

## Invitation to Comment:

### Call for comments on UKEB's [draft] Due Process Handbook

**Deadline for completion of this Invitation to Comment:**

**Close of business Monday 23 May 2022**

**Please submit to:**

[UKEndorsementBoard@endorsement-board.uk](mailto:UKEndorsementBoard@endorsement-board.uk)

## UK Endorsement Board

The UK Endorsement Board (UKEB) is responsible for endorsement and adoption of IFRS for use in the UK and therefore is the UK's National Standard Setter for IFRS. The UKEB also leads the UK's engagement with the IFRS Foundation (Foundation) on the development of new standards, amendments and interpretations.

## Introduction

The UKEB's [draft] Due Process Handbook (Handbook) will set out the due process requirements the Board will apply to its activities to enable it to uphold its guiding principles of accountability, independence, transparency and thought leadership when fulfilling its statutory functions.

A clearly set out due process ensures that the UKEB's views are based on the evidence gathered over the course of its activities. It also contributes to high-quality financial reporting and maintains accountability and transparency to stakeholders throughout.

## Objective

The objective of this Invitation to Comment is to obtain input from stakeholders on this [draft] Handbook.

## Who should respond to this Invitation to Comment?

Stakeholders with an interest in the quality of accounts that apply IFRS.

## How to respond to this Invitation to Comment

Please download this document, answer any questions on which you would like to provide views, and return to [UKEndorsementBoard@endorsement-board.uk](mailto:UKEndorsementBoard@endorsement-board.uk) by close of business on Monday 23 May 2022.

We welcome responses providing views on individual questions as well as comprehensive responses to all questions.

## Privacy and other policies

The data collected through submitting this document will be stored and processed by the UKEB. By submitting this document, you consent to the UKEB processing your data for the purposes of influencing the development of and adopting IFRS for use in the UK. For further information, please see our Privacy Statements and Notices and other Policies (e.g. Consultation Responses Policy and Data Protection Policy)<sup>1</sup>.

The UKEB's policy is to publish on its website all responses to formal consultations issued by the UKEB unless the respondent explicitly requests otherwise. A standard confidentiality statement in an e-mail message will not be regarded as a request for non-disclosure. If you do not wish your signature to be published please provide UKEB with an unsigned version of your submission. The UKEB prefers to publish responses that do not include a personal signature. Other than the name of the organisation/individual responding, information contained in the "Your Details" document will not be published. The UKEB does not edit personal information (such as telephone numbers, postal or e-mail addresses) from any other document submitted; therefore, only information that you wish to be published should be submitted in such responses.

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<sup>1</sup> These policies can be accessed from the footer in the UKEB website here: <https://www.endorsement-board.uk>

## Invitation to comment

The Board invites comments on all matters in this [draft] Handbook, particularly on the questions set out below. Comments are most helpful if:

- a) address the questions as stated;
- b) indicate the specific paragraph(s) to which they relate;
- c) contain a clear rationale;
- d) identify any material omissions that should be included;
- e) include any alternative the Board should consider, if applicable.

The Board is requesting comments only on matters addressed in this [draft] Handbook.

## Questions for respondents

### A. Support for the Sections in the [draft] Due Process Handbook

#### *Section 4 'Governance activities'*

1. Do you agree with the processes described for the UKEB's governance activities in paragraphs 4.1–4.37?

**Response:**

I think the process does not adequately describe how and when the Board might decide to exercise powers in accordance with regulation 6(3) (part adoption) or (4) (adoption with modification to scope). In general, I think it is appropriate to consider adoption in full in the first instance. The process to make this choice might involve preliminary Board votes on whether it is full adoption, part adoption, or adoption with scope modification (or multiple options) that is consulted upon, and then which approach that is to be put to a final written vote.

I think the process should describe how the UKEB would vote not to adopt a standard as per regulation 9(1)(d). It should not be the case that a failed vote to adopt a standard is taken as a vote not to adopt the standard (in order to allow for the re-running votes process described in paragraph 4.4). But there should be a mechanism for the UKEB to signal that it will never adopt a standard.

Paragraph 4.4: it is not obvious to me why the Chair must consult with external parties here. If, for example, the Board cannot reach a decision due to some Board members desiring further evidence from the Secretariat this would seem to be an internal matter.

