances requiring an accelerated response (now in the form of a policy rather than an amendment to the Due Process), and for developing IPNS have been considered by the IAASB at its September 2014 meeting and thereafter by the IAASB Steering Committee. Further out-of-session email comments from the CAG had also been sought via email in November 2014
5. The Appendix to this paper provides a project history, including links to the relevant CAG documentation.

September 2014 CAG Discussion

6. Extracts from the draft minutes of the September 2014 CAG meeting on the discussion of Agenda

Item M,¹ as well as an indication of how IAASB Staff or IAASB has responded to the Representatives' and Observers' comments are included at the table below.

Representatives' and Observers' Comments	IAASB Staff/IAASB Response
Mr. Fukushima questioned whether it would be possible to operationalize an accelerated due process for international standards, as he was of the view that, when an issue is of such significance as described in paragraph 32(a) of Agenda Item M.1, full due process would always be required to ensure the legitimacy of the international standard.	Point taken into account. The proposed policy makes it clear throughout that no steps in the full due process are omitted; it is only the timeline that is accelerated. The project proposal will describe the details how the acceleration is sought to allow flexibility for each issue that would require acceleration. [See Agenda Item I.1]
Mr. Stewart noted that the IASB has a mechanism in place to accelerate its standard-setting process, but that the mechanism is rarely used. He explained that in order to use the mechanism, the IASB must obtain permission from its Trustees (i.e. the body responsible for oversight of the IASB). He suggested that a similar permission should be obtained by the IAASB from the PIOB.	Point taken into account. While the proposed policy does not require "permission" per se, it does require the IAASB to consult the PIOB by providing a copy of the project proposal and advance notice of its intention to proceed in an accelerated manner and to request advice of any objection or relevant consideration. [See Agenda Item I.1]
Mr. Koktvedgaard supported the need for an accelerated due process, but questioned the sufficiency of the length of the public consultation via the comment letter period. He suggested that the proposed exposure period of 45 days should be extended as, in his view, it is too short a period for international organizations to appropriately deliberate and form a view.	Point accepted. The policy proposed follows the comment letter period as required by the current Due Process and therefore takes into account a longer period. [See Agenda Item I.1]
Mr. Koktvedgaard further suggested the mapping of the regular process, estimating the time that would be required at all stages of the process, but exploring possible efficiencies through the use of technology such as teleconferences in between the bi-annual CAG meetings as well as other steps that could be taken to accelerate the process. Despite supporting the use of teleconferences, he emphasized the importance of the CAG having the opportunity discussing the matter for which an	Point taken into account. Although the proposed policy states that it "may be necessary" for interactions with the CAG to occur via electronic or telephonic means (in which case it requires arrangements to "be made in order to maximize participation"), it is expected that in most cases there will be at least one opportunity to discuss the matter in a physical meeting. [See Agenda Item I.1]

¹ The September 2014 minutes will be approved at the March 2015 IAASB CAG meeting.

Representatives' and Observers' Comments	IAASB Staff/IAASB Response
<p>accelerated response was considered necessary in a physical meeting at least once.</p>	
<p>Mr. Stewart expressed concern with paragraph 34 in Agenda Item M.1 which suggests encouraging public submission of evidence for the need for and urgency of a project. In his view, such evidence should already be obtained before the IAASB commenced a project using the accelerating due process. He suggested that this evidence, obtained beforehand, should inform the IAASB as to the relevance of the matter as well as its urgency. He was of the view that, due to the importance of the IAASB applying its accelerated due process, the PIOB would likely wish to consider such evidence in advance of the Board commencing a project. Ms. Diplock agreed.</p> <p>Ms. de Beer added that the evidence to be submitted to the PIOB should also capture the input from the CAG on whether the issue is urgent and whether applying the accelerated due process for the project was in the public interest. Ms. de Beer suggested that paragraph 33 in Agenda Item M.1 be revised to better capture this process.</p>	<p>Point taken into account.</p> <p>Amongst the conditions required to be met before the Due Process can be applied in an accelerated manner is that “a sufficiently precise project proposal can be prepared to address the issue such that the scope of the project and the issue to be addressed are clear.” To meet this condition, the project proposal will need to be based on persuasive evidence of the need for urgency obtained in advance. Further the step of encouraging public submissions of evidence on the issue has been retained to ensure transparency and, to the extent possible in the accelerated timeline, public involvement in the Board’s deliberations.</p> <p>To achieve acceleration it is included implicit in the revised policy to the Due Process that the CAG and the PIOB will be consulted soon after another once the project proposal is available; so in ordinary circumstances it would be feasible to inform the PIOB of the CAGs views (or vice versa).</p> <p>[See Agenda Item I.1]</p>
<p>Mr. James suggested that further clarification is needed on what is meant by the term “in the public interest” in the context of how it is used in Agenda Item M.1.</p> <p>Ms. Diplock noted that whether an issue is in the public interest and whether an issue requires an accelerated response are delicate decisions that require the expertise of the PIOB. Although the proposed process had not yet been discussed by the PIOB, Ms. Diplock offered a personal view that the IAASB should specifically seek the PIOB’s input at two stages: (i) before initiating an accelerated response; and (ii) when the project is finalized, to obtain the PIOB’s concurrence that the accelerated due process was followed in the development or revision of the international standard.</p>	<p>Point accepted.</p> <p>Ms. Diplock’s remarks regarding the public interest were acknowledged.</p> <p>The proposed policy requires early consultation with the PIOB and, because all the steps in the Due Process need to be applied (just in an accelerated manner), the PIOB’s concurrence that the Due Process was followed will be required.</p> <p>[See Agenda Item I.1]</p>

