

UK Endorsement Board

[Draft] Due Process Handbook

February 2022

[Draft] Due Process Handbook— Table of contents

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[Draft] Due Process Handbook

I Introduction

- 1.1 The Due Process Handbook (Handbook) sets out the due process that the UK Endorsement Board (UKEB)¹ follows in assessing the appropriateness of international accounting standards² for use in the UK. International accounting standards are developed and issued by the International Accounting Standards Board (IASB). In doing so, it describes the due process that the UKEB follows in:
- (a) influencing the development of international accounting standards and the other activities of the IASB and the IFRS Interpretations Committee; and
 - (b) endorsing and adopting international accounting standards.
- 1.2 This Handbook also describes additional due process steps that the UKEB follows for:
- (a) carrying out its thought leadership activities and developing its own research programme;
 - (b) performing its own post-implementation reviews;
 - (c) setting up and operating advisory groups; and
 - (d) ensuring it complies with the required due process steps in this Handbook.
- 1.3 This Handbook guides the UKEB on performing the required due process steps and explains how stakeholders can participate in this process. These steps:
- (a) specify the mandatory milestones to be achieved and other milestones (not labelled as 'mandatory') that 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. These milestones build on the UKEB's statutory functions (as described in Chapter 2), its Terms of Reference and its Guiding Principles (as described in Chapter 3) and its Governance activities (as described in Chapter 4); and
 - (b) identify other activities that can be undertaken to achieve the milestones set out in this Handbook. These activities should be proportionate to the issue(s) being addressed.

¹ The UKEB was established through The International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019 (Statutory Instrument 2019 No. 685 (SI 2019/685): <https://www.legislation.gov.uk/uksi/2019/685/made>

² This term has the meaning given in SI 2019/685 by referring to Article 2 of Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards: '...international accounting standards' shall mean International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and related Interpretations (SIC-IFRIC interpretations), subsequent amendments to those standards and related interpretations, future standards and related interpretations issued or adopted by the International Accounting Standards Board (IASB)'.

- 1.4 The Secretary of State for the Department of Business, Energy and Industrial Strategy (BEIS) delegated the functions relating to influencing, endorsing and adopting international accounting standards for application in the UK to the UKEB in May 2021³. The Secretary of State maintains a regular review of the performance of the UKEB in exercising those functions. The UK Financial Reporting Council (FRC) oversees the effective governance of the UKEB and its adherence to the due processes set out in this Handbook. It also provides operational support. The FRC does not have the power to direct the UKEB in relation to the determination of its programme of work or the outcome of its technical decision-making⁴.
- 1.5 This Handbook forms one of the key documents of the UKEB. A diagram of the relationship between these documents can be found in Appendix A.

2 Statutory functions of the UKEB

- 2.1 The following statutory functions were delegated to the UKEB⁵, as follows:

Regulation 5 of SI 2019/685:

- ‘(a) the adoption of international accounting standards for use within the United Kingdom, with a view to harmonising the financial information presented by the companies required by section 403(1) of the Companies Act 2006 to prepare their accounts in accordance with UK-adopted international accounting standards, in order to ensure—
- (i) a high degree of transparency and international comparability of financial statements; and
 - (ii) the efficient allocation of capital, including the smooth functioning of capital markets in the United Kingdom; and
- (b) participating in and contributing to the development of a single set of international accounting standards.’

- 2.2 Regulation 8 of SI 2019/685 also requires consultation:

‘Before adopting an international accounting standard under regulation 6, the Secretary of State must consult such persons as the Secretary of State considers to be representative of those with an interest in the quality and availability of accounts, including users and preparers of accounts.’

- 2.3 Regulation 17 of SI 2019/685 also requires that the UKEB Board (hereafter ‘Board’) report to the Secretary of State on its activities:

³ The International Accounting Standards (Delegation of Functions) (EU Exit) Regulations 2021 No. 609 (SI 2021/609). <https://www.legislation.gov.uk/uksi/2021/609/made/data.pdf>

⁴ The respective responsibilities of the Secretary of State for BEIS, FRC and UKEB are set out in a Memorandum of Understanding on the UKEB here: <https://assets-eu-01.kc-usercontent.com/99102f2b-dbd8-0186-f681-303b06237bb2/0633cede-348c-478f-b714-3cdb30b058be/UKEB-FRC-BEIS-MoU-22May2021.pdf>

⁵ The International Accounting Standards (Delegation of Functions) (EU Exit) Regulations 2021 No. 609.

- (1) The body must, at least once in each calendar year for which the delegation regulations are in force, make a report to the Secretary of State on—
- (a) the discharge of the functions transferred to it, and
 - (b) such other matters as the Secretary of State may by regulations require.’

3 Terms of Reference and Guiding Principles

Terms of Reference

- 3.1 The Terms of Reference⁶ (ToR) further elaborate on the UKEB’s role and responsibilities as they relate to the statutory functions. The UKEB’s key responsibilities include:
- (a) Considering and deciding whether to endorse and adopt⁷ new or amended international accounting standards for application in the UK⁸. This includes a formal endorsement criteria assessment which assesses the impact on UK entities.
 - (b) Influencing the development of IFRS. The UKEB will follow and contribute to debates on IASB’s projects and consult with UK stakeholders (as appropriate⁹) to obtain their views, highlight any concerns to the IASB at different stages of their projects, including the development of the IASB’s agenda, responding to IASB’s draft proposals and consultations (including a request for information on an IASB post-implementation review)¹⁰.
 - (c) Deciding on the work plan for UKEB post-implementation reviews and for UKEB research and thought leadership activities and developing those activities to contribute to the development of financial reporting internationally, after public consultation on possible projects to be included¹¹.
 - (d) Ensuring that there is an open and transparent due process including a public consultation process (as appropriate¹²) with UK stakeholders on items such as

⁶ The Terms of Reference can be found here: <https://assets-eu-01.kc-usercontent.com/99102f2b-dbd8-0186-f681-303b06237bb2/bcf857be-0260-40b2-8e73-2c3123694d4e/UKEB-Terms-of-Reference-2021.03.26.pdf>

⁷ While the relevant legislation uses only the term ‘adoption’ and does not refer to ‘endorsement’, for the purposes of this Handbook the term ‘endorsement’ is generally used when referring to the assessment of new (or amended) international accounting standards against the statutory adoption criteria, reflecting general usage. This is not intended to imply the existence of two distinct statutory functions or processes.

⁸ The UKEB’s processes for endorsing new (or amended) international accounting standards are described in Section 6 of this Handbook.

⁹ Refer to paragraph 4.24 of this Handbook.

¹⁰ The process for influencing international accounting standards is described in Section 5 of this Handbook. The process for influencing IASB Post-implementation reviews is described in Section 8—sub-section on ‘Influencing IASB Post-implementation reviews’.

¹¹ The process for the UKEB thought leadership and research programme is described in Section 7 of this Handbook. The process for a UKEB post-implementation review is described in Section 8—sub-section on ‘Processes for a UKEB Post-implementation Review’.

¹² Refer to paragraph 4.24 of this Handbook.

draft comment letters to the IASB, draft endorsement criteria assessments and research documents.

- (e) Reporting to the FRC Board, in relation to the UKEB's effective operation, governance and adherence to the Due Process Handbook.
- (f) Reporting to the Secretary of State for BEIS in relation to the performance of the UKEB's statutory functions.

3.2 The ToR are set by the Secretary of State for BEIS and adopted by the UKEB.

Guiding Principles

3.3 Paragraphs 4.1–4.5 in Section 4 of the ToR require the UKEB to act at all times in accordance with the guiding principles of:

- (a) Accountability—includes consulting with UK stakeholders that are affected by financial reporting, undertaking activities and due process procedures in a timely manner and providing a rationale for the decisions it makes. The UKEB is accountable to:
 - (i) its stakeholders (e.g. users, preparers, academics, accounting firms, accounting bodies and regulators);
 - (ii) its oversight body (the FRC) in relation to its effective operation, governance and adherence to the Due Process Handbook; and
 - (iii) the Secretary of State for BEIS in relation to the performance of its statutory functions.
- (b) Independence—to ensure that it acts in the UK's long term public good and that it is independent from other organisations or stakeholder groups, including the FRC and BEIS, in respect of the performance of its statutory functions, including its technical decision making.
- (c) Transparency—to determine its technical decisions after having assessed the relevant evidence received and having followed its Due Process Handbook. To undertake its activities in a transparent manner so that stakeholders are aware of current projects and understand how decisions have been made (e.g. by making the formal comment letters submitted to the UKEB publicly available¹³ on a timely basis).
- (d) Thought leadership—to:
 - (i) lead and represent the UK on international accounting standards and reporting;
 - (ii) represent UK views in international fora with the aim of influencing debate;
 - (iii) engage with accounting and reporting and endorsement and adoption bodies in other jurisdictions, in order to improve influence and understand best practice; and

¹³ This is where the respondent has not requested confidentiality.

