



UK ENDORSEMENT BOARD - DRAFT DUE PROCESS HANDBOOK

Issued 19 May 2022

ICAEW welcomes the opportunity to comment on the *Draft Due Process Handbook* published by the UK Endorsement Board (UKEB) in February 2022, a copy of which is available from this [link](#).

For questions on this response please contact our Financial Reporting Faculty at frf@icaew.com quoting REP 39/22.

Overall, we believe that the Draft Due Process Handbook has been well drafted and provides a clear and concise summary of the UKEB's due process activities. We do, however, have a number of detailed points on its content. These are included in our answers to specific questions below.

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KEY POINTS

EFFECTIVE INFLUENCING

1. Influencing is key to everything the UKEB does. If the UKEB is ineffective in its influencing activities or fails to undertake sufficient outreach to identify UK-specific issues, such issues may not be fully considered by the IASB. This could increase the risk that international standards may not be considered conducive to the long-term UK public good and, in turn, could increase the probability of a situation arising where the UKEB may not be able to endorse, in full or in part, international standards for use in the UK. We consider that such a situation would be extremely undesirable, as set out in our response to question 5 below.
2. We highlight the importance of influencing throughout our answers to the specific questions below, where we also provide suggestions on how the UKEB could improve its due process activities to ensure that its influencing activities start as early as possible and are as effective as possible.

THOUGHT LEADERSHIP AND RESEARCH

3. In our opinion, the primary focus of thought leadership and research projects should always be on collating UK views on financial reporting matters and developing practical solutions to them so that the UKEB can influence the IASB and achieve the outcome that is most conducive to the long-term public good in the UK.
4. In our view, thought leadership and research should primarily be directed at influencing. We believe that the majority of such activities should be closely aligned to the IASB's workplan to ensure that there is a realistic possibility of them leading to and informing an endorsement decision at some point.

TIMELY ENDORSEMENT

5. It is imperative that new and amended standards are endorsed as quickly as is practicably possible and, wherever possible, before the effective date set by the IASB. The aim should be to minimise the gap between a new or amended standard being issued and it being endorsed for use in the UK. Any unnecessary delay will create uncertainty which is unhelpful for both preparers and users of financial statements.
6. We believe that it should be relatively straightforward for the UKEB to complete the endorsement process on a timely basis so long as it has successfully influenced the IASB at an early stage in the development cycle and continued to provide them with evidence-based recommendations on emerging issues as the final standard is developed. Successful influencing and stakeholder engagement should minimise the risk that problems could arise at the endorsement stage.

CARVE-OUTS AND NON-ADOPTION

7. While we acknowledge that the UKEB's ability to carve-out or amend is an important right and gives credibility to its influencing activities, we nonetheless believe that any divergence from IFRS as issued by the IASB should be avoided wherever possible as experience suggests that the full benefits of IFRS adoption can only be reaped if the standards are adopted in full. Where there are concerns regarding all or part of a standard, we would prefer the UKEB to work to resolve those concerns by undertaking outreach work and engaging with the IASB to find a compromise that is acceptable to all parties.
8. Any carve-outs or amendments or a decision not to endorse a standard would, in our opinion, raise questions about the quality and effectiveness of the UKEB's influencing activities.

SHORTENED COMMENT PERIODS

9. The Draft Due Process Handbook says that shortened comment periods on draft representation letters and draft endorsement criteria assessments will be allowed in certain circumstances.

10. We believe that having a comment period of not less than 30 days for draft comment letters and not less than 90 days for draft endorsement criteria assessments is in the interest of all parties and that safeguards should be built into the UKEB's processes to ensure that the comment period is only reduced in order to address critical and time-sensitive emerging issues.

ANSWERS TO SPECIFIC QUESTIONS

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

11. We are generally supportive of the processes for governance activities set out in paragraphs 4.1 to 4.37 of the Draft Due Process Handbook. We do, however, have some detailed comments which are set out below.