Representatives' and Observers' Comments	IAASB Staff/IAASB Response
<p>Ms. de Beer suggested that consideration be given to extending the CAG involvement envisaged in the process, as described in paragraph 36 of Agenda Item M.1. She was concerned that, if a project is of such importance that it triggers the accelerated due process of the IAASB, the input from the CAG will be important and that the CAG could not only be seen as “noting” various aspects, including the project proposal, as that is not consultation or advise, as is the role of the CAG. Mr. Koktvedgaard agreed and suggested that CAG input may be obtained by way of CAG teleconferences, rather than omitted entirely at certain stages.</p>	<p>Point taken into account.</p> <p>Mr. Gunn noted that the more interaction that is re-introduced into the proposed process, the less likely it would be to achieve the acceleration intended. He acknowledged, however the importance of balance between the need for consultation and achieving an accelerated response to a particular matter.</p> <p>However, taking into account the feedback of the CAG, a policy is proposed that (a) requires early consultation with the CAG with a request for “advice of any objection or relevant consideration”; and (b) acknowledges that interactions with the CAG may occur via electronic or telephonic means (in which case it requires arrangements to “be made in order to maximize participation”).</p> <p>[See Agenda Item I.1]</p>
<p>Mr. Koktvedgaard suggested that, as the different standard-setting boards explore various processes, that they should first discuss and agree on matters of mutual interest before seeking input from their respective CAGs. Ms. de Beer agreed.</p>	<p>Point taken into account.</p> <p>Senior technical staff from all other standard setting Public Interest Activity Committee (PIACs) have been consulted, in particular the IESBA which may also implement a policy for applying the Due Process in an accelerated manner. Their input have been taken into account in an updated draft.</p> <p>[See further discussion in paragraphs 7–10 below.]</p>
<p>Ms. de Beer noted that more CAG deliberation is needed on both the accelerated process as well as the process for non-authoritative material. However, due to the limited time available to debate these matters, she suggested that Staff consider the comments so far as well as an appropriate way forward to seek further input from the CAG. She suggested that it might be useful to request the CAG Member Organizations to submit a first round of comments to the Staff, for the Staff to use such comments to update the paper and that a revised proposal then be debated, possibly via a CAG teleconference.</p>	<p>Point accepted.</p> <p>CAG Representatives and Observers were consulted out-of-session in December 2014 (via email) to obtain input. Additionally, both the proposed policy for applying the Due Process in an accelerated manner and the process for developing International Practice Notes are on the agenda for the March 2015 CAG meeting.</p> <p>[See Agenda Items I.1 and I.2]</p>

Matters for CAG Consideration

I. Applying the Due Process in an Accelerated Manner

7. The IAASB first considered how to address circumstances requiring an accelerated response at its June 2014 meeting. At that time, the IAASB tentatively concluded that an alternative to the full due process should be developed (known then as a rapid response mechanism).
8. Concerns were expressed at both the September 2014 IAASB and CAG meetings as to whether it is appropriate or necessary to have an alternative due process. IAASB Staff was asked to consider the following in revising its recommendations for consideration at a subsequent meeting:
 - Whether a shortened exposure period is feasible, particularly given the time needed for translations.
 - Whether amending the due process to increase speed adequately offsets the value added through CAG and IAASB discussion.
 - Whether any issues have been encountered in the past that demonstrate the need for an alternative due process.
 - Whether the extant due process can accommodate speedy resolution of urgent issues if the IAASB, the CAG and the PIOB all agree that the issue requires an accelerated response.
9. Having considered the matters raised at the September 2014 meetings of the CAG and the IAASB, and discussed them with the senior technical staff of other PIACs, Staff has revised its proposal of how to address circumstances requiring an accelerated response.
10. Notably, the revised proposal, at **Agenda Item I.1**, recommends addressing such circumstances within the extant due process rather than by amending it.