- (iv) pro-actively participate in the development of new global accounting standards for example by undertaking research.

3.4 These guiding principles are embedded into the processes described in this Handbook.

4 Governance activities

Quorum of attendance and decision-making

- 4.1 Section 5 of the UKEB's ToR sets out, amongst other requirements, the quorum for the Board meetings. This requires that a minimum of sixty percent of the appointed members (including the UKEB Chair as an appointed member) must attend a meeting of the Board (ToR, paragraph 5.1).

Voting process for endorsement decisions

- 4.2 A decision to adopt a standard or amendment to a standard or an IFRIC Interpretation must be made at an UKEB public Board meeting by at least two-thirds of the Members, including the Chair as an appointed member (ToR, paragraph 5.2). However, those decisions to adopt a standard or amendment to a standard or to adopt an IFRIC Interpretation are tentative only. These decisions must be formalised by circulation outside the meeting by a formal written vote (in paper or electronic form) and the vote constitutes proper evidence of the decisions of members of the Board (including the UKEB Chair as an appointed member). Each member of the Board has one vote.
- 4.3 Following the conclusion of a final written vote, in relation to the decision in paragraph 4.2, the outcome of that vote shall be made public on the UKEB website within 3 working days. Publication of the results of the vote on a standard or part standard will, where the result is to adopt a standard in whole or in part, constitute the adoption of that standard by the UK Endorsement Board, on a date specified by the UK Endorsement Board (ToR, paragraph 5.3).
- 4.4 Where the vote to adopt a standard or amendment or interpretation does not reach the required majority, the UKEB Chair may, after consultation with external parties including BEIS, choose to ask the Board to return to the vote. This may include asking the Board to vote on part of the standard, amendment or interpretation if it appears that this will have the required support. A subsequent decision to adopt the part standard or part amendment to a standard or part interpretation must be made by at least two-thirds of the Members (ToR, paragraph 5.4).
- 4.5 Where a vote by the Board to adopt a standard, amendment, or interpretation, in whole or in part, did not reach the required majority and, in the opinion of the UKEB Chair, there is no prospect of such majority being reached, the UKEB Chair must provide a written explanation of circumstances to the Secretary of State within 10 working days of the failure to adopt. The Secretary of State may require further evidence. The Chair must inform members of the Board of any recommendations by the Secretary of State (ToR, paragraph 5.5).

Voting process for other decisions

- 4.6 Other decisions at public meetings such as approving a comment letter to be submitted to the IASB or a decision to approve the publication of a UKEB research output do not require a formal written vote by the Board. They require the support of a simple majority of the Board members present at the meeting, with approval given in a public meeting.

Transparency of meetings and stakeholder observers

- 4.7 The UKEB's ToR set out the operating procedures that the UKEB applies in carrying out its responsibilities. Those procedures include the frequency and form of Board meetings (in Section 6 of the ToR), as well as rules for observers attending these meetings (in Section 7 of the ToR).
- 4.8 The Board may hold meetings in person, by webcast, or by telephone or other similar means. In deciding the format of meeting, the UKEB Chair should take into consideration public access and attendance (ToR paragraph 6.2).
- 4.9 Regular meetings of the Board are planned as far in advance as is practicable to help the UKEB Secretariat (thereafter 'Secretariat'), members of the Board, official observers (with speaking rights) of the Board, and stakeholders, prepare for those meetings. The meetings calendar is published on the UKEB website and is updated regularly.
- 4.10 Meetings will usually be held in public and open to attendance by members of the public (as non-speaking observers). However, the Board may hold certain discussions in private or in the presence of invited observers with speaking rights only. For instance:
- (a) Meetings held to discuss administrative issues and other non-technical matters (ToR paragraph 5.6); or
 - (b) Education sessions held before public Board meetings, for example, to enable Board members to improve their understanding of new or complex proposals or standards or seek clarification about technical matters in Secretariat papers.
- 4.11 Only Board members and observers with speaking rights will have the right to speak at Board meetings. The UKEB Chair may invite others to attend meetings as advisors when specialised input is required. Such persons may be invited to speak at all or part of any meeting, as and when appropriate. (ToR, paragraph 7.2).
- 4.12 Only public meetings are recorded and, whenever practicable, webcast live. Recordings of public meetings are made available on the UKEB website.

Minutes from Board Meetings

Minutes for public Board meetings

- 4.13 Minutes for public Board meetings summarise the Board discussion and decisions reached.
- 4.14 Section 9 of the UKEB's ToR sets out the requirement to minute UKEB public meetings and any decisions made by the Board to ensure stakeholders are informed about the

UKEB's activities, including tentative decisions made by Board members to adopt a new or amended standard before those decisions are formalised by a written vote (refer to paragraph 4.2 of this Handbook). In line with these requirements:

- (a) The Secretary to the UKEB (i.e. the Operations Director, or their nominee) minutes the meetings and decisions of the UKEB, including recording the names of those present and in attendance. (ToR paragraph 9.2). The Secretariat is responsible for ensuring that the minutes reflect the Board's decisions at each meeting.
- (b) The minutes for each Board public meeting are circulated to all UKEB Members for approval and once approved are published and made available on the UKEB website as soon after the meeting as practicable and usually within 10 working days following the meeting (ToR paragraphs 9.2–9.3).

4.15 The minutes for public meetings serve to inform interested parties about the progress made on technical projects in a timely manner.

Minutes for private Board meetings

4.16 Minutes for private Board meetings summarising the Board discussion and decisions reached, (such as on the areas mentioned in paragraph 4.10 of this Handbook) and other appropriate sections may be made public at the discretion of the Board.

UKEB Secretariat papers

4.17 Section 8 of the UKEB's ToR sets out requirements for the notice and papers for public meetings.

4.18 The Secretariat is responsible for developing papers with recommendations and supporting analysis of technical issues for consideration by the members of the Board.

4.19 The objective of the Secretariat papers is to provide enough information for members of the Board to make informed decisions on technical matters. In developing these papers, the Secretariat is expected to conduct research and to seek advice from members of the Board. However, recommendations ultimately reflect Secretariat's views, after consideration of the information obtained.

4.20 The Board agenda and Secretariat papers for each public meeting are usually made available on the UKEB website no later than 5 working days, before they are scheduled for discussion at a Board meeting (ToR, paragraph 8.3). This is to allow Board members enough time to consider and assess the Secretariat's recommendations. It is the responsibility of the UKEB members to assess whether they have sufficient information and time to be able to make decisions based on Secretariat's recommendations. Secretariat papers may have to be distributed closer to the meeting date, in exceptional circumstances only, and with the prior approval of the UKEB Chair. For example, if an urgent issue has arisen.

4.21 Also, only in exceptional circumstances, and taking into consideration the Guiding Principles, the UKEB Chair may, at their absolute discretion, decide that all or part of certain Secretariat papers used for discussion by the Board at public meetings should not be made publicly available (ToR, paragraph 8.4). This may be, for example, if

releasing that information could breach UK law, commercial confidentiality or prejudice the conduct of public affairs. However, such circumstances are expected to be rare.

- 4.22 Secretariat papers used for discussion by the Board at private Board meetings are not made publicly available.
- 4.23 The Secretariat may supplement papers orally at a Board meeting, for example, to provide an update on recent events.