Voting process for endorsement decisions

12. Overall, the voting process set out in paragraphs 4.2 to 4.5 seems sensible. It is, however, unclear whether the formal written vote that is made to confirm the vote made at the Board meeting is undertaken only by those members present at the meeting or by all members. We presume that it is the latter but this should be made clear.
13. We note that where the vote does not reach the required majority, paragraph 4.4 says that next step may involve voting on part of the standard, amendment or interpretation. In our view, further work should be undertaken before a second vote is made. This may, for example, involve carrying out additional outreach activities or further stakeholder consultation in an effort to build consensus and resolve any disagreements. We firmly believe that every effort should be made to avoid carve-outs or amendments to standards issued by the IASB, as discussed further in paragraphs 40 to 42 below.
14. We also note that where it has not been possible to reach the required majority and there is no prospect of such a majority being reached, paragraph 4.5 requires the Chair to provide a written explanation to the Secretary of State. This paragraph goes on to say that the Chair must inform the Board of any recommendations made by the Secretary of State but does not go on to explain how any such recommendations should be acted upon. The Due Process Handbook should include details of what the next steps are in such circumstances.

Consultation with stakeholders

15. The UKEB is required to consult with a representative range of stakeholders – including users, preparers and other interested parties – before adopting any new or amended international standards. The governance section of the Draft Due Process Handbook acknowledges this obligation and sets out when the UKEB may consult with stakeholders. What it does not do is clearly explain how it will identify key stakeholders and how it will strive to get input from them.
16. Experience shows that obtaining stakeholder input is not always easy. In particular, it can be difficult to engage investors in the process. We believe that the Due Process Handbook should clearly explain how the UKEB will actively seek out input from different stakeholder communities throughout the endorsement process.
17. We also note that paragraph 4.26 – which lists situations in which the UKEB may consult with stakeholders – is drafted in a way that suggests that it is an exhaustive list which could be read as meaning that they are not able to consult in other circumstances. We are unsure whether this was intentional or whether this list was intended to give examples of some of the instances where stakeholders may be consulted.

Technical work plan

18. Paragraphs 4.32 to 4.33 explain that projects will be added to the UKEB’s technical work plan when they are added to the IASB’s technical work plan or – in some instances – where a tentative agenda decision is issued by the IFRS Interpretations Committee. While we agree that projects should be added in such circumstances, it is important that the UKEB is also proactive in identifying UK-specific issues and adding them to its work plan. Bringing such issues to the attention of the IASB is a key part of the UKEB’s influencing work. UK-specific issues may be derived from the UKEB’s own thought leadership and research programme or from discussions with stakeholders undertaken as part of its outreach activities.

Prioritising technical projects

19. Paragraph 4.36 discusses how the UKEB will prioritise individual projects and allocate resources to them. While this paragraph identifies the factors that should be considered, it is somewhat vague about how decisions about priorities will actually be made. In our view, the Due Process Handbook should make it clear that endorsement projects should always be top priority. While research, thought leadership and influencing projects are an important part of the UKEB’s work, they should never be given priority over ensuring that the endorsement process is completed on a timely basis.
20. One of the factors listed in paragraph 4.36 is the ‘effect an issue has on UK entities... including both the number of entities affected and the size of the effect’. We believe that the UKEB should also consider the size of the entities affected. Failure to do so could potentially mean that an issue that significantly affects a small number of very large entities could be deprioritised. We think this would be a mistake.

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

21. We are generally supportive of the processes for influencing activities set out in paragraphs 5.1 to 5.30 of the Draft Due Process Handbook. We do, however, have some detailed comments which are set out below.

