

UK Endorsement Board FEEDBACK STATEMENT

UKEB Due Process Handbook

December 2022

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Foreword

“The UK Endorsement Board is pleased to present a summary of the feedback received from stakeholders on the UKEB Due Process Handbook (Handbook).

The Handbook sets out the due process the Board applies to its activities, enabling it to uphold its guiding principles of accountability, independence, transparency and thought leadership when fulfilling its statutory functions.

We are grateful for the constructive and insightful views from UK stakeholders in the development of this Handbook”.

Pauline Wallace,
Chair, UK Endorsement Board

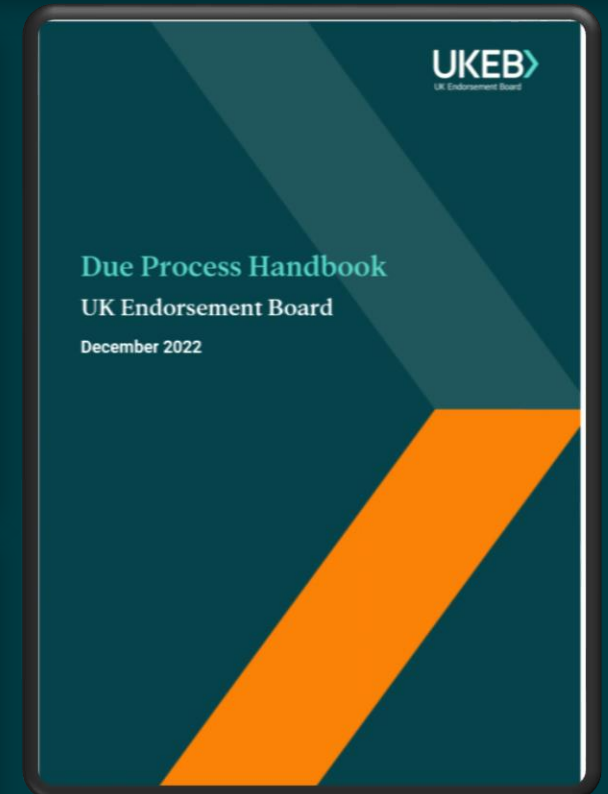


Function of the UK Endorsement Board

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

Purpose

- This **feedback statement** summarises the main issues raised by respondents during the UKEB's public consultation of the **draft Due Process Handbook (Handbook)** and explains how those issues have been addressed.
- The Handbook sets out the due process that the UKEB follows in carrying out its **statutory functions**, which consist of:
 - a) **influencing** the development of international accounting standards, and
 - b) **endorsing and adopting** new or amended international accounting standards.
- The Handbook also describes additional due process steps that the UKEB follows for carrying out its other activities (thought leadership, research programme, post-implementation reviews (PIR); and setting up and operating advisory groups).



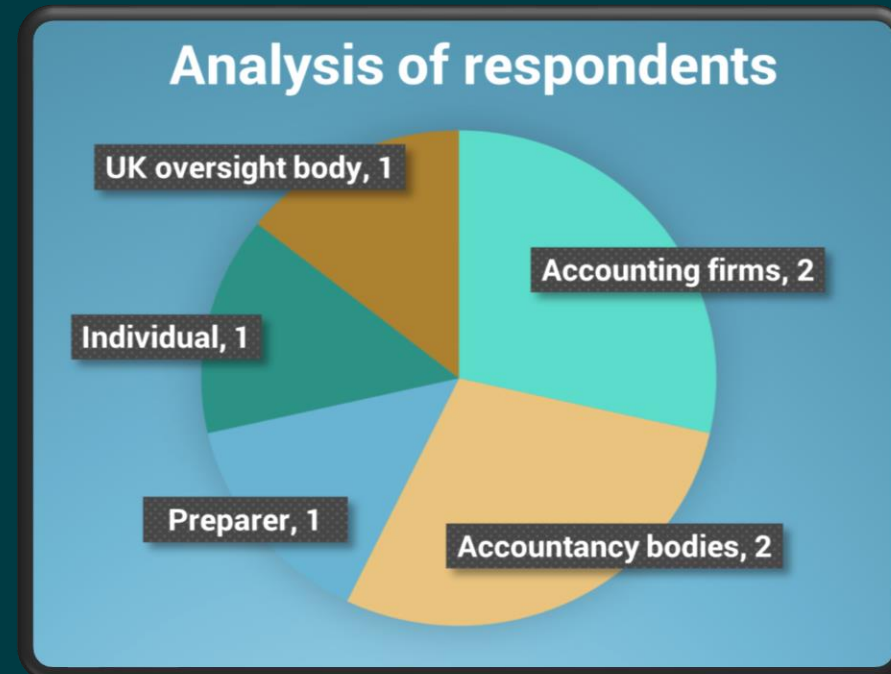
Background

The draft Handbook was published for public consultation on 21 February 2022 and was open for comment until 6 June 2022 (for 105 days).