Consultation with stakeholders

- 4.24 Regulation 8 of Statutory Instrument 2019/685 requires the UKEB to consult with a representative range of stakeholders before adopting an international accounting standard¹⁴. Regulation 8 does not mandate a specific type of consultation activity and thereby allows flexibility, for example when conducting outreach activities and public consultation with stakeholders.
- 4.25 The UKEB operates transparently and gives fair consideration to the issues raised by UK stakeholders and gathers their input, views, opinions and feedback on specific projects or technical matters to build robust and evidence-based recommendations.
- 4.26 The UKEB may consult with stakeholders that represent different communities for their input on the following:
- (a) on IASB's proposals for comment for new or amended international accounting standards or on IASB's research work (i.e. discussion papers, research papers or requests for Information) included as part of the IASB's agenda (refer to Section 5–Influencing process); or on an IASB request for information on a post-implementation review (refer to Section 8–Post-implementation reviews, subsection on 'Influencing IASB Post-implementation reviews');
 - (b) on proposals for amendments to international accounting standards or for Draft IFRIC Interpretations issued by the IFRS Interpretations Committee (refer to paragraph 10.5 in Section 10–Supporting the work of the IFRS Interpretations Committee);
 - (c) on a limited number of tentative agenda decisions issued by the IFRS Interpretations Committee (refer to Section 10–Supporting the work of the IFRS Interpretations Committee, subsection on 'Considering whether to respond to a tentative agenda decision');
 - (d) before endorsing and adopting a new or amended international accounting standard in the UK (refer to Section 6–Endorsement process). A Draft Endorsement Criteria Assessment (DECA) is a mandatory milestone before endorsing and adopting a new or amended international accounting standard, as it constitutes a formal assessment of whether the new or amended international accounting standard meets the endorsement criteria;

¹⁴ Regulation 8 of the International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Statutory Instruments [Regulation 2019 No. 685 \(SI 2019/685\)](#), places an obligation to consult 'those with an interest in the quality and availability of accounts, including users and preparers of accounts' before adopting an international accounting standard.

- (e) on UKEB's research and thought leadership work in line with its guiding principle of accountability and thought leadership (refer to Section 7–Thought leadership and research programme); and
- (f) on UKEB's post-implementation review work (refer to Section 8–Post-implementation reviews, sub-section on 'Processes for a UKEB Post-implementation review').

Keeping stakeholders informed

4.27 As a part of the guiding principle of transparency (ToR paragraph 4.4), the UKEB is committed to keeping its stakeholders and the general public informed about its activities. The principal means of communication between the UKEB and its stakeholders is through public meetings on technical issues, and the posting of relevant information and documents on the UKEB website.

4.28 In particular, the UKEB publishes on its website:

- (a) its work plan, its meeting schedules and agenda;
- (b) its progress on individual projects or Board's deliberations and compliance with due process by posting:
 - (i) public Secretariat papers to be discussed at public Board meetings;
 - (ii) minutes of the Board's main decisions at its public meetings after approval by the Board (ToR, paragraph 9.2);
 - (iii) recordings of public Board meetings; and
 - (iv) the draft/final comment letters submitted to the IASB, draft/final Endorsement Criteria Assessments and project closure documents such as feedback statements, due process compliance statements or adoption statements;
- (c) media and information releases relating to its activities;
- (d) IASB's or IFRS Interpretations Committee's consultation documents open for comment by providing links to these documents on the IASB's website;
- (e) the formal comment letters submitted to the UKEB where the respondent has not requested confidentiality; and
- (f) access to educational materials or webinars.

4.29 All public materials, including those related to the UKEB due process, are freely available on the website.

Technical work plan

4.30 The UKEB's technical work plan is comprised of a set of technical projects that the UKEB manages.

4.31 The UKEB's technical work plan includes:

- (a) Influencing projects that include technical issues identified by the IASB¹⁵ and technical issues identified by the IFRS Interpretations Committee that give rise to:
 - (i) draft IFRIC Interpretations; and
 - (ii) proposals for minor or narrow-scope amendments to international accounting standards;
- (b) Other technical issues derived from the UKEB's own thought leadership and research programme¹⁶
- (c) Adoption projects¹⁷.

4.32 As a starting point, the UKEB assumes that where a technical issue is significant enough to be added to the IASB's technical work plan, similar issues exist in the UK.

4.33 The Board considers the tentative agenda decisions (issued by the IFRS Interpretations Committee) to which it will respond and incorporates them into the work plan¹⁸.

4.34 The UKEB's technical work plan is updated regularly to reflect estimated project timelines based on recent Board decisions. It is presented for approval at the Board private meetings and once approved, is uploaded onto the UKEB website.

4.35 When a project is completed, it is removed from the UKEB work plan. There may be other instances when a project may be removed (e.g. when a project is discontinued by the IASB).

Prioritising technical projects

4.36 In prioritising individual projects and allocating resources to them, the level of activities should be proportionate to the issue being addressed. To help assess the issue, the Board considers various factors, including:

- (a) the importance of the issue to UK stakeholders (e.g. users, preparers, academics, accounting firms, accounting bodies and regulators, and others interested in financial reporting);
- (b) the effect an issue has or is expected to have on UK entities using UK-adopted international accounting standards, including both the number of entities affected and the size of the effect;
- (c) interactions with other current or proposed projects on the work plan;

¹⁵ These can consist of IASB projects and activities that are steps toward possible publications including research papers, discussion papers, requests for information, requests for views, exposure drafts, final amendments or standards.

¹⁶ Refer to Section 7 'Thought leadership and research programme' of this Handbook.

¹⁷ Refer to Section 6 'Endorsement process' of this Handbook.

¹⁸ In line with paragraph 10.7 of this Handbook, the Board expects to respond to a limited number of tentative agenda decisions published by the IFRS Interpretations Committee.

- (d) the urgency of the issue; and
- (e) the availability of staff resources.

4.37 The assessment is not limited to using the IASB's assessment of the potential impact of a project as the UKEB's remit is different. The IASB considers the potential impact on many jurisdictions whereas the UKEB is assessing the potential impact from a UK perspective. This may mean that in the UK the UKEB allocates a different significance for a project when compared with the IASB. For example, where UK entities do not frequently undertake the types of transactions addressed in an IASB project, the project would be allocated a lower significance and a reduced number of outreach activities would be planned.

5 Influencing process

Overview of the influencing process

5.1 The milestones for influencing projects are:

- (a) Project initiation plan (mandatory).
- (b) Desk-based research.
- (c) Outreach activities.
- (d) Draft comment letter.
- (e) Final comment letter (mandatory).
- (f) Project closure, including feedback statement and due process compliance statement (mandatory).

5.2 These milestones will ensure that the UKEB adheres to its guiding principles of accountability, independence and transparency. Milestones not labelled as 'mandatory' 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.

5.3 The activities undertaken to achieve the milestones in paragraph 5.1 should be proportionate to the issue(s) being addressed. Examples of the application of a proportionate approach include:

- (a) it is expected that for 'major' projects or for complex projects with major amendments, the activities undertaken would be far more extensive than for other 'minor' projects (i.e. amendments that meet the IASB's criteria for annual

improvements or for narrow-scope amendments¹⁹), where some activities such as desk-based research or outreach activities may be somewhat more limited.

- (b) The public consultation for proposed annual improvements or for a narrow-scope amendment may be limited to an issues paper on the UKEB website, with an associated news alert.
- (c) The consultation for a tentative agenda decision, may be undertaken only with a selected group or number of stakeholders.

Project initiation plan (mandatory)

- 5.4 For a technical project to be incorporated into the UKEB's work plan, a project initiation plan (PIP) is prepared for approval by the Board.
- 5.5 The objective of the PIP is to assess the potential impact and scale of the proposals being addressed as part of the project and, consequently, the level of analysis and outreach that should be undertaken.
- 5.6 The PIP outlines the approach to the project, including:
 - (a) a description of the project objective and proposed timeline;
 - (b) a description of milestones and planned activities that will be undertaken to achieve those milestones;
 - (c) available and required resources for the project (including whether those resources are already allowed for in the annual plan or budget);
 - (d) expected output (i.e. draft/final comment letter to the IASB);
 - (e) if applicable, the factors considered to justify departing from the consultation period for a draft comment letter (refer to paragraph 5.22 of this Handbook); and
 - (f) consideration of the need to receive input from one or more advisory groups.
- 5.7 For all projects, except for annual improvements or narrow-scope amendments, the PIP is approved by the Board in a public meeting.
- 5.8 For projects that meet the IASB's criteria for annual improvements or for narrow-scope amendments a PIP is prepared but is tabled for noting at public meetings, giving Board members the opportunity to discuss if necessary.
- 5.9 If changes arise subsequent to commencement of a project, for example, as a result of the input received from outreach activities, the project PIP can be updated to address those changes. The revised PIP is tabled for noting at public meetings, giving Board members the opportunity to discuss if necessary.

¹⁹ 'Annual improvements' are amendments that meet the criteria in paragraphs 6.10–6.14 in the [IASB and IFRS Interpretations Committee Due Process Handbook](#) and are sufficiently minor or narrow in scope that are bundled together in a single Exposure Draft document (even though amendments are unrelated). 'Narrow-scope amendments' do not meet the criteria for annual improvements but meet the criteria in paragraph 5.16 in the same Handbook and are considered 'narrow' in scope.