Paragraph 4.4 does not seem to contemplate a subsequent vote to adopt a standard with modifications to its scope, unless that was the approach in the original adoption vote. This should be an option that is available.

Paragraph 4.4 does not seem to contemplate a subsequent vote to adopt a standard in full where the original adoption vote was for part-adoption or adoption with modifications to scope. This should be an option that is available.

Paragraph 4.4 should be explicit that the vote carried out under the last sentence of that paragraph is formalised by circulation outside the meeting, in the same manner as in paragraph 4.2.

4.10(b): I think education sessions should not be a “UK Endorsement Board meeting” within the meaning of the ToR. Otherwise, for example, you will find you are unable to hold them without being quorate, and attendance will be counted for the purpose of paragraph 7.3 of the ToR.

In 4.14(a) you refer to the “UKEB” but I think this should be “Board”

4.16: I think the discretion here should instead be to redact parts of the minutes in order to allow as much of them as possible to be made public, rather than to simply not release them.

4.24 Regulation 8 does not require you to consult with a representative range of stakeholders; it requires you consult with such persons you consider to be representative of those with an interest in the quality and availability of accounts, including users and preparers of accounts.

4.24: I think you should consider adopting the government’s consultation principles here: <https://www.gov.uk/government/publications/consultation-principles-guidance>

4.29: I think you should also commit to making public materials available in an accessible format.

In general, I think you should be far more transparent and consultative about what is included in your work plan. I think you should commit to consulting publicly on your work plan on a periodic basis and to explaining why topics have or have not been added to the plan.

4.32: This assumption should instead be tested with an advisory group in the first instance.

4.34: Discussion of the work plan should generally be public.

4.35: I think you should be clearer about what must be done if you suspend or terminate a project early, for example if you have consulted I think you should still publish a feedback statement and I think you should publish a statement that explains why you have suspended or terminated a project.

4.36: I think you should also use the principles in regulation 5(a)(i) and (ii) to help prioritise projects.

## *Section 5 ‘Influencing process’*

2. Do you agree with the processes described for influencing projects in paragraphs 5.1 – 5.30?

**Response:**

5.23: It is not obvious how the final letter is approved. Is it a Board decision, or can it be delegated?

5.27 The feedback statement does not need to restate information that was already included in the consultation document (ie a) and b)). I suggest deleting “main” in c) so that all feedback is considered appropriately. The feedback statement should also state how many responses were received. e) should be first in the list.

5.29: Rather than “usually” publishing the feedback statement at the same time as the ECA is published I think you should publish it before or at the same time as the comment letter, except in very exceptional circumstances.

3. Do you agree with the milestones for influencing projects in paragraph 5.1?

**Response:**

A feedback statement should be mandatory if you have consulted.

4. Do you agree that a shorter consultation period of less than 30 days for a draft comment letter should be allowed when any of the situations described in paragraph 5.22(a)–(b) are present?

**Response:**

Yes, but it is not obvious how the UKEB makes the decision in 5.22. Is it a Board decision or can it be delegated? Given the consultation content is approved by the Board in 5.20 I suggest it also approves the length at the same time.

### *Section 6 ‘Endorsement process’*

5. Do you agree with the processes described for endorsement and adoption projects in paragraphs 6.1–6.47?

**Response:**

Footnote 22 on paragraph 6.1. I think this footnote is not necessary, given the content of section 2, but if you are going to include it you should ensure that you refer to the legislation and its effects accurately.

The title above 6.26 should read “Public consultation on a Draft Endorsement Criteria Assessment (DECA) (mandatory)”

6.27: As with your approach in 8.9 for post-implementation reviews, I think most of your obligations in regulation 7 can be delivered by influencing and responding to IASB’s work. The DECA should rely heavily on the work already carried out by the IASB, and not be an exercise in re-deliberating and re-debating specific issues that have already been considered. The UKEB’s work here should focus on UK-specific issues with the standard as a whole which were not adequately addressed by the

IASB. For example, I hope that the length of you IFRS 17 DECA is not going to be taken as a template going forward. I think it would be much more beneficial to focus your resources on influencing activities and have a much more streamlined endorsement process.

6.29: It is not obvious how the DECA is approved prior to public consultation, particularly whether the Board needs to approve it. Given the requirement of 6.28 I think the Board should do so.