Mandatory milestones

22. We note that some of the milestones for influencing projects listed in paragraph 5.1 are non-mandatory. In our view, each step should be required for all influencing projects.
23. We were particularly surprised to see that outreach activities are seen as being non-mandatory. We believe that a certain amount of consultation with stakeholders should be undertaken for even the smallest of projects, even if this is simply holding informal meetings or interviews with interested parties or liaising with IASB staff members.
24. Similarly, we were surprised to see that it is not considered mandatory for the UKEB to publish a draft comment letter explaining its preliminary views. In the absence of such a letter, it will be very difficult for constituents to understand the direction of travel and assert any influence over it. Consulting with stakeholders at an early stage is essential if the UKEB is to uphold its guiding principles of transparency and accountability. Failure to do so may result in the accumulation of stakeholder concerns that cannot be raised until a later stage in the endorsement process, reducing the UKEB’s ability to influence the IASB’s decision-making process in a timely manner.

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

25. We are broadly in agreement with the milestones for influencing projects. We believe, however, that there should be an added step of ‘identification of technical issues’ that should appear at the top of the list.

26. Including this added step – which is similar to the first milestone for research projects – would encourage the UKEB to proactively seek out issues that should be the subject of influencing projects rather than being reactive and waiting for a publication from the IASB. Paragraph 4.31 of the Draft Due Process Handbook highlights that influencing projects will include technical issues identified by the IASB and the IFRS Interpretations Committee. Importantly, a footnote to this paragraph explains that this can include IASB activities that are **steps towards** possible publications including research papers, discussion papers, requests for information, requests for views, exposures drafts and final standards. In other words, it is encouraging early identification of issues. We believe that this requirement should be given more prominence to ensure that the UKEB begins its influencing activities as early as possible.
27. As noted in our response to question 2 above, we strongly recommend that all of the stated milestones should be mandatory.

Question 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?

28. It is important that the UKEB undertakes a consultation on its draft comment letters as doing so provides a final chance for it to gather stakeholder views before the letter is submitted to the IASB. In our view, this consultation period should be not less than 30 days wherever possible so that stakeholders have sufficient time to discuss the issues raised internally and externally as appropriate.
29. We accept that the comment period may need to be shortened in some rare instances, for example where the urgent nature of an amendment has resulted in the IASB reducing its usual 120-day consultation period. We do not, however, agree that the consultation period should be shortened simply because an amendment is considered minor or narrow-scope as such amendments may, for example, have unforeseen consequences that the UKEB has not identified. Limiting the consultation period unnecessarily may mean that important stakeholder input on the UKEB’s draft response is missed.
30. We believe that having a comment period of not less than 30 days is in the interest of all parties and that the Due Process Handbook should explicitly state this. Safeguards should be built into the UKEB’s processes to ensure that the comment period should only be reduced to address critical and time-sensitive emerging issues. Where the comment period is shortened, we believe the UKEB should be required to explain publicly to stakeholders why this has happened.

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

31. We are generally supportive of the processes for endorsement and adoption projects set out in paragraphs 6.1 to 6.47 of the Draft Due Process Handbook. We do, however, have some detailed comments which are set out below.

Timeframes

32. Paragraph 6.9 says that the endorsement process takes place after a new or amended standard has been issued by the IASB. We believe that some groundwork can be done in anticipation of a new or amended standard being issued. For example, the project initiation plan and draft endorsement criteria assessment could be drafted in anticipation of the final standard being published. Likewise, some outreach activities could – and in many cases should – commence ahead of time.
33. We note that there are no detailed timeframes for completing endorsement and adoption projects. We believe that the Due Process Handbook should include a commitment that the

UKEB will do all that it can to ensure that new and amended standards are endorsed as quickly as is practicably possible and, wherever possible, before they become applicable.

34. We believe that it should be relatively straightforward for the UKEB to complete the endorsement process on a timely basis so long as it has successfully influenced the IASB at an early stage in the development cycle and continued to provide them with evidence-based recommendations on emerging issues as the final standard is developed. Successful influencing and stakeholder engagement should minimise the risk that problems could arise at the endorsement stage.