5.10 The project plan included in the PIP forms the basis for compliance with the due process steps set out in this Handbook (refer to paragraph 11.2(c) of this Handbook).

Desk-based research

5.11 Desk-based research assists with the assessment of proportionality and to gather evidence on the issue. This will usually include a review of the IASB's previous work on this issue. It may also include, for example, a review of literature, academic papers, financial statements or of past papers or reports by other national standard-setters or by other stakeholders (e.g. users, preparers, academics, accounting firms, accounting bodies and regulators). Additionally, the UKEB could liaise with national standard-setters who have carried out influencing activities or are in the process of performing such activities on the same (or related) project.

Outreach activities

5.12 The UKEB promotes awareness and generally responds to all IASB projects that are relevant to the UK.

5.13 Outreach activities will be 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 expected timeline.

5.14 The amount of outreach to be undertaken, together with the rationale, will be highlighted in the PIP.

5.15 The outreach activities that the UKEB undertakes may include some or all of the following:

- (a) convening and obtaining input from standing advisory groups and/or ad-hoc advisory groups²⁰;
- (b) meetings and/or interviews with stakeholders (e.g. users, preparers, academics, accounting firms, accounting bodies and regulators);
- (c) undertaking fieldwork (refer to paragraphs 5.18–5.19);
- (d) consultation on draft comment letter (refer to paragraphs 5.20–5.21);
- (e) the commissioning of external economic studies (i.e. data gathering and analysis conducted by external consultants to assess aspects of the economic impact of a standard on the UK); and
- (f) arranging informal meetings with IASB members and/or staff and/or with other national standard-setters and their participation in UK outreach events.

5.16 Liaison with the IASB when undertaking outreach on an IASB due process document, e.g. an exposure draft, may enhance the efficiency and effectiveness of the UKEB's work. Examples of benefits could include:

²⁰ Refer to Section 9–Advisory groups of this Handbook.

- a) enhanced credibility and attraction of outreach events if conducted jointly with the IASB; and
- b) greater insight into technical issues.

5.17 The UKEB will maintain full transparency about its interaction with stakeholders including the IASB. Steps will include:

- a) maintaining a public register of meetings of the UKEB Board Members and senior members of the Secretariat and stakeholders; and
- b) being transparent about the sources of information used in UKEB material.

Fieldwork

5.18 Examples of fieldwork may include some or all of the following:

- (a) **Surveys**—organised to gather data, information, and facts on a specific subject;
- (b) **Field tests**—include testing the application of technical proposals as if they were already in effect, to assess the understandability of the requirements and/or the resulting implementation issues. Field tests can be based on, for example:
 - (i) the completion of case studies;
 - (ii) asking participants to assess how a technical proposal would apply to actual transactions;
 - (iii) asking users how they process information; or
 - (iv) assessing how accounting systems may be affected;
- (c) **Workshops or interviews**—bring interested parties together and allow for in-depth analysis (for example to assess how technical proposals might be interpreted or applied) or to ensure the correct understanding of the results of a survey or field test.
- (d) **Public events**—meetings with a larger number of interested stakeholders and organisations to listen to, and exchange views on, specific topics. These could take the form of roundtables, discussion forums, webinars and webcasts. These public events provide stakeholders with the opportunity to better understand and present their views on developing proposals.

5.19 Fieldwork can focus on one or more specific groups of stakeholders (e.g. users, preparers, academics, accounting firms, accounting bodies and regulators).

Draft comment letter

5.20 A draft comment letter, explaining the UKEB's preliminary response to an IASB's or an IFRS Interpretations Committee's consultation document is made available for public consultation on the UKEB website once approved by the Board. This letter is normally preceded or accompanied by an Invitation to Comment that sets out the matters on which feedback is sought.

5.21 The consultation period for a draft comment letter is not less than 30 days unless this period is shortened (refer to paragraph 5.22).

Draft comment letter with a shorter consultation period

5.22 The UKEB may decide to issue a draft comment letter with a consultation period of less than 30 days when any of the situations described below are present:

- (a) Where amendments to international accounting standards are minor and meet the IASB's criteria for annual improvements or for narrow-scope amendments.
- (b) Where there is limited time to consult (e.g. for an urgent narrow-scope amendment issued by the IASB where it shortens the consultation period for an exposure draft from its usual 120 days²¹).

Final comment letter (mandatory)

5.23 The UKEB considers the stakeholder feedback received on the draft comment letter or from other outreach undertaken and uses this input to issue a final version of the comment letter to the IASB. The final comment letter is submitted to the IASB and posted on the UKEB website. The comment letters submitted to the UKEB (where the respondent has not requested confidentiality) are also posted on the UKEB website.

Project closure

Feedback statement

5.24 Input and feedback received on a draft comment letter (and any other input and feedback derived from other outreach activities) may be recorded, assessed, the evidence evaluated, and reported in a feedback statement.

5.25 The purpose of a feedback statement is to inform stakeholders how the UKEB has responded to, or has addressed, the main comments or views received from stakeholders who participated in outreach events or submitted comment letters on a specific project.

5.26 A feedback statement demonstrates the UKEB's adherence to its overarching guiding principles as follows:

- (a) *Accountability* to stakeholders who submitted comment letters and/or participated in outreach, to the FRC as oversight body, and others, that the UKEB is taking account of stakeholders' views and fulfilling its due process obligations.
- (b) *Transparency* about how the main comments or views have been addressed.
- (c) *Independence* in that the UKEB acts in the UK's long term public good and is independent in its assessment of comments or views received from stakeholders and in determining the content of its final comment letter to the IASB.

²¹ Refer to paragraph 6.7 in the [IASB and IFRS Interpretations Committee Due Process Handbook](#).

5.27 Although the objective of all feedback statements is the same, the form and content will be proportionate to the objective of the underlying document, e.g. discussion papers have different objectives from exposure drafts. In general, a Feedback Statement includes the following content:

- (a) an objective;
- (b) a brief description of technical IASB's proposal(s), i.e. summary background;
- (c) an explanation of the main feedback received on the draft comment letter through comment letters or outreach activities;
- (d) a description of the UKEB's response (i.e. how comments or views received from stakeholders have been addressed in the final comment letter); and
- (e) a summary of the outreach activities and sources of stakeholder comments, e.g. from individual stakeholder meetings, formal responses to draft comment letters or via other outreach events.

5.28 The Board approves the final feedback statement for publication.

5.29 A feedback statement is published on the UKEB website, usually at the same time as the final comment letter is submitted to the IASB.

Due process compliance statement (mandatory)

5.30 The Secretariat summarises the due process activities undertaken in a closing control report called 'due process compliance statement'. For a description and content of this Statement refer to Section 11 of this Handbook.

6 Endorsement process

UK Statutory requirements for endorsement and adoption

6.1 New or amended international accounting standards issued by the International Accounting Standards Board (IASB) are not part of UK-adopted international accounting standards until the UKEB has endorsed and adopted those standards²².

6.2 The primary objective of endorsing and adopting international accounting standards for use in the UK as set out in SI 2019/685²³ is to harmonise the financial information presented by relevant companies to ensure:

- a) a high degree of transparency and international comparability of financial statements; and

²² On Friday 21 May 2021, the Secretary of State for BEIS delegated statutory powers to the UKEB. One of the UKEB's delegated functions is the responsibility for the endorsement and adoption of IFRS for use by UK companies.

²³ Regulation 5 of SI 2019/685: <https://www.legislation.gov.uk/uksi/2019/685/made>. Refer also to Section 2 in this Handbook.