II. Process for Developing International Practice Notes

11. The Preface to the IAASB Handbook (the Preface), contemplates the issuance of non-authoritative IPNs by the IAASB.
12. IAASB discussions on efficiencies earlier in 2014 highlighted the need to agree on a process for developing IPNs that is appropriate to ensure their quality, yet also proportionate to their nature (to provide practical assistance to practitioners, and not to impose additional requirements on practitioners) and their status as non-authoritative. IPNs have been noted as possible outputs of new projects in the IAASB Work Plan for 2015–2016.
13. At its September 2014 meeting, the IAASB discussed an initial staff proposal outlining a process to develop IPNs. Among other comments, the IAASB asked staff to consider the following in revising its proposal:
 - Whether adequate CAG involvement at the commencement of a project to develop an IPN, and during its development, has been provided for.
 - Whether the Board would be in a position to approve an IPN if the Board itself has not been adequately involved throughout its development.

- Whether material that is approved by the Board should be considered “non-authoritative”. It was noted that the status of IPNs as “non-authoritative” is less clear when there is Board approval of the document, and particularly so if the development of the IPN includes public exposure.

CAG Input Subsequent to September 2014 CAG Meeting

14. The initial staff proposal was also tabled at the September 2014 CAG meeting. However, it was not discussed by the CAG to any notable extent due to time available. The input of CAG Representatives was subsequently sought by email prior to the December 2014 IAASB meeting.
15. Though there were only a few CAG Representatives responded, those who did, expressed support for the proposed process, but provided the following suggestions:
 - (a) Even though the importance of allowing flexibility for public exposure of a draft IPN is recognized, one place where the process should not be shortened would be to have too short a public exposure process.
 - (b) Flexibility should be set at the project proposal phase already.
 - (c) Report back to the CAG, albeit in a different and simplified form because the outcome of the IAASB's deliberations on significant comments made by the CAG is needed.
 - (d) The IAASB should bear in mind that its credibility will be affected irrespective of the authority of material, hence quality control over the particular project should be considered.

Input from IAASB December 2014 Meeting and Resulting Revisions

16. At its December 2014, the IAASB asked staff to include the proposal to allow public exposure of a draft IPN in exceptional circumstances.
17. **Agenda Item I.2** contains a revised staff proposal for developing IPNs. Among other changes, the revised proposal:
 - Requires that the CAG be consulted on proposals to start new projects to develop IPNs and on significant issues relating to the development of an IPN.
 - Makes clear that a project to develop an IPN does not include public exposure of a draft IPN.
 - Calls for IAASB discussion of regular project updates; such updates are determined at the discretion of the IAASB Chairman in consultation with the Project Working Group or Task Force Chair and the IAASB Technical Director.
 - Notes that while the development of an IPN does not anticipate or typically include public exposure of a draft IPN, in exceptional circumstances, the IAASB may approve such an exposure.
18. The revised proposal retains the non-authoritative status of IPNs in accordance with the extant Preface, which was unanimously approved by the IAASB in December 2011, and also retains the IAASB's approval of the final IPN before it is released.
19. Staff considered whether an IPN could be approved by, for example, the IAASB Chairman and Technical Director, rather than the Board itself. The Preface, however, says that “Non-authoritative

material includes Practice Notes *issued by the IAASB* (italics added), which appears to preclude approval by others. It also has not been the practice of the IAASB to include material in the IAASB Handbook unless the material has been approved by the Board. While there may be queries about whether approval by the Board (or indeed other aspects of the process) implies some degree of authority for an IPN, there does not appear to be any one generally accepted solution to the problem of separating authoritative (or mandatory) material from non-authoritative material, other than the relevant Board stating what it intends the distinction to be.

Matter for CAG Consideration

1. Representatives and Observers are asked for their views on the draft processes to:
 - (a) Address circumstances requiring an accelerated response.
 - (b) Develop International Practice Notes.
 - (c) Strike an appropriate balance as to the CAG's participation.
 - (d) Raise any other comments or suggestions.

Material Presented – IAASB CAG PAPERS

Agenda Item I.1	Draft Process to Address Circumstances Requiring an Accelerated Response
Agenda Item I.2	Draft Process for Developing International Practice Notes

Project History

Project: Efficiencies

Summary

	CAG Meeting	IAASB Meeting
Preliminary Discussions	September 2014	September 2014
Updates / Briefings	March 2015	December 2014 March 2015
Discussion on Proposed Way Forward	March 2015	March 2015

CAG Discussions: Detailed References

Preliminary Discussions	<p><u>September 2014</u></p> <p>See IAASB CAG meeting material: (in Agenda Item M, M.1 and M.2 of the following): http://www.ifac.org/meetings/new-york-usa-4</p> <p>See meeting minutes for the September 2014 CAG meeting at Agenda Item A related to Agenda Item M: http://www.ifac.org/meetings/new-york-usa-5</p> <p>See report back to September 2014 CAG meeting minute at paragraph 6 above.</p>
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