

STAFF PAPER

May 2016

Project	2015 Agenda Consultation		
Paper topic	Interval between agenda consultations		
CONTACT(S)	April Pitman	apitman@ifrs.org	+44 (0)20 7246 6492

This paper has been prepared for discussion at an International Accounting Standards Board® public meeting and does not represent the views of the IASB® or any individual member of the Board. Comments on the application of IFRS® Standard do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in IASB *Update*.

Purpose

1. In the International Accounting Standards Board's (Board) request for views *2015 Agenda Consultation* (RFV) (Question 8), the Board proposed that the current three-year interval between agenda consultations be extended to five years. This paper summarises the comments received on that proposal.
2. The staff recommend that the Board confirm the proposal.

Structure of this paper

3. This paper is organised as follows:
 - (a) background;
 - (b) overview of the respondents;
 - (c) comments received on the proposal; and
 - (d) staff summary and recommendation and next steps.

Background

4. The Board is required to undertake a public consultation on its work plan every three years (*Due Process Handbook* paragraph 4.3). In the RFV, the Board proposed extending the interval from three to five years:

Frequency of Agenda Consultations

57 The IASB is required to carry out a public Agenda Consultation every three years.

58 It usually takes longer than three years, however, to complete a major research project and then a subsequent major Standards-level project. Consequently, many of the major projects that form the basis of discussion for one Agenda Consultation will still be on the work plan three years later. Thus, some feel that consulting on the IASB's agenda every three years is excessive. They suggest that five or even seven years would be a more realistic interval between Agenda Consultation cycles.

59 Others think that a three-year cycle is appropriate to provide the IASB with timely input on changes that might need to affect its agenda-setting strategies and priorities.

Frequency of Agenda Consultations

Q8 Because of the time needed to complete individual major projects, the IASB proposes that a five year interval between Agenda Consultations is more appropriate. Do you agree? Why or why not? If not, what interval do you suggest? Why?

Overview of the comment letter respondents

5. The Board received 119 comment letters. Ninety four of these respondents, or almost four in five respondents, commented on the Board's proposal to extend the interval between agenda consultations. The following table lists the type and geographical origin of respondents:

Type of respondent

Respondent type	Total respondents	Answered Q8
Preparers and industry organisations	37	27
Standard-setters	27	25
Auditors and accounting bodies	26	24
Users	12	7
Others	10	5
Regulators and government agencies	7	6
Total	119	94

6. Almost all standard-setters, regulators and auditors and accounting bodies answered question 8.

Geographical distribution of comment letter respondents

Geographical region	Total respondents	Answered Q8
Europe	58	46
Asia and Oceania	27	22
North America	10	6
South America	5	4
Africa	4	4
Global	15	12
Total	119	94

7. Respondents who answered question 8 in the RFV represented all geographical regions.

Trends in the comments received

8. A small majority of the respondents favoured extending the interval between agenda consultations from three to five years—other responses were mixed.

Trends in geographical responses

9. European responses were split equally between those an extension to five years and retaining the current three-year interval. The majority of European standard-setters opposed the extension while European accounting firms and accountancy

bodies generally favoured the extension. European preparers reported mixed views.

10. A similar pattern emerged in Asia, with the majority of Asian standard-setters opposing the extension. The views of Asian accountancy bodies and preparers were divided.
11. Most global respondents favoured extending the interval between consultation periods. In particular, the global accounting firms generally favoured the proposal. African, South American and North American respondents also generally favoured extension.

Trends by type of respondent

12. Accounting firms and accountancy bodies generally favoured the extension. The majority of investors also supported the proposal.
13. Preparers and regulators generally reported mixed views.
14. The majority of standard-setters, particularly those in Asia and Europe, opposed extending the interval.

Comments received on the proposal

15. Respondents raised a number of topics in their responses to the proposal to extend the interval between agenda consultations:
 - (a) objective of the agenda consultation;
 - (b) time to complete a major project;
 - (c) the need for timely input;
 - (d) interim changes to the work plan;
 - (e) interim reviews of the work plan;
 - (f) the elapsed time between consultation;
 - (g) the burden placed on the Board and stakeholders;
 - (h) linkage with the Trustees' strategic review; and
 - (i) linkage with the Chairman's term.

Objective of the agenda consultation

16. Some respondents commented on the objective of the agenda consultation.
17. Paragraph 4.3 of the *Due Process Handbook* states that the primary objective of the agenda consultation is to seek formal public input on the strategic direction and balance of the Board's work plan, including criteria for projects that may be added to the Board's standards-level work plan.
18. A number of respondents said that the agenda consultation was important because it gave respondents the opportunity to comment on any required changes to prioritisation as well as on the components of the work plan.
19. A few respondents said that consulting publicly on the Board's work plan ensures that all views are equally heard and that this protects the development of IFRS Standards from over-dominance by individual special-interest groups.
20. One respondent noted that the agenda consultation provides information about the Board's priorities and its strategy for its future work plan and consequently is useful in shaping the future focus and activities of other bodies, such as national standard-setters and regulators.