- b) the efficient allocation of capital, including the smooth functioning of capital markets in the United Kingdom.
- 6.3 The regulatory power embodied in the UKEB's endorsement and adoption function lends weight and authority to the UKEB's influencing activity.
- 6.4 The UKEB adopts international accounting standards for use within the UK, in accordance with Regulations 6–9 in SI 2019/685 (these Regulations are described below).
- 6.5 Regulation 7—requires that an international accounting standard only be adopted if:
- a) 'the standard is not contrary to either of the following principles—
 - (i) an undertaking's accounts must give a true and fair view of the undertaking's assets, liabilities, financial position and profit or loss;
 - (ii) consolidated accounts must give a true and fair view of the assets, liabilities, financial position and profit or loss of the undertakings included in the accounts taken as a whole, so far as concerns members of the undertaking;
 - b) the use of the standard is likely to be conducive to the long term public good in the United Kingdom; and
 - c) the standard meets the criteria of understandability, relevance, reliability and comparability required of the financial information needed for making economic decisions and assessing the stewardship of management.'
- 6.6 Regulation 8—contains a requirement to consult those with an interest in the quality and availability of accounts, including users and preparers, before adopting a standard.
- 6.7 Regulation 6—permits the adoption of a standard in part only and/or to extend an option available as part of a standard. The Regulation states that this may occur 'in exceptional circumstances'. Regulation 6(3)(b) indicates that the amended standard (i.e. the part-adopted standard) would need to meet the endorsement criteria set out in Regulation 7.
- 6.8 Regulation 9—sets out the requirement to publish a final decision on adopting a new or amended international accounting standard.

Overview of UKEB endorsement and adoption process

- 6.9 The UKEB applies its own process before it decides to endorse and adopt a new or amended international accounting standard. This process is to ensure the Board fulfils its statutory responsibility relating to endorsement and adoption of international accounting standards (described in paragraphs 6.2–6.8) for the endorsement and adoption of an IASB standard or amendment into UK-adopted international accounting standards. This process takes place after a new or amended standard has been issued by the IASB and before the standard is effective. This process is described below.
- 6.10 The milestones for endorsement and adoption projects are:
- (a) Project initiation plan (mandatory).

- (b) Desk-based research.
- (c) Minimum outreach activities (mandatory).
- (d) Other outreach activities.
- (e) Public consultation on a Draft Endorsement Criteria Assessment (DECA) (mandatory).
- (f) Project closure, including vote on adoption, including the following documents:
 - (i) Final Endorsement Criteria Assessment (ECA) (mandatory).
 - (ii) Feedback statement (mandatory).
 - (iii) Due process compliance statement (mandatory).
 - (iv) Adoption statement (mandatory).
- (g) Publication of the documents set out in (f) (mandatory).

6.11 These milestones will ensure that the UKEB adheres to its guiding principles of accountability, independence and transparency. Milestones not labelled as 'mandatory' 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.

6.12 The activities undertaken to achieve the milestones in paragraph 6.10 should be proportionate to the issue(s) being addressed. For example, it is expected that for 'major' projects or for complex projects with major amendments, the activities undertaken would be more extensive than for other 'minor' projects (i.e. amendments that meet the IASB's criteria for annual improvements or for narrow-scope amendments), for which some activities may be limited.

Project initiation plan (mandatory)

6.13 For a new or amended international accounting standard to be endorsed and adopted by the UKEB, a project initiation plan (PIP) is prepared for approval by the Board.

6.14 The objective of the PIP is to assess the potential impact and scale of the new or amended standard and, consequently, the level of analysis and outreach that should be undertaken.

6.15 The PIP outlines the approach to the project, including:

- (a) a description of the project objective and proposed timeline;
- (b) a description of milestones and planned activities that will be undertaken to achieve those milestones;
- (c) available and required resources for the project (including whether those resources are already allowed for in the annual plan or budget);

- (d) expected output (i.e. draft/final Endorsement Criteria Assessment);
 - (e) If applicable, the factors considered to justify departing from the consultation period for a Draft Endorsement Criteria Assessment (DECA) (refer to paragraph 6.31 of this Handbook); and
 - (f) consideration of the need to receive input from one or more advisory groups.
- 6.16 For all projects, except for annual improvements or narrow-scope amendments, the PIP is discussed and approved by the Board in a public meeting.
- 6.17 For projects that meet the IASB's criteria for annual improvements or for narrow-scope amendments a PIP is prepared but is tabled for noting at public meetings, giving Board members the opportunity to discuss if necessary.
- 6.18 If changes arise subsequent to commencement of a project, for example, as a result of the input received from outreach activities, the project PIP can be updated to address those changes. The revised PIP is tabled for noting at public meetings, giving Board members the opportunity to discuss if necessary.
- 6.19 The project plan included in the PIP forms the basis for compliance with the due process steps set out in this Handbook (refer to paragraph 11.2(c) of this Handbook).

Desk-based research

- 6.20 Desk-based research assists with the assessment of proportionality and to gather evidence on the issue. This will usually include a review of the UKEB's earlier work on influencing activities and responses received, as well as IASB's previous work on this issue. It may also include, for example, a review of literature, academic papers, financial statements or of past papers or reports (by other national standard-setters or by other stakeholders (e.g. users, preparers, academics, accounting firms, accounting bodies and regulators) as well as liaising with national standard-setters who have endorsed or are in the process of endorsing the same new or amended standard.

Minimum outreach activities (mandatory)

- 6.21 The UKEB's minimum outreach activities are to consult with a representative range of stakeholders. In this instance publication of the DECA on our website and notifying our stakeholders is sufficient. This will occur in the following situations:
- (a) Where amendments to international accounting standards are minor and meet the criteria for annual improvements or for narrow-scope amendments.
 - (b) Where there is limited time to consult e.g. for an urgent narrow-scope amendment issued by the IASB where it shortens the period between publication date and effective date of the amendment²⁴ and the amendment is urgently required to be adopted by entities.

²⁴ For example, the IASB published the amendment *Covid-19- Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)* on 31 March 2021. It was effective for annual reporting periods beginning on or after 1 April 2021. Earlier application was permitted, including in financial statements not authorised for issue (or signed) at 31 March 2021.

Other outreach activities

- 6.22 Outreach activities will be 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 expected timeline and may be undertaken throughout the endorsement assessment period.
- 6.23 The amount of outreach to be undertaken, together with the rationale, will be highlighted in the PIP.
- 6.24 For more complex projects that include major amendments, the UKEB may need or decide to conduct a larger number of outreach activities due to the nature and/or size of the amendment or standard to be endorsed and adopted and/or the response to consultation at the influencing stage. This is, for example, when:
- a) an amendment or standard changes an area of accounting that affects most UK entities applying UK-adopted international accounting standard; or
 - b) an amendment or standard changes an area of accounting that affects a small number of UK entities applying UK-adopted international accounting standards but it is a major change.
- 6.25 The outreach activities that could be undertaken to gather input, views, opinions or feedback are the same as those described in Section 5 of this Handbook (paragraphs 5.15–5.19). The level and content of the responses received during the influencing phase may also be relevant to deciding the level of outreach.

Draft Endorsement Criteria Assessment (DECA)

- 6.26 The UKEB endorsement criteria is set out in paragraph 6.5 of this Handbook.

Content

- 6.27 In general, a DECA considers and addresses the following:
- (a) Introduction: legislative framework and approach to the assessment:
 - (i) Purpose of the DECA;
 - (ii) Summary and explanation of legislative background to endorsement criteria; and
 - (iii) Description of endorsement criteria (including text of criteria from SI 2019/685) and what is meant by each criterion;
 - (b) Rationale for the new or amended international accounting standard, i.e. summary background, context and objectives and main accounting requirements;
 - (c) Technical criteria assessment:
 - (i) whether the standard meets the criteria of relevance, reliability, comparability and understandability required of the financial information

needed for making economic decisions and assessing the stewardship of management (SI 2019/685 Regulation 7(1)(c)); and

- (ii) whether the standard is not contrary to the principle that an entity's accounts must give a true and fair view (SI 2019/685 Regulation 7(1)(a)).
- d) Whether use of the new or amended standard is likely to be conducive to the long term public good in the UK (SI 2019/685 Regulation 7(1)(b)), including:
 - (i) whether the use of the standard is likely to improve the quality of financial reporting;
 - (ii) the costs and benefits that are likely to result from the use of the standard; and
 - (iii) whether the use of the standard is likely to have an adverse effect on the economy of the UK, including on economic growth.

6.28 Where one or more Board members are considering not supporting the endorsement and adoption of a new or amended standard, the relevant matter(s) and concern(s) of the Board member should be reflected in the DECA, so that it is included in the public consultation.

6.29 A DECA is made available for public consultation on the UKEB website.

6.30 The consultation period for a DECA is not less than 90 days unless this period is shortened (refer to paragraph 6.31).

DECA with a shorter consultation period

6.31 The UKEB may decide to issue a DECA with a consultation period of not less than 14 days when any of the situations described in paragraph 6.21 (a)–(b) are present.

Project closure

6.32 The project closure process for endorsement projects comprises the following steps:

- (a) Preparation of an 'Adoption Package' by the Secretariat (mandatory); and
- (b) Voting on the adoption of a new or amended international accounting standard (mandatory).