6.37 The feedback statement does not need to restate information that was already included in the consultation document (ie a) and b)). I suggest deleting "main" in c) so that all feedback is considered appropriately. The feedback statement should also state how many responses were received. e) should be first in the list.

6.39: Rather than "usually" publishing the feedback statement at the same time as the ECA is published I think you should publish it before or at the same time as the ECA, except in very exceptional circumstances.

The final sentence of 6.43(b) is not reflected in section 4, which does not appear to provide for a complete restart of the process but just another vote on the matter.

6. Do you agree with the milestones for endorsement and adoption projects in paragraph 6.10?

**Response:**

There should be a step at the end for safekeeping of records.

7. Do you agree that the consultation period for a Draft Endorsement Criteria Assessment (DECA) should not be less than 90 days unless this period is shortened, as explained in paragraph 6.30?

**Response:**

Yes.

8. Do you agree that a shorter consultation period of not less than 14 days for a DECA should be allowed when any of the situations described in paragraph 6.21(a)–(b) are present (as explained in paragraph 6.31)?

**Response:**

Yes, but it is not obvious how the UKEB makes the decision in 6.31. Is it a Board decision or can it be delegated?

### Section 7 ‘Thought leadership and research programme’

9. Do you agree with the processes described for thought leadership and research programme projects in paragraphs 7.1–7.31?

**Response:**

7.1: Not clear why you have replaced “shall” with “committed to” here or why the order of the items is different to the ToR.

7.2 or 7.3: I think you should include something specific in these paragraphs about sourcing and presenting the views of SMEs and other entities that do not have the resources to engage with the IASB directly.

7.4 Unclear why you’ve added “in media” to the title here; this is not in the ToR.

7.5 and 7.6: These should be structured the same as the paragraphs above, ie “*the UKEB engages with bodies in other jurisdictions by...*” and say what you commit to do, rather than simply state a list of things that might potentially happen.

7.7-8: You refer here to the “UKEB’s technical agenda” and “work plan”. It’s not clear if this is the same as the “technical work plan” discussed in 4.30-37.

10. Do you agree with the milestones for research projects in paragraph 7.12?

**Response:**

A feedback statement should be mandatory if you have consulted.

### Section 8 ‘Post-implementation reviews’

11. Do you agree with the processes described for post-implementation review projects in paragraphs 8.1–8.32?

**Response:**

8.7: This requirement is not referred to in the rest of the section. I think this handbook should set out your due process for deciding whether such a review is necessary.

8.10: it’s not clear why you are only testing “continued relevance” here. The requirement in regulation 11 is to carry out a review of the impact of the adoption of the standard. Relevance might be one aspect of the impact, but it is not the whole story.

In general, I think you are right to rely heavily on the IASB's own post-implementation reviews. Whilst the regulations allow you to adopt a standard I think the use of the word "final" in regulation 9 would mean that you cannot un-adopt or amend a standard that you have previously adopted, or voted not to adopt. This makes post-implementation review of limited purpose, other than seeking to influence the IASB to itself issue an amendment that you can then consider for adoption.

12. Do you agree with the following description of a 'significant change in accounting practice' (included in paragraph 8.8)?

A 'significant change in accounting practice' usually occurs when a new accounting standard is issued by the IASB. A new standard meets a 'significant change in accounting practice' as it will usually have a widespread effect on many entities or a material effect on a few entities.

**Response:**

I think the due process handbook does not adequately describe how the policy statement required by regulation 11(1) is issued and maintained, and is not sufficiently clear that paragraph 8.8 is that policy statement.

I think paragraph 8.8 is insufficient for the purpose. It is not clear what "new accounting standard" means in this context because the word "standard" at times includes standards, interpretations, and amendments. The phrase "widespread effect on many entities or a material effect on a few entities" appears to be a presumption rather than a test that is applied to each adoption. I think the adoption process should include a vote by the Board as to whether the adoption is a "significant change in accounting practice". This should be tested against a policy statement that is clear about what the test being applied is, and consulted on in the DECA.

### *Section 9 'Advisory groups'*

13. Do you agree with the processes described for advisory groups in paragraphs 9.1–9.22?

**Response:**

My reading of regulation 8 is that it requires you to consult users and preparers of accounts. Given that, I think it would be helpful if you either require that an advisory group must include users and preparers, or that where an advisory group does not include users and preparers you are required to make other arrangements to seek advice from those types of stakeholders.