During the consultation period, the UKEB and its Secretariat promoted awareness of the Handbook and encouraged stakeholders to respond through News Alerts and advertising through the usual channels.

All stakeholder comments were considered in finalising the Handbook.

Stakeholder submissions received were made public on the UKEB website.



The Board received six comment letters.

The UK oversight body (FRC) provided additional feedback.

Overall assessment

Respondents thought that the processes described in the Handbook provide an adequate framework for the UKEB's due process activities and were generally supportive of these processes.

Respondents raised detailed comments and suggestions.

The FRC's feedback was similar in nature to the other respondents' comments and was addressed as part of the Secretariat's analysis.

At its July and September 2022 meetings, the Board reviewed and provided comments on the Secretariat's preliminary assessment of the comments received and planned drafting amendments on the issues identified by respondents.

The Board subsequently discussed and approved a revised version of the Handbook at its October 2022 meeting.

The next sections in this feedback statement summarise the main issues raised by respondents during the UKEB's public consultation of the Handbook and explain how those issues were addressed.

Substantive issues identified

Section 3: Terms of Reference and Guiding Principles

Application of the proportionate approach

Review of the quality and effectiveness of the UKEB's activities and "lessons learnt"

Section 4: Governance activities

Voting process for reviewing the Handbook and request to add the UKEB complaints policy

Process regarding the UKEB's ability not to adopt a standard in full

Process for prioritising projects in the UKEB workplan

Section 5: Influencing process

Process for monitoring activities

Milestones

Shortening the comment period of a draft comment letter

Section 6: Endorsement process

Minimum outreach activities

DECA content and situations for shortening the comment period of a DECA

Section 7: Thought leadership and research programme

Timing and frequency of engagement with UK stakeholders

Milestones for research projects and situations for shortening the comment period of a research document that invites comments

Whether the UKEB will issue interpretive guidance

Section 8: Post-implementation reviews (PIRs)

Objective and process for carrying out PIRs

Definition of "significant change in accounting practice"

Comments by respondents and final revisions

Section 3—Terms of Reference (ToR) and Guiding Principles

Draft Handbook requirements	Stakeholder views	UKEB final revisions to the Handbook
Application of the proportionate approach		
<p>Specified that non-mandatory milestones may also be considered, as appropriate, to achieve an overall approach to the project that is proportionate to the significance and complexity (i.e. nature or scope) of the project (i.e. relevant standard or amendment), size of the issue and the expected timeline.</p>	<p>One respondent observed that considering whether to pursue a non-mandatory milestone should not be optional and the Board should explain why an optional milestone will not be pursued.</p> <p>In addition, this respondent observed that ‘nature or scope’ can be related to the significance of the project but not to its complexity and suggested additional edits to clarify the application of the proportionate approach.</p>	<p>The Board confirmed its view that non-mandatory milestones may only be considered as appropriate and if undertaken, will be reflected in the project initiation plan. Some revisions were made to indicate that the Board may decide not to undertake a ‘mandatory milestone’ for a particular project and to explain the application of a proportionate approach (i.e. the activities undertaken should be proportionate to the significance, urgency, complexity (nature or scope), size, expected timeline and expected interest or controversy attached to the project.</p>
Review of the quality and effectiveness of the UKEB’s activities and “lessons learnt”		
<p>Did not include a requirement to undertake a review of the quality and effectiveness of the UKEB’s influencing and endorsement activities.</p>	<p>Many respondents observed that the Handbook should include a new requirement to undertake a review of the quality and effectiveness of the UKEB’s influencing and endorsement activities and that this review could assess, for example, whether there are “lessons to be learned” from projects and other engagements.</p>	<p>A new paragraph was included in the Handbook to highlight that the UKEB may decide to undertake a review of a project after its completion so that any “lessons learnt” can be incorporated into the process for future projects.</p>