Adoption package

6.33 The following paragraphs set out a description of the content of the individual documents included in the 'adoption package' which are:

- (a) A final Endorsement Criteria Assessment (ECA);
- (b) A feedback statement;
- (c) A due process compliance statement; and

- (d) An adoption statement.

Final Endorsement Criteria Assessment (ECA) (mandatory)

- 6.34 The UKEB considers the stakeholder feedback received on the DECA and uses this input to issue a final version of the Endorsement Criteria Assessment (final ECA).

Feedback statement (mandatory)

- 6.35 Consultation feedback received on the DECA (and any other input and feedback derived from other outreach activities) is recorded, assessed, the evidence evaluated, and reported in a feedback statement.
- 6.36 The purpose of a feedback statement is to inform stakeholders how the UKEB has responded to, or addressed, the main comments or views received from stakeholders. It also demonstrates the UKEB's adherence to its overarching guiding principles (accountability, transparency, independence and thought leadership).
- 6.37 The form and content of the feedback statement will be proportionate to the objective of the underlying subject matter and would generally include the following content:
- a) an objective;
 - b) summary background of the new or amended standard;
 - c) an explanation of the main feedback received on the DECA, through comment letters or other outreach activities;
 - d) a description of the UKEB's response (i.e. how comments or views received from stakeholders have been addressed in the final ECA); and
 - e) a summary of the outreach activities and sources of stakeholder comments, e.g. from individual stakeholder meetings, formal responses to the DECA or via other outreach events.
- 6.38 The Board discusses and provides comments on a draft Feedback Statement and approves the final feedback statement for publication.
- 6.39 A feedback statement is published on the UKEB website, usually at the same time as the final ECA is finalised.

Due process compliance statement (mandatory)

- 6.40 The Secretariat summarises the due process activities undertaken in a closing control report called 'due process compliance statement'. For a description and content of this Statement refer to Section 11 of this Handbook.

Adoption statement (mandatory)

- 6.41 The adoption statement includes:
- a) a statement that the new or amended standard has been:

- (i) adopted for use within the UK, in compliance with the requirements in Regulations 7 and 8 of SI 2019/685 and reasons for this decision; or
- (ii) been partially adopted in accordance with paragraph (3) of Regulation 6 of SI 2019/685 and any reasons for this decision;
- b) when applicable, reasons for extending the scope of undertakings eligible to use an option in the standard in accordance with paragraph (4) of Regulation 6, setting out the full details;
- c) a description of the financial years in respect of which that standard must be used; and
- d) the wording of the adopted standard (in a separate document).

6.42 On an annual basis, the UKEB updates the new or amended international accounting standards that have been adopted during the year into a consolidated text of UK-adopted international accounting standards²⁵.

Voting on the adoption of a new or amended international accounting standard (mandatory)

6.43 Decisions on the endorsement and adoption of a standard or amendment are made at public Board meetings and follow the requirements of the UKEB's Terms of Reference as follows:

- (a) Quorum attendance—a minimum of sixty percent of the appointed members²⁶ are required to attend a meeting of the Board (ToR, paragraph 5.1).
- (b) Decision-making—an affirmative written vote of at least two-thirds of all of the appointed Board members (ToR, paragraph 5.2), is required for the decision to be passed. Each member of the Board has one vote. A situation where the two-thirds majority cannot be obtained may restart the endorsement and adoption process (ToR, paragraph 5.4)²⁷.

6.44 The 'adoption package' is discussed at a public meeting and a tentative vote is taken on the adoption of a new or amended international accounting standard. This vote is formalised by circulation outside the meeting by a formal written vote (in paper or electronic form), and that written vote constitutes proper evidence of the decision of the members of the Board.

6.45 Where a Board member does not support the endorsement and adoption of a new or amended standard, that is reflected in their vote. If they wish, the reason for this view may be recorded in the minutes.

²⁵ This is consistent with Regulation 9(3) of Statutory Instrument (SI) 2019/685.

²⁶ The term 'members' includes the UKEB Chair.

²⁷ Paragraphs 4.2–4.5 of this Handbook describe the full voting process, including the process followed where the vote to adopt a standard or amendment or interpretation does not reach the required majority.

6.46 Publication of the outcome of an affirmative formal written vote on UKEB website²⁸ is accompanied by the following documents:

- b) a copy of the new or amended international accounting standard;
- c) a copy of the 'adoption package' that includes:
 - (i) A final Endorsement Criteria Assessment (ECA);
 - (ii) A feedback statement;
 - (iii) A due process compliance statement; and
 - (iv) An adoption statement.

Next step after the adoption of a new or amended standard

6.47 The UKEB website should provide an indication about whether the recently adopted (new or amended) standard meets the criteria for a post-implementation review and, if so, the timing of that review (refer to Chapter 8 'Post-implementation reviews' of this Handbook).

7 Thought leadership and research programme

Objectives of thought leadership

7.1 As part of the guiding principle of thought leadership, paragraph 4.5 of the UKEB's ToR states that the UKEB is committed to:

- (a) lead the UK debate on international accounting standards and reporting;
- (b) participate pro-actively in the development of new global standards, for example by undertaking research;
- (c) represent UK views in international fora with the aim of influencing debate; and
- (d) engage with accounting, reporting, endorsement and adoption bodies in other jurisdictions, in order to improve influence and understand best practice.

Leading the UK debate

7.2 The UKEB leads the UK debate on international accounting standards and reporting by:

- (a) actively engaging and collaborating with UK stakeholders on areas that concern UK stakeholders during the process of developing its own views, with the aim of building robust and evidence-based recommendations. The UKEB achieves this by:

²⁸ If the formal written vote is not to adopt, then only the outcome of the vote will be published.

- (i) identifying key stakeholder groups, preparing outreach plans, and taking suitable approaches to each stakeholder group;
 - (ii) giving UK stakeholders a platform to provide specialist input on areas of concern through roundtables, forums, workshops, panel discussions or education sessions organised by the UKEB or through the UKEB's advisory groups;
 - (iii) soliciting UK stakeholders' comments on public consultation documents and/or UKEB's draft comment letters;
 - (iv) arranging, where appropriate, for IASB Board members and/or for IASB staff to participate in UKEB's outreach events to enable first-hand understanding of any concerns or views expressed by UK stakeholders;
 - (v) acting as a conduit for UK feedback on IASB consultations; and
- (b) developing and presenting the UKEB's own thought leadership material to promote UK views and lead the accounting debate at relevant international fora.

Participating proactively in the development of global standards

7.3 The UKEB proactively participates in the development of new global accounting standards by:

- (a) engaging with UK stakeholders and collecting evidence on relevant technical issues (that may not be considered by the IASB or other national standard-setters) and communicating such evidence to the IASB and to other national standard-setters;
- (b) developing potential ways to improve or remedy deficiencies in international accounting standards; and
- (c) working closely with others on long-term proactive work to stimulate debate on financial reporting matters on the IASB agenda at an early stage in the standard-setting process.

Representing UK views in international fora or in media with the aim of influencing debate

7.4 The UKEB directly influences the IASB Board and maintains a global presence on the international financial stage by:

- (a) identifying and promoting the appointment of UK representatives to IASB's consultative groups, subject to available UKEB resources. For example, to the IASB's Accounting Standards Advisory Forum (ASAF) to ensure that UK input on major technical issues related to the IASB's standard-setting activities is discussed and considered in this forum;
- (b) maintaining effective relationships, communication and presence with the IASB and other national standard-setters subject to available UKEB resources. For example, by:

- (i) participating in the World Standard-Setters conference organised by the IASB to share international accounting standards implementation and application experiences with other standard-setters around the world;
 - (ii) participating in other international accounting forums organised by other parties independently (e.g. International Forum of Accounting Standard-Setters (IFASS)); or
 - (iii) regularly attending (in person or remotely) key meetings and conferences of international financial reporting bodies to ensure adequate analysis and input, including expressing UK views;
- (c) communicating outcomes from international engagements to UK stakeholders, to assist in identifying concerns with international proposals; and
- (d) issuing articles, podcasts or videos, to stimulate debate on a particular matter or technical issue. The Board does not express any opinion or tentative views on the matters presented in such papers or reports.