Time to complete a major project

21. Many respondents agreed with the proposal to extend the interval to five years and accepted the Board's observation that it usually takes longer than five years to complete a major research project and the subsequent major standards-level project. Many of these respondents noted that some projects had taken significantly longer than five years. A few respondents also said that many current research projects would give rise to major projects that would take longer than five years to complete. On the other hand, a few respondents said that major projects would take less time going forward because projects conducted by the Board alone would be less time consuming than the earlier projects conducted jointly with the Financial Accounting Standards Board, the United States standard-setter.
22. A number of respondents noted that some major projects referred to in the 2015 RFV, such as leases and insurance contracts, and a number of the topics on the research programme, had also been mentioned in the previous agenda consultation document, published in July 2011. These respondents said that the interval

between agenda consultations should be extended because it was not useful to consult again on the same projects.

23. Many respondents who agreed with the extension said that a longer interval encourages longer-term thinking by both the Board and stakeholders.
24. The longer interval would result in a more stable work plan, according to the respondents who supported the extension. In their view, the stability would enable preparers to focus more directly on major projects and to devote more resources to planning. This would ensure a more robust transition and implementation of major projects. A number of respondents also said that the Board and stakeholders were close to the limits of their standard-setting capacity and that a stable work plan would use that capacity more efficiently.
25. Many respondents said that taking a longer-term view would more accurately reflect the time that is required to produce high quality Standards. Respondents did not want quality to be sacrificed for timeliness. In addition, respondents said that it was important that the Board's standard-setting continued to be transparent. These respondents acknowledged that the required levels of outreach and public consultation are time consuming.
26. Other respondents, however, said that the proposed link between the agenda consultation interval and the length of time taken to complete a project was not relevant because project life cycles varied—some projects had taken as long as ten years to complete. These respondents said that other factors, such as the need for timely input to the Board's work plan, were more relevant to a decision about the interval.
27. In addition, a few respondents stated that some topics currently on the research programme were sufficiently developed that an agenda-decision on whether to progress to a standards-level project would be required before five years had elapsed. These respondents said that the three year interval should be retained.

The need for timely input

28. Many respondents disagreed with the Board's proposal to extend the interval from three to five years.

29. These respondents were concerned that such an interval would not allow the Board to respond adequately to the important emerging issues that face the financial reporting community or to keep abreast of changes in securities markets.
30. A few respondents suggested that as the number of jurisdictions applying IFRS Standards increases, emerging issues will become more prevalent and changes to the Board's work plan would need to be more timely. A few respondents said that circumstances changed so quickly that the results of an agenda consultation process might not still be valid after five years.
31. Respondents who disagreed with the proposed interval extension said it was important for the Board to react quickly to emerging issues to ensure the continuing relevance of IFRS Standards.

Interim changes to the work plan

32. The process by which the Board is able to add topics to its work plan is set out in paragraphs 5.1 and 5.2 of the *Due Process Handbook*.
33. However, even respondents who agreed with the Board's proposals to extend the interval suggested the Board take additional steps to ensure that its work plan remains relevant by making interim changes to its work plan when required:
 - (a) Most respondents suggested that the Board should retain sufficient flexibility in its due process and sufficient extra capacity in its work plan to ensure that emerging issues could be addressed in a timely manner as they were identified.
 - (b) Some respondents noted that agenda consultation is not the only channel through which issues can be raised with the Board. These respondents referred to post-implementation reviews and matters referred by the IFRS Interpretations Committee to the Board as sources for issues that need to be addressed between agenda consultations.
 - (c) A few respondents said the process of adding a project to the work plan should include an explanation of the effect the project would have on the allocation of resources and the timing of other projects.

- (d) A few respondents said it was clear how the Board adds emerging issues to its work plan, but unclear what process outside of the agenda consultation would be required to remove a project from its work plan.

Internal reviews of the work plan

34. A number of respondents said the Board should conduct its own review of its work plan on a regular basis, for example, annually, regardless of whether the consultation interval is extended. This review would assess whether the work plan was sufficient to maintain the relevance of IFRS Standards by addressing emerging issues as well as monitoring current project progress and identifying and removing any impediments to progress.
35. Others did not consider this adequate and suggested that the Board consult more publicly on an interim basis. Several respondents suggested that the Board consult frequently with the IFRS Advisory Council (Advisory Council) and the Accounting Standards Advisory Forum (ASAF) on its work plan to:
- (a) ensure the work plan as a whole remained balanced;
 - (b) confirm which projects should be added or removed from the work plan; and
 - (c) consider whether an appropriate priority is assigned to each project.
36. One respondent suggested that the Board consult more frequently on a 'semi-public' basis. This would consist of consulting with selected bodies such as the Advisory Council, ASAF, the Capital Markets Advisory Council, the Global Preparers Forum, the International Federation of Accounting Standard-Setters and others. Another respondent suggested that the Board consult on its work plan every 2 ½ years.
37. Respondents said that the Board should ensure that any changes to its work plan were made in a transparent way, whether or not they supported the extension.