Comments by respondents and final revisions

Section 4 – Governance activities

Draft Handbook requirements	Stakeholder views	UKEB final revisions to the Handbook
Voting process for reviewing the Handbook and request to add the UKEB complaints policy		
Did not include requirements for approving or reviewing the Handbook or described the UKEB complaints process.	Respondents suggested clarifying: <ol style="list-style-type: none"> a) How the Handbook will be reviewed or amended. b) The process for dealing with stakeholders' complaints. 	The following was added in response to the comments received: <ol style="list-style-type: none"> a) The voting process for approving and/or reviewing the UKEB Handbook, in line with the UKEB ToR. b) A link to the UKEB's Complaints Policy as well as a brief explanation of the content of this policy.
Process regarding the UKEB's ability not to adopt a standard in full		
Described the voting process requirements for adopting a new or amended standard in line with the UKEB ToR.	Some respondents suggested creating additional steps to ensure standards are always endorsed in full by the UKEB.	The Board observed that the UKEB has a statutory obligation to consider whether adoption is appropriate, not to ensure there is always full adoption. Consequently, no revisions were made to the Handbook in this respect.
Process for adding and prioritising projects in the UKEB Workplan that are important to UK stakeholders		
Explained that the UKEB's technical workplan is driven by the IASB's workplan. The UKEB then prioritises and allocates resources to projects based on their priority in the UK.	One respondent suggested the UKEB to be proactive in identifying UK-specific issues either by bringing them to the IASB's attention or by adding them to its work plan. Two respondents suggested adding "the need to align with the IASB effective date of a new or amended standard" or the "size of UK entities affected" as factors for prioritising technical projects.	The Board observed that individual projects that are important to UK stakeholders and that impact on UK entities are already being prioritised, so no revisions were made to the Handbook in this respect. The following paragraphs were added in response to the respondents' suggestions: <ol style="list-style-type: none"> a) To add a new factor for prioritising projects: "<i>consideration of the timeline reflecting an intention to complete endorsement considerations in advance of the effective date of the IASB's standard</i>"; and b) To highlight that the work plan is consulted on as part of the annual consultation on the regulatory strategy.



Comments by respondents and final revisions

Section 5 – Influencing process

Draft Handbook requirements	Stakeholder views	UKEB final revisions to the Handbook
Process for monitoring activities		
Did not include references to the UKEB’s monitoring activities.	One respondent suggested the inclusion of a “monitoring” stage of influencing projects in Section 5 (“Influencing processes”) of the Handbook.	In response to the comments received, a reference was included in Section 5 of the Handbook that the Secretariat will be proactively monitoring projects being undertaken by the IASB and IFRS Interpretations Committee and will be providing the Board with regular updates.
Milestones		
The following milestones were not considered mandatory: a draft comment letter (DCL) outreach activities and a feedback statement.	Some respondents observed that following milestones should be made mandatory: a ‘draft comment letter’ (DCL), ‘outreach activities’ and a ‘feedback statement’ (if the UKEB issues a DCL for public comment).	In response to the comments received the Handbook now clarifies that: <ul style="list-style-type: none"> • ‘Outreach activities’ is a mandatory activity for influencing projects – the UKEB will always undertake some type of outreach activity for influencing projects. • The UKEB will generally issue a DCL. • A feedback statement is mandatory only if a DCL is issued.
Situations for shortening the comment period of a draft comment letter		
The consultation period of a DCL could be shortened to a period of less than 30 days where amendments are minor and meet the criteria for annual improvements or for narrow-scope amendments and where there is limited time to consult.	Respondents observed that: <ol style="list-style-type: none"> only urgent matters (and limited time to consult) should qualify for a shorter consultation period. the length of the shortened comment period of a DCL was too short to be meaningful. 	The length of the shortened comment period of a DCL was not modified. The only situation where the comment period for a DCL can be shortened is when there is limited time to consult.

Comments by respondents and final revisions

Section 6—Endorsement process

Draft Handbook requirements	Stakeholder views	UKEB final revisions to the Handbook
<p>Minimum outreach activities</p> <p>Described the situations in which the UKEB carries out minimum outreach activities (i.e. when amendments are minor and when there is limited time consult).</p>	<p>Respondents suggested adding:</p> <ol style="list-style-type: none"> an explicit rebuttable presumption that outreach beyond the minimum level will be undertaken. that the amount of outreach undertaken is determined by how successful the UKEB has been at the influencing stage. 	<p>A rebuttable presumption that outreach beyond the minimum level will be undertaken is not needed. This is because the UKEB is required to take a proportionate approach in determining the activities that it will undertake to achieve the milestones for a particular project.</p> <p>No amendment was made to limit the amount of outreach based on previous success at the influencing stage since the endorsement process requires different considerations.</p>
<p>DECA content and situations for shortening the comment period of a DECA</p> <p>Described the processes for conducting a formal assessment of whether the new or amended standard met the endorsement criteria in line with the requirements in SI 2019/685 and the situations for shortening the length of the consultation period of a DECA to not less than 14 days.</p>	<p>Some respondents suggested:</p> <ol style="list-style-type: none"> Focusing the DECA on UK-specific issues. Aligning the technical accounting criteria with the IASB's 2018 <i>Conceptual Framework</i>. Expanding the assessment on long-term public good to include the impact of non-endorsement. Shortening the comment period for a DECA only for urgent matters and increasing the length of the shortened comment period. 	<p>The Board observed that the requirements in the Handbook are in line with SI 2019/685 (and are separate from the IASB's <i>Conceptual Framework</i>). Some further revisions were made to the Handbook to clarify that the DECA should also consider:</p> <ul style="list-style-type: none"> The costs that would be incurred if the new or amended standard was not adopted. Whether the new or amended standard is likely to lead to a 'significant change in accounting practice' (and meets the criteria for a PIR) and the proposed timing of that review. <p>The length of the shortened comment period of the DECA was not modified. The only situation where the comment period for a DECA can be shortened is when there is limited time to consult.</p>