### *Section 10 'Supporting the work of the IFRS Interpretations Committee'*

14. Do you agree with the processes described for supporting the work of the IFRS Interpretations Committee in paragraphs 10.1–10.14?

**Response:**



I think it's a little unclear how section 5 and 10 fit together, why they are separate sections, and what the difference between "influencing" and "supporting" is.

I think influencing includes both responding to consultations and directly supporting the IASB's work.

I would suggest that section 5 is renamed to "Influencing the IASB", and has two sub-sections:

**Submitting comment letters:** which broadly includes the activities in the existing section 5 and the activities in section 10 about responding to IFRIC activities There would be an explicit two-tier process, with IASB submissions being more ad-hoc and requiring more extensive due process, and IFRIC submissions being a standing/ongoing project with appropriate delegation to the secretariat and less consultation with stakeholders.

**Supporting the IASB:** which includes due process for how the UKEB directly works with or for the IASB, for example:

- how the UKEB contributes when it is a member of bodies like the Accounting Standards Advisory Forum;
- how UKEB members or secretariat staff that sit in an individual capacity on committees or advisory bodies should carry out that work; or
- how joint outreach/research activities with the IASB are carried out.

10.13 and 10.14: It is not obvious how the UKEB decides this. Is it a Board decision, or can it be delegated?

## B. Any other comments

15. Are there any other comments you would like to make?

**Response:**

Section 1

Paragraph 1.1: I think you should replace "assessing the appropriateness of" with "carrying out its statutory functions in respect of the adoption of" to better reflect your full role.

Footnote 1 to paragraph 1.1: I think the statement is inaccurate. Those regulations did not establish the UKEB. Regulation 1(c) of the *International Accounting Standards (Delegation of Functions) (EU Exit) Regulations 2021* explains that the UKEB is an unincorporated association that was established on 26 March 2021. (As an aside, I note that regulation 13(2) requires that to have functions delegated to it a body must already be in existence at the time the delegation regulations are made, but the delegation regulations were made on 21 March 2021. The reference to 26 March 2021 is presumably an error in the delegation regulations.)

## Section 2

As I understand it, you were also delegated the statutory functions in regulation 6, regulation 7 other than paragraph 3, regulation 9, regulation 10, and regulation 11. If you are going to quote legislation you should do so accurately.

Regulation 17 is not a delegated power it is inherent in the principal regulations. This handbook does not address your due process for carrying out that function and I think it should do so.

This handbook does not address your due process for carrying out your functions under regulation 10 and I think it should do so.

The International Accounting Standards (Delegation of Functions) (EU Exit) Regulations 2021 also require you to have satisfactory arrangements for recording decisions made in the exercise of the functions transferred, and the safekeeping of the records of those decisions. This handbook does not address your due process for doing that and I think it should do so.

## Section 3

I do not think the statement in footnote 7 on page 5 is accurate. You interchangeably refer to “adoption” “endorsement” and “endorsement and adoption”. My preference would be for you to use the language in the legislation throughout the handbook.

## Other comments

I think the handbook should explain what someone may do if they feel the UKEB is acting unfairly, has breached its due process, or has not complied with a legal requirement. This would likely refer to your complaints policy for some matters, perhaps refer to how someone can complain to the FRC, and in some cases note that there is no mechanism in the regulations to appeal a UKEB adoption decision and refer people to the judicial review process.

I think the handbook should set out how the handbook itself is to be amended. It should explain how people can give feedback to the UKEB about its due process and you should commit to seeking feedback as part of project closure.

Throughout the handbook you refer to “regulation XX of SI 2019/685”. This is a little cumbersome and I suggest you instead state upfront that references to regulations are to The International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019, and then just say “regulation xx” throughout the handbook.

The handbook uses the terms “Board members”, “Members”, “UKEB Board Members”, “UKEB Members”, “members of the Board”, “UKEB Board”, “Board”, and “UKEB members” interchangeably. I think you should consider whether the UKEB and UKEB Board are separable, and you should use consistent language throughout the handbook to refer to the UKEB as a body, the Board as a collective decision-making

body of that body (if you think it is appropriate to refer to it distinct from the UKEB as a body), and the individual members of the UKEB and/or its Board.

**Thank you for completing this Invitation to Comment**