

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

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 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)¹.

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.

¹ 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:

While we note that the requirement for a two-thirds majority for endorsing the standards was in the ToR setting up the UKEB, we remain not in favour of this position. The outcome of the Board's work should be the complete timely endorsement of IFRS for use in the UK without amendment. Any other result could undermine the UK capital markets, the position of UK companies in global capital markets and reduce comparability in financial information. This super majority requirement increases the risk of such an adverse result.

Any failure to endorse an IFRS in full should trigger a further public consultation and then the steps in 4.5 to write to the Secretary of State. Such a further consultation should set out the reasons for the failure, identify contentious aspects, define the options to resolve them and any amendment to the standard that is proposed as a result. The consultation should set out the evidence base for the amendments or complete rejection proposed.

We are unclear why the Technical Workplan in 4.31 does not include the work on new standards or major amendments.

Section 5 'Influencing process'

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

Response:

The influencing activities are the most important aspect of UKEB's work, chiefly by having input into the IASB process for developing standards in order to avoid the problems of having a standard produced by IASB that will pose difficulties for endorsement in the UK.

Much of the proposals in Section 7 are most relevant to the influencing activities and could be cross-referenced in one or other of those sections. We note the reference to national standard-setters and we hope that EFRAG would be included within that term.

We are supportive of the proportionate approach to minor amendments in general, though UKEB will need to be selective with this. There have been cases where seemingly minor changes and interpretations turn out to be controversial or have much wider impacts than were apparent at first sight.

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

Response:

Yes.

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:

We do not agree with a comment period of less than 30 days unless this mirrors an emergency approach by the IASB. 30 days is not really adequate, let alone less than 30, to raise awareness and meaningful discussion if the proposal merits that. As noted in our response to Q2 above some apparently minor changes can be more significant in the end.

Section 6 'Endorsement process'

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

Response:

We agree with the endorsement processes set out.

Paragraphs 6.1 and 6.9 should include interpretations, given the requirement in paragraph 10.6.

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

Response:

We agree with the milestones set out but note that there is no mention of the time taken to complete endorsement. Timely endorsement of the standards and interpretations is important to provide certainty to UK markets and to UK companies to prepare for implementation. While it may not be possible to define time limits, UKEB should set out expectations and targets that it intends to achieve.

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:

We agree.

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:

We do not agree with so short a time period. Such a consultation could be viewed as without any substance. As noted in our response to Q4 above 30 days should be the minimum period and that should apply to situations described in 6.21(b). Shortened comment periods for the minor amendments in 6.21(a) as such are not saving effort by either UKEB or its stakeholders.

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:

The priority and key objective of the thought leadership and research programme should be to support the UKEB's influencing activities.

We recognise, however, that there can be cases where the sort of research outlined in paragraph 7.9 could be worthwhile, so support that with the "where resources are available" caveat.

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

Response:

We agree with the milestones.

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:

We agree with the processes described.

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:

We agree with the description.

Section 9 'Advisory groups'

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

Response:

We agree with the processes described.

Though the discussion at the advisory groups will be closed we are content that transparency will be satisfied as the key output will be provided to the board and so appear in the board papers that will be published.

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:

We agree with the processes described.

B. Any other comments

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

Response:

No further comments.

Thank you for completing this Invitation to Comment