Level of outreach

35. Paragraphs 6.21 to 6.25 talk about the outreach activities that should be undertaken for endorsement and adoption projects. We agree that the amount of outreach that should be undertaken should be proportionate to the significance and complexity of the project. Moreover, we agree that a lesser degree of outreach may be appropriate for minor or urgent amendments depending on their content.
36. We note that paragraph 6.25 states that the amount of outreach undertaken may be affected by the 'level and content of the responses received during the influencing phase'. We believe that the amount of outreach undertaken should also be determined by how successful the UKEB has been at the influencing stage. For example, a limited amount of outreach may be appropriate if extensive stakeholder consultation was undertaken while the standard was being developed and the issues raised have been shared with the IASB and acted upon by them as, in such circumstances, it would appear that stakeholder concerns have to a large extent already been addressed.

Conducive to the long-term public good in the UK

37. The UKEB has a statutory duty to assess whether the use of a new or amended standard is likely to be conducive to the long-term public good in the UK. Paragraph 6.27(d) sets out the factors that the UKEB legally needs to consider when undertaking this duty.
38. The Due Process Handbook could, perhaps, expand on how the UKEB will meet this duty as it is important to ensure that it reaches a balanced conclusion. We believe that its assessment should include consideration not only of whether adopting the standard or amendment will have an adverse effect on the economy in the UK but also of what the impact would be if the standard or amendment failed to be adopted in full or in part. We believe that factors such as the loss of international comparability that would arise if the UK failed to adopt some or all of a new or amended standard and the potential loss of inward investment that this could cause need to be considered when assessing what is conducive to the long-term public good in the UK.

Dissenting views

39. Paragraph 6.28 of the Draft Due Process Handbook explains that the draft endorsement criteria assessment should include details of the concerns of any Board members considering not supporting the endorsement and adoption of a new or amended standard. This is helpful as those concerns are then in the public domain and can be considered by stakeholders responding to the consultation. However, paragraph 6.45 says that where a Board member ultimately decides to vote against the endorsement and adoption of a new or amended standard, the reason for this view 'may' be recorded in the minutes. We believe that these reasons 'should' be included in the minutes to ensure transparency and accountability.

Carve-outs and amendments

40. While we acknowledge that the UKEB's ability to carve-out or amend is an important right and gives credibility to its influencing activities, we nonetheless believe that any divergence from IFRS as issued by the IASB should be avoided wherever possible.

41. In our view, most investors do not have the time or the resources to study the intricacies of local variations from IFRS or to easily understand the implications of carve-outs or amendments. Experience suggests that the full benefits of IFRS adoption can only be reaped if the standards are adopted in full. Carve-outs or amendments should therefore be kept to an absolute minimum and only made where doing so can clearly be shown to be conducive to the long-term public good in the UK. If carve-outs or amendments are made, we believe that they should be subject to a separate consultation process to ensure that stakeholders fully understand their implications and have an opportunity to comment on them. Moreover, any carve-outs or amendments should wherever possible have a limited life.
42. Where there are concerns regarding part of a standard, we would prefer the UKEB to work to resolve those concerns by undertaking outreach work and engaging with the IASB during the development of the standard in order to find a compromise that is acceptable to all parties. Any carve-outs or amendments to standards would, in our opinion, raise questions about the quality and effectiveness of the UKEB's influencing activities.

Deciding not to endorse a standard or amendment

43. When the UKEB votes against endorsing a new or amended standard, the footnote to paragraph 6.46 says that only the outcome of the vote will be published. In the interests of transparency, we believe as a minimum a feedback statement should be produced in such circumstances.
44. The Draft Due Process Handbook is unclear about what happens next if the UKEB decides not to endorse a particular standard or amendment. In such circumstances, we would expect that the UK would continue to use the 'old' version of the IFRS standard. However, such 'old' standards will no longer be maintained by the IASB and may become out of date or cease to operate effectively with other IFRSs. The practical effect of failure to endorse does not appear to have been considered.
45. It is also unclear whether a standard or amendment that the UKEB has initially decided not to endorse could subsequently be endorsed at a later stage, in which circumstances this could happen or what the process would be in such cases.
46. We believe a decision not to endorse a standard would raise questions about the quality and effectiveness of the UKEB's influencing activities. Finding a workable compromise earlier in the standard-setting process is, in our view, far preferable to failing to endorse.