Elapsed time between consultation

38. Many respondents noted that the period between agenda consultations is not currently three years. Respondents noted that the time between the 2011 and 2015 agenda consultations had been four years.

39. The agenda consultation process requires preparation and public consultation time before the Board develops a new work plan and reports the results of the agenda consultation to stakeholders. Most respondents accepted that the process takes time.
40. Many respondents expressed concern, however, that if the interval was extended to five years, the elapsed time between consultations would be significantly greater than five years. To prevent this, some suggested that the five-year interval should be measured as the period between the publication of one RFV and the next. Others suggested that the entire process should be completed within five years— the consultation should commence four years after the previous consultation so it will be completed at the end of five years.

Burden placed on the Board and stakeholders

41. A number of respondents said the agenda consultation process was burdensome for both stakeholders and to the Board. These respondents said the process consumed significant Board resources and required a high degree of stakeholder engagement.
42. Some respondents also noted the disruption caused to the Board’s activities by the agenda consultation process:
 - (a) Respondents said that changing priorities frequently was inefficient, especially when some projects are only partly complete.
 - (b) A few respondents said the agenda consultation causes uncertainty about the Board’s activities and strategy until it is completed.
 - (c) Others noted that some project-specific decisions had been delayed while the agenda consultation was in progress. These respondents said this caused unnecessary delay to the projects concerned.
 - (d) One respondent said that the agenda consultation was a significant distraction to the Board from its standard-setting activities.

Linkage with the Trustees’ strategic review

43. We received mixed views on the link between the timing of the Trustees’ of the IFRS Foundation (Trustees) strategic review and the Board’s agenda consultation.

Some respondents said that the Trustees' review should precede the agenda consultation so the Board can reflect the Trustees' strategy in its proposed work plan. Other respondents said that because the two consultations were likely to question similar strategic areas they should be conducted concurrently.

44. In its request for views on its most recent *Review of Structure and Effectiveness*, the Trustees proposed that the IFRS Foundation's *Constitution* be amended to require that the Trustees' review commence, at the latest, five years after the completion of the previous review. Most respondents who commented on the proposal agreed with it because:
- (a) the stability and continuity that would result from a slightly longer period between reviews would be positive and appropriate, given that the organisation is no longer in its earliest stages and has already performed a number of reviews of its strategy;
 - (b) there would be flexibility in the proposed amendment, that is, that a review should commence, *at the latest*, five years after the previous review is completed. Some respondents said it was important that the Trustees be able to start a review sooner if they consider it necessary.
 - (c) the proposed amendment would free Trustee resources for other duties.
45. A few respondents to the Trustees' RFV suggested that the timing of the review of structure and effectiveness be aligned with timing of the agenda consultation, although one disagreed with aligning the timings.
46. The staff note that the Foundation staff will recommend that the Trustees affirm change to a five-year interval at their May 2016 meeting. The staff also note that in conducting the two consultations and in analysing responses to both consultations, the two project teams have liaised closely. When topics have overlapped, an analysis of the responses from one consultation has been included in the analysis of responses to the other.

Linkage with the Chairman's term

47. A few respondents said that the extension of the agenda consultation interval to five years was useful because that time interval coincides with the term of the Chairman of the International Accounting Standards Board. These respondents

think that a new Chairman is likely to have fresh views about the nature and prioritisation of the Board's work plan and that the change in Chairman would be a good time to seek approval of the work plan or to consult about changes required to its composition or prioritisation. The staff note that the 2011 agenda consultation was delayed in order to allow the then-incoming Chairman to include his views in the consultation process.

Staff summary and recommendation and next steps

48. The staff recommend the Board confirm its proposal to extend the interval between agenda consultations to five years to:
- (a) provide greater stability in the work plan to enable stakeholders to plan their activities on a longer-term basis and the Board to manage its projects and resources more efficiently;
 - (b) reduce the agenda consultation burden on the Board and stakeholders;
 - (c) reduce the uncertainty that may affect the Board's decision-making and strategy during the agenda consultation period;
 - (d) align the interval of the agenda consultation with the interval of the review by the Trustees; and
 - (e) align the agenda consultation process with the term of the Chairman of the International Accounting Standards Board.
49. The staff believe that the staff recommendation will continue to provide the Board with sufficient flexibility in its work plan and due process to enable it to address emerging issues that arise between agenda consultations by adding additional topics to its work plan as required.

Next steps

50. If the Board agrees with the staff recommendation, the staff will recommend to the May 2016 meeting of the Trustees that the *Due Process Handbook* be revised to state that the Board commences its agenda consultation, at the latest, five years after completion of the previous agenda consultation. This proposal would align the wording in the *Due Process Handbook* with respect to the Board's agenda

consultation with the proposed revision of the *Constitution* with respect to the intervals between the Trustees' strategic review.

Question for Board members

Do you agree with the staff recommendation that the interval between agenda consultations be extended to five years?

Do you agree with the wording of the proposed change to the Board's due process?