Engaging with other bodies in other jurisdictions

- 7.5 Regular contact between the UKEB and the FRC as well as with other national standard-setters in other jurisdictions can help increase the understanding, awareness and support for UK views, thereby, allowing the UKEB to lead on the accounting debate.
- 7.6 The UKEB and other national standard-setters can interact in a range of ways including developing joint thought leadership and research documents, regular and ad-hoc emails, conferences and roundtables, blogs, articles, regional forums or telephone exchanges.

Research programme

Objective

- 7.7 Research is generally directed to identify specific issues associated with projects that are on the UKEB's technical agenda. As such, research may be expected to have a problem-solving orientation by collecting evidence on the nature and extent of the perceived shortcomings of, and assessing potential ways, to improve or to remedy a deficiency in international accounting standards.
- 7.8 This type of research helps the UKEB:
- (a) identify a new project that could potentially be included in the UKEB's work plan;
 - (b) assist the IASB in the identification of a new technical issue (for example, in response to the IASB's five-yearly agenda consultation request) and in the analysis of potential solutions; or
 - (c) provide effective technical input into IASB proposals forming part of IASB's current agenda.

- 7.9 Where resources are available, other more explorative research may also be performed by the UKEB to include the consideration of broader financial reporting matters, such as how financial reporting is evolving, and to encourage international debate on financial reporting matters. This type of research may be formally added to the UKEB's technical agenda.
- 7.10 Research may be undertaken by the UKEB on its own or collectively with others (i.e. national standard-setters, regulators, academics and other interested parties); the latter when there are topics of mutual interest.

Main outputs

- 7.11 The common categories of research outputs derived from the UKEB's research programme are explained below:
- (a) Discussion papers, as documents that include an overview of specified technical issues, possible approaches to addressing these issues and preliminary/final views from the Board and an Invitation to Comment;
 - (b) Requests for information or feedback on a matter related to technical projects or broader consultations. For example, seeking comments on the UKEB's technical work plan, post-implementation reviews, or help in assessing the practical implications of a potential financial reporting requirement;
 - (c) Research papers, to contribute to wider discussions on cross-cutting issues in financial reporting;
 - (d) Bulletins, to promote and stimulate debate within the UK on specific accounting matters; or
 - (e) Quantitative studies.

Milestones

- 7.12 The milestones for research projects are:
- (a) Identification of issues for research;
 - (b) Project initiation plan (mandatory);
 - (c) Desk-based research;
 - (d) Outreach activities;
 - (e) Approval and publication of a UKEB Board research document (mandatory); and
 - (f) Project closure for research documents that invite stakeholder comments includes:
 - (i) Feedback statement; and
 - (ii) Due process compliance statement (mandatory).

- 7.13 These milestones will ensure that the UKEB adheres to its guiding principles of accountability, independence and transparency. Milestones not labelled as 'mandatory' 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.
- 7.14 The activities undertaken to achieve the milestones in paragraph 7.12 should be proportionate to the issue(s) being addressed. For example, it is expected that for 'major' research projects the activities undertaken would be far more extensive than for other 'minor' research projects where some activities such as desk-based research or outreach activities may be somewhat more limited.

Identification of issues for research

- 7.15 The Secretariat may identify or may receive research proposals for inclusion in the UKEB workplan. Any suitable proposals that the UKEB Chair has agreed should go forward are discussed at a public Board meeting and approved by the Board (e.g. via presentation of a PIP for approval). Proposals may arise from the Secretariat's own research, from a Board member, from consulting with the UKEB's advisory groups or from comments and information gained from public hearings, fieldwork (refer to paragraphs 5.18–5.19 of this Handbook) as well as stakeholder comment letters.

Project initiation plan (mandatory)

- 7.16 For a research project to be incorporated into the UKEB's work plan, a project initiation plan (PIP) is prepared for approval by the Board.
- 7.17 The objective of the PIP is to assess the potential impact and scale of the research project and, consequently, the level of analysis and outreach that should be undertaken.
- 7.18 The PIP outlines the approach to the project, including:
- (a) a description of the project objective and proposed timeline;
 - (b) a description of milestones and planned activities that will be undertaken to achieve those milestones, including whether the planned research document may include an Invitation to Comment;
 - (c) available and required resources for the project (including whether those resources are already allowed for in the annual plan or budget);
 - (d) expected research output (i.e. discussion paper, request for information, research paper, bulletin, quantitative study, etc);
 - (e) if applicable, the factors considered to justify departing from the consultation period for a research document that includes an Invitation to Comment (refer to paragraph 7.28 of this Handbook); and
 - (f) consideration of the need to receive input from one or more advisory groups.

7.19 If the research is carried out collectively with other parties (i.e. national standard-setters, regulators, academics or others) then agreement on the following will be achieved before commencement of work:

- (a) the responsibilities and expectations of each party involved, including expectations about use of the project output;
- (b) whether the project will present only an analysis of the facts or whether it will contain views or recommendations; and
- (c) the expected output (i.e. research paper, discussion paper or request for information), copyright and publication rights over the output.

7.20 If changes arise subsequent to commencement of a research project, for example, as a result of the input received from outreach activities, the project PIP can be updated to address those changes.

7.21 The project plan included in the PIP forms the basis for compliance with the due process steps set out in this Handbook (refer to paragraph 11.2(c) of this Handbook).

Desk-based research

7.22 Desk-based research assists with the assessment of proportionality and to gather evidence on the issue. This will usually include a review of the IASB's previous work on this issue. It may also include, for example, a review of literature, academic papers, financial statements or of past papers or reports (by other national standard-setters or by other stakeholders (e.g. users, preparers, academics, accounting firms, accounting bodies, regulators or others), as well as liaising with national standard-setters who have who have performed or are in the process of performing research on the same (or related) project.

Outreach activities

7.23 Outreach is conducted with stakeholders that represent different stakeholder communities, (e.g. users, preparers, academics, accounting firms, accounting bodies and regulators) to gather their input, views, opinions or feedback on specific projects or technical matters.

7.24 The outreach activities that could be undertaken to gather input, views, opinions or feedback are the same as those described in Section 5 of this Handbook (paragraphs 5.15–5.19).

Approval and publication of a UKEB Board research document (mandatory)

7.25 The Board approves a research document for publication. This approval does not require a formal written vote by the Board. It requires the support of a simple majority of the Board members present at the meeting, with approval given in a public meeting. Following the approval of a research document, it will be published on the UKEB website.

- 7.26 A research document may or may not include an Invitation to Comment, e.g. a bulletin explaining a specific accounting topic or a summary of outreach undertaken on a specific accounting topic.
- 7.27 Where a research document includes an Invitation to Comment, the consultation period is 90 days.
- 7.28 Where the research document is on a topic that is narrow in scope and/or urgent the Board may set a shorter consultation period. The rationale for a shorter consultation period will be given in the PIP.

Project closure

- 7.29 This section applies only to a research project that invites stakeholder comments.

Feedback Statement

- 7.30 Input and feedback received on a research document may be recorded, assessed, the evidence evaluated, and then incorporated into the analysis and discussion of the technical issues in a feedback statement. For the objectives and content of this statement refer to paragraphs 5.24–5.29 of this Handbook.

Due process compliance statement (mandatory)

- 7.31 For a research project that involves issuing a research document that invites stakeholder comments, the Secretariat summarises the due process activities undertaken in a closing control report called 'due process compliance statement'. For a description and content of this Statement refer to Section 11 of this Handbook.

8 Post-implementation reviews

Introduction

- 8.1 A post-implementation review (PIR) assesses the effect of a new international accounting standard or of a major amendment to an international accounting standard and determines whether:
- (a) the requirements in international accounting standards result in entities providing financial information that is useful in making informed economic decisions;
 - (b) there are any significant unexpected changes to financial reporting or operating practices resulting from the application of the international accounting standard;
 - (c) there are unexpected costs or challenges in applying the international accounting standard;
 - (d) there are any areas of the international accounting standard that represent interpretation challenges and, as a result, impair the consistent application of the international accounting standard; and
 - (e) the international accounting standard is understandable and it is being applied as intended, and whether preparers are able to report the information reliably.

Influencing IASB Post-implementation reviews

- 8.2 The UKEB's work on influencing the development of international accounting standards includes monitoring and responding to IASB post-implementation reviews of international accounting standards.
- 8.3 The IASB is required to conduct a post-implementation review of each new IFRS Standard or major amendment. This review normally begins after the new requirements have been applied internationally for two years²⁹. The IASB commences its post-implementation review with a request for information which sets out the initial identification and assessment of the matters to be examined. The UKEB promotes awareness on its website of an IASB post-implementation review.
- 8.4 The influencing processes set out in Section 5 of this Handbook apply to the UKEB response to a request for information on an IASB post-implementation review. These processes include consulting stakeholders and its advisory groups for input. The UKEB informs stakeholders in a feedback statement how it has responded to, or has addressed, the main comments or views received from stakeholders. In addition, the UKEB summarises the due process activities undertaken in a 'due process compliance statement'.
- 8.5 Once the IASB has completed its post-implementation review, the Board reviews and explains in a separate report how the UKEB feedback has been addressed by the IASB.