Comments by respondents and final revisions

Section 7 – Thought leadership and research programme

Draft Handbook requirements	Stakeholder views	UKEB final revisions to the Handbook
Timing and frequency of engagement with UK stakeholders		
Explained how the UKEB carries out its thought leadership objectives.	One respondent suggested explaining in addition, the timing and frequency of the UKEB’s engagement with UK stakeholders.	No further revisions were made to the Handbook as the Board observed that the level of engagement with UK stakeholders will be project-specific and will depend on the nature, scope or complexity of the project.
Milestones for research projects and situations for shortening the comment period of a research document that invites comments		
The following milestones were not considered mandatory: ‘identification of issues for research’, ‘outreach activities’ and a ‘feedback statement’.	Some respondents observed that following milestones should be made mandatory: ‘identification of issues for research’, ‘outreach activities’ and a ‘feedback statement’ (if a research document invites stakeholder comments).	<p>The Board agreed with the respondents’ suggestions but observed that ‘outreach activities’ is not a mandatory activity for research projects (e.g. research may just include desk-based research). The Handbook additionally clarifies that:</p> <ul style="list-style-type: none"> • A research project may give rise to a single/multiple outputs. • Additional milestones apply to research documents that include Board’s preliminary views and that invite stakeholder comments. • The comment period for a research document may be shortened when there is limited time to consult.
Whether the UKEB will issue interpretive guidance as part of its research activities		
Explained that in leading the UK debate the UKEB develops ‘its own views’ and that UKEB’s research may have a ‘problem-solving orientation’.	A few respondents observed that the UKEB developing “its own views” and the UKEB research having a “problem-solving orientation” are statements that are ambiguous and potentially misleading as they may imply that the UKEB will be interpreting Standards.	The Board considered that the statements in the Handbook highlighted by those respondents are not ambiguous and do not lead to the UKEB issuing technical advice and/or interpretations of the Standards. Consequently no further revisions were made to the Handbook in this respect.

Comments by respondents and final revisions

Section 8 – Post-implementation reviews (PIRs)

Draft Handbook requirements	Stakeholder views	UKEB final revisions to the Handbook
Objective and process for carrying out post-implementation reviews		
<p>Described the processes for undertaking post-implementation reviews in line with the requirements in Regulation 11 in SI 2019/685.</p>	<p>One respondent suggested clarifying:</p> <ol style="list-style-type: none"> The objectives for an IASB PIR and for a UKEB PIR as these objectives appeared unclear. The activities that the UKEB undertakes when it monitors and influences IASB’s PIRs (e.g. issuing a separate report) and when it undertakes its own PIR. The circumstances for undertaking a subsequent review. 	<p>In response, revisions were made to Section 8 of the Handbook to clarify the different processes applicable to post-implementation reviews of standards adopted under different regulations (i.e. standards adopted under Regulations 4 and 6 and subsequent reviews) and to clarify the processes that will be followed if:</p> <ul style="list-style-type: none"> the IASB has commenced but not finalised its PIR within the timeframe stipulated by Regulation 11 in SI 2019/685; the IASB undertakes a PIR of a standard that is not likely to lead to a ‘significant change in accounting practice’; and the IASB does not undertake a PIR of a standard that is likely to lead to a ‘significant change in accounting practice’.
Definition of ‘significant change in accounting practice’		
<p>Defined a ‘significant change in accounting practice’ as usually occurring when a new standard was issued by the IASB and when it had a widespread effect on many entities or a material effect on a few entities.</p>	<p>Some respondents observed that:</p> <ol style="list-style-type: none"> The definition should be broadened to include IFRIC Interpretations or major amendments and exclude narrow-scope or minor amendments. The meaning of “significant” remained unclear (i.e. the Handbook did not define the term “widespread”). 	<p>In response to the comments received, the definition of “significant change in accounting practice” was revised.</p> <p>A “significant change in accounting practice” will usually depend on the number of entities affected and the impact on those entities. Assessment of an amendment or standard as leading to a “significant change in accounting practice” may require judgement and will usually occur when a new standard is issued by the IASB.</p>

Disclaimer

- This feedback statement has been produced in order to set out the UKEB response to stakeholder comments received on the draft Due Process Handbook and should not be relied upon for any other purpose.
- The views expressed in this feedback statement are those of the UKEB at the point of publication.
- Any sentiment or opinion expressed within this feedback statement will not necessarily bind the conclusions, decisions, endorsement or adoption of any new or amended IFRS by the UKEB.

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