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

47. Yes, although an added final milestone could usefully be added to require that a post-implementation review is undertaken to assess how effective the endorsement process has been. See our response to question 11 below for more details.

Question 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?

48. Yes. We agree that the consultation period for a draft endorsement criteria assessment should not be less than 90 days unless this period is shortened as set out in paragraph 6.30 of the Due Process Handbook.

Question 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)?

49. Many of the points raised in our response to question 4 above are equally applicable to the consultation period for a draft endorsement criteria assessment. We believe that having a comment period of not less than 90 days is in the interest of all parties and that the standard comment period should only be shortened where there is a limited time available to consult.
50. As set out in our response to question 7 above, we believe that in most cases the consultation period should not be less than 90 days. While accepting that this may need to be shortened in some instances, we firmly believe that limiting the consultation period to as few as 14 days is going too far as it is unlikely that much in the way of meaningful feedback will be received in such a short timeframe. Even where the period between the publication date of a new or amended standard and its application date is short, we believe that there should be a minimum consultation period of 30 days unless there are critical and time-sensitive emerging issues that need addressing urgently to ensure that the standard or amendment is endorsed ahead of its effective date.

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

51. We are generally supportive of the processes for thought leadership and research projects set out in paragraphs 7.1 to 7.31 of the Draft Due Process Handbook. We do, however, have some detailed comments which are set out below.

The link between thought leadership, research and influencing

52. As noted in our response to the UKEB’s recent consultation on its regulatory strategy, we believe that thought leadership and research is important as it can play a key role in influencing the IASB and other global players. That response noted that, in our opinion, the primary focus of such projects should always be on collating UK views on financial reporting matters and developing practical solutions to them so that the UKEB can influence the IASB and achieve the outcome that is most conducive to the long-term public good in the UK.
53. The Draft Due Process Handbook does not require there to be a clear connection between the thought leadership and research projects that the UKEB is proposing to undertake and the work that the IASB is currently undertaking or may undertake in the future. We believe that this link is essential and that the UKEB should be clear about how any proposed projects will help them influence the IASB before undertaking them.
54. In our view, thought leadership and research should primarily be directed at influencing. We believe that the majority of such projects should be closely aligned to the IASB’s workplan to ensure that there is a realistic possibility of their output leading to and informing an endorsement decision at some point.
55. That said, a case can also be made for undertaking some thought leadership and research projects that are not directly linked to the IASB’s workplan where doing so may highlight UK-specific issues that have yet to be identified at an international level. However, as above, we believe the UKEB’s resources should primarily be focused on influencing activities.

Identification of issues for research

56. Paragraph 7.15 says that the Secretariat ‘may identify or receive research proposals’ for inclusion in the UKEB workplan but it does not say how such proposals will be identified or received.
57. We recommend that some type of forum is set up through which stakeholders can raise issues and suggest potential research topics. The advisory groups will no doubt provide

some input but they have relatively few members and it would be useful to find a way for the wider stakeholder community to get involved.

58. As noted in our response to the UKEB’s recent consultation on its regulatory strategy, there is a clear overlap between the work of the FRC’s Financial Reporting Lab and the UKEB’s nascent research programme so it is important that the two bodies find a way to work together effectively and efficiently.

Adding something new to the conversation

59. One challenge that the UKEB will face will be finding a way to scope and design its thought leadership and research projects in a way that not only provides a UK perspective but also adds something new to the conversation. In our view, projects should only be undertaken if there is a reasonable expectation of adding to existing knowledge. Given the UKEB’s limited resources, we do not believe that it should be spending time on topics that have already been subject to extensive research by academics, standard-setters and other organisations around the world. In some instances, it may better to undertake secondary research, collating data from earlier research and presenting it to the IASB, rather than embarking on extensive primary research as the latter can be both time-consuming and expensive.
60. We suggest that part of the desk-based research phase of the project should not only seek to identify existing literature and academic papers but also establish whether any other bodies are currently undertaking a similar project. Doing so will help identify potential research partners and avoid duplicating work that is already in progress.

Avoiding inadvertently publishing quasi-interpretations of IFRS standards

61. We note that paragraph 7.7 mentions that research is expected to have a ‘problem-solving orientation’ and that it should gather evidence to help assess potential ways ‘to improve or to remedy’ a deficiency in existing standards. In our view, research should not be undertaken unless it is looking to solve an existing problem so ‘may’ should be replaced by ‘must’.
62. While a ‘problem-solving orientation’ is to be encouraged, care must be taken not to inadvertently publish guidance or advice about issues where IFRSs are considered to be deficient or unclear as such quasi-interpretations may deter international investors who, as noted in our response to question 5 above, are unlikely to have the time or the resources to study the intricacies of such local variations from IFRS. In the absence of explicit guidance from the IASB, preparers should always be allowed to exercise appropriate professional judgement.

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

63. Yes. We are, however, surprised that the ‘identification of issues for research’ milestone is showing as being non-mandatory as this is surely a necessary first step for all research and thought leadership projects.

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

64. We are generally supportive of the processes for post-implementation review projects set out in paragraphs 8.1 to 8.32 of the Draft Due Process Handbook. We do, however, have some detailed comments which are set out below.

Undertaking post-implementation reviews

65. We agree that in most cases, the UKEB’s obligations in Regulation 11 in SI 2019/685 can be met by influencing and responding to the IASB’s post-implementation review. There is clearly no need for the UKEB to replicate the IASB’s work on assessing the effect of new

requirements on investors, companies and auditors. The UKEB will need to undertake its own post-implementation review only in those instances when the IASB does not perform a post-implementation review or in those instances where a standard is not endorsed or only endorsed in part.

66. We agree with the processes for influencing the IASB's post-implementation reviews and undertaking the UKEB's post-implementation reviews as set out in paragraphs 8.2 to 8.5 and 8.6 to 8.32. In both cases, the project initiation plan should make it clear what type of work is being undertaken ie, is the UKEB seeking to influence the IASB's post-implementation review or is it undertaking such a review itself.

Reviewing the quality of the UKEB's work

67. As noted in our response to the UKEB's recent consultation on its regulatory strategy, we believe that it would also be useful to introduce an added post-implementation review that:
- evaluates the quality and effectiveness of the UKEB's influencing and endorsement activities; and
 - determines whether it has been successful in assessing the UK public good when making its endorsement decisions.
68. The aim of such a review would ultimately be to determine whether the UKEB had reached the right conclusion about whether a standard or amendment should or shouldn't have been endorsed. Ideally, such a review should be undertaken by an independent third party. Alternatively, an ad hoc advisory group could be set up for this purpose.

Question 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.

69. We agree that a 'significant change in accounting practice' usually occurs when a new accounting standard is issued by the IASB. However, amendments to existing standards should also be considered 'significant' where they have a widespread effect on many entities or a material effect on a few entities. For example, the amendments made in 2008 to IFRS 3 *Business Combinations* clearly brought about a 'significant change in accounting practice' when compared to the original version of the standard issued in 2004. Indeed, these changes were considered so significant that they were included in the IASB's post-implementation review of IFRS 3.
70. The Due Process Handbook should therefore make it clear that amendments to existing standards can be 'significant' and that as such they are potentially within the scope of the regulations and subject to the requirement to perform a post-implementation review (which the UKEB could meet by influencing and responding to the IASB's post-implementation review, if there is one, or by undertaking such a review itself). Moreover, the Due Process Handbook should set out the steps that the UKEB should undertake to determine whether the potential impact of an amendment is considered widespread enough to be considered 'significant' to UK companies.
71. Whether an amendment is or isn't considered to be 'significant' will ultimately be a matter of judgement. The UKEB should therefore be required to explain how they have reached their conclusion on the 'significance' or otherwise of each amendment. Moreover, there should be a mechanism in place that allows stakeholders to raise concerns if they disagree with the UKEB's conclusion. The draft endorsement criteria assessment may be an appropriate place to set out the UKEB's views and invite comments from stakeholders.

72. We believe that narrow scope amendments and annual improvements are unlikely to be considered ‘significant’ and as such they should by default be exempt from the post-implementation review requirements. Only in exceptional circumstances would such amendments be considered ‘significant’.

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

73. We are generally supportive of the processes for advisory groups set out in paragraphs 9.1 to 9.22 of the Draft Due Process Handbook. We do, however, have some detailed comments which are set out below.

Channels of communication

74. Paragraph 9.1 explains that advisory groups are appointed with the purpose of ‘gathering technical advice and other input on... projects or other technical matters’. It does not go on to explain the mechanism through which these advisory groups will make their views known to the UKEB and how they will be fed into their influencing and endorsement activities. While Appendix B to the Draft Due Process Handbook helpfully provides outline terms of reference for such advisory groups, more detail could be provided on how all views will be captured and shared with the board on a timely basis.

Confidentiality

75. Paragraph 9.16 says that technical papers for meetings of advisory groups are ‘confidential unless all members of the group agree to share them more widely’. We believe that these papers – or, as a minimum, a summary of what has been discussed at the advisory group meetings – should be in the public domain. The UKEB’s guiding principles include transparency and accountability and we believe that they should extend to the discussions at any advisory groups that it appoints.
76. If there is to be any discretion around what information is and is not published, it seems odd that this decision is at the discretion of the members of the advisory group. We would expect the Secretariat to make such decisions.

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

77. We are supportive of the processes for supporting the work of the IFRS Interpretations Committee set out in paragraphs 10.1 to 10.14 of the Draft Due Process Handbook. There does not, however, seem to be a mechanism for altering IASB interpretations or agenda decisions where these rely on either standards or parts of standards that have been carved-out.

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

Due process compliance statement

78. Section 11 of the Draft Due Process Handbook explains that a due process compliance statement will be produced for each project and sets out the content of such a statement. However, everything in this section is written on the assumption that all due process has been followed. It does not explain what will happen if the Secretariat concludes that the due process steps have not been complied with.
79. Paragraph 11.3 (d) requires the due process compliance statement to explain why a due process step was not undertaken. It is unclear whether this explanation is needed if non-mandatory steps are not undertaken. Providing such an explanation would aid transparency.

80. We suggest that the due process compliance statement forms part of the feedback statement rather than being a standalone document. Doing so would provide stakeholders with a 'one stop shop' for all the information they need once a project has been closed.

Monitoring performance

81. As noted in our response to the UKEB's recent consultation on its regulatory strategy, some key performance indicators (KPIs) on the board's effectiveness in meeting its statutory objectives would be useful. While the Due Process Handbook may not be the best place to include details of how performance will be monitored, we would nonetheless expect the UKEB to use KPIs to monitor – among other things – how effectively it is engaging with stakeholders, how successfully it is influencing the IASB and how timely the endorsement process is. Assessment of these KPIs could be included in the feedback statement produced at the project closure stage and/or as part of the post-implementation review.

ISSB standards

82. It may be worthwhile drafting the Due Process Handbook in such a way that it grants the UKEB the remit to work not only on financial reporting standards but also on sustainability standards issued by the ISSB. We presume, however, that a further consultation would be necessary if and when the UKEB's remit is extended to cover such standards.

Pre-election period

83. During the 'pre-election period' between the announcement of a general election and the formation of the new elected government, central and local government are prevented from making announcements about any new government initiatives that could be seen to be advantageous to any candidates or parties in the forthcoming election. We are unclear as to whether the activities of the UKEB would be affected during this pre-election period and whether this could in some instances affect the timely endorsement of new or amended international standards. Clarification on this point would be helpful.

Grammar

84. We note that tenses used throughout the Draft Due Process Handbook are inconsistent. For example, paragraph 5.12 is in the present tense while paragraphs 5.13 and 5.14 are in the future tense. It would be better for the document to be more consistent in this regard.