Processes for a UKEB Post-implementation review

Objectives

- 8.6 Paragraph 3 in Regulation 11 in SI 2019/685 contains a requirement to:
- (a) 'carry out a review of the impact of the adoption of the standard' where the standard is likely to lead to a 'significant change in accounting practice'; and
 - (b) publish a report setting out the conclusions of the review no later than 5 years after the date on which the standard takes effect (being the first day of the first financial year in respect of which it must be used)'.
- 8.7 Paragraph 4 in Regulation 11 in SI 2019/685 contains a requirement to:
- (a) carry out subsequent reviews from time to time; and
 - (b) publish a report setting out the conclusions of any review conducted.
- 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.
- 8.9 The IASB undertakes a post-implementation review of each new standard. As a result, the obligations in Regulation 11 in SI 2019/685 can be fulfilled for most international

²⁹ Refer to paragraphs 6.48–6.59 in the [IASB and IFRS Interpretations Committee Due Process Handbook](#).

accounting standards by influencing and responding to IASB's post-implementation reviews (refer to paragraphs 8.2–8.5 of this Handbook).

- 8.10 When the IASB decides not to undertake a post-implementation review on a new international accounting standard and it is a significant change in accounting practice, the UKEB must perform its own post-implementation review of the standard to test its continuing relevance in line with the requirements in Regulation 11 in SI 2019/685. This should be completed no later than 5 years after the date on which the international accounting standard takes effect, in accordance with paragraph (3)(b) of this Regulation.
- 8.11 Each post-implementation review that the UKEB carries out has two phases as described below.

First phase of a UKEB post-implementation review

- 8.12 In the first phase of a post-implementation review, the UKEB sets out the scope of the review, on the basis of targeted consultation³⁰ with stakeholders that represent different stakeholder communities, (e.g. users, preparers, academics, accounting firms, accounting bodies and regulators) to gather their input, views, opinions or feedback on specific projects or technical matters. These initial consultations help the UKEB establish the questions to ask in the public request for information.
- 8.13 The milestones for the first phase are:
- a) Project initiation plan (PIP) (mandatory);
 - b) Desk-based research;
 - c) Initial consultation; and
 - d) Publication of a request for information (mandatory).

Project initiation plan (mandatory)

- 8.14 The objective of the PIP is to assess the need to undertake a post-implementation review of an international accounting standard.
- 8.15 The PIP outlines the approach to the project, including:
- (a) a description of the project objective and proposed timeline;
 - (b) any initial assessment of the international accounting standard, the reasons why the UKEB should seek feedback and the process followed in establishing the scope of the review;
 - (c) a description of milestones and planned activities that will be undertaken to achieve those milestones;

³⁰ Refer to Section 9–Advisory groups of this Handbook.

- (d) available and required resources for the project (including whether those resources are already allowed for in the annual plan or budget);
- (e) expected output (i.e. a request for information);
- (f) if applicable, the factors considered to justify departing from the consultation period for a request for information (refer to paragraph 8.24 of this Handbook); and
- (g) consideration of the need to receive input from one or more advisory groups.

Desk-based research

8.16 Desk-based research assists with the assessment of proportionality and to gather evidence on the need for a PIR. This may include review of:

- a) the IASB's and the UKEB's previous work on the issue to identify the issues that were important or contentious during the development of the international accounting standard, which should be identifiable from the basis for conclusions, project summary, feedback statement or effect analysis of the relevant standard;
- b) any relevant research, including that performed by the Secretariat and academics; and
- c) any issues brought to the UKEB's attention prior to the commencement of the PIR.

8.17 It may also include, for example, a review of literature, academic papers, financial statements or of past papers or reports (by other national standard-setters or by other stakeholders (e.g. users, preparers, academics, accounting firms, accounting bodies and regulators), as well as liaising with national standard-setters who have carried out influencing activities or are in the process of performing such activities on the same (or related) project.

Initial consultation

8.18 The Board and its Secretariat may also consult with stakeholders to help identify areas where unexpected costs or implementation problems were encountered.

8.19 This initial review draws on the broad network of UKEB related bodies and interested parties, such as the UKEB's advisory groups, and other outside groups of, for example, preparers, auditors or users. The purpose of these consultations is to inform the UKEB so that it can establish an appropriate scope for the review. The extent of consultation needed for this phase will depend on the international accounting standard being reviewed and pre-existing information about the implementation of that standard.

Publication of a request for information (mandatory)

8.20 When the UKEB is satisfied that it has sufficient information to establish the scope of the review it issues a request for information on the post-implementation review of the international accounting standard.

8.21 A request for information sets out the matters for which the UKEB is seeking feedback together with a rationale for the information being sought and any initial assessment

by the UKEB of the impact of the international accounting standard. It also describes the reasons for undertaking such review (in line with Regulation 11 in SI 2019/685).

- 8.22 Publication of a request for information does not require a formal written vote by the Board. It requires the support of a simple majority of the Board members present at the meeting, with approval given in a public meeting.
- 8.23 The consultation period for a request for information is 90 days.
- 8.24 Where the request for information is on a topic that is narrow in scope and/or urgent the Board may set a shorter consultation period. The rationale for a shorter consultation period will be given in the PIP.

Second phase of a UKEB post-implementation review

- 8.25 In the second phase the UKEB collects and reviews information, via the request for information issued during the first phase and other outreach, to help it assess the impact of international accounting standard being reviewed. During this evidence-gathering phase of the post-implementation review the UKEB also conducts outreach activities to engage with different stakeholders
- 8.26 The milestones for the second phase are:
- a) Outreach activities; and
 - b) Project closure: issue of a final report (mandatory) and a due process compliance statement (mandatory).

Outreach activities

- 8.27 The UKEB's outreach activities will be focused on seeking implementation issues.
- 8.28 The amount of outreach to be undertaken, together with the rationale, will be highlighted in the PIP.
- 8.29 The outreach activities that could be undertaken to gather input, views, opinions or feedback are the same as those described in Section 5 of this Handbook (paragraphs 5.15–5.19).

Project closure for a UKEB Post-implementation review

Final report (mandatory)

- 8.30 Input and feedback received on the UKEB request for information and derived from other outreach activities is recorded, assessed, the evidence evaluated, and then incorporated into the analysis and discussion of the technical issues in a report.
- 8.31 When the UKEB has completed its deliberations, it presents its findings in a final report that includes:
- a) an overview of the UKEB post-implementation review process and its timeline;
 - b) background information to the international accounting standard under review;

- c) a summary of findings and next steps, including the areas for potential improvement and amendment;
- d) UKEB's conclusions of the review;
- e) recommendations or steps it plans to take, if any, as a result of the review; and
- f) a summary of the outreach activities and sources of stakeholder comments, e.g. from individual stakeholder meetings, formal responses to the request for information or via other outreach events.

Due process compliance statement (mandatory)

8.32 For a UKEB post-implementation review, the Secretariat summarises the due process activities undertaken in a closing control report called 'due process compliance statement'. For a description and content of this statement refer to Section 11 of this Handbook.

9 Advisory groups

Introduction

- 9.1 The UKEB undertakes targeted consultation by appointing its own standing and ad-hoc advisory groups with the purpose of gathering technical advice, and other input on its projects or other technical matters (e.g. UK-specific implementation issues).
- 9.2 Members of advisory groups comprise experts that:
- (a) provide advice and recommendations on specific agenda projects for example by sharing:
 - (i) knowledge and understanding of financial reporting issues and/or concerns raised by UK stakeholders; and
 - (ii) up-to-date insight into developments and market sentiment on financial reporting matters, helping develop a timely understanding of any concern areas;
 - (b) deliver best practice, practical experience, and expertise as well as potential solutions that can improve the quality of information; and
 - (c) help amplify the UKEB's views across the UK reporting community and drive the debate of contemporary issues.
- 9.3 In carrying out their work, advisory groups have regard to the UKEB's Terms of Reference and Guiding Principles (refer to Section 3 of this Handbook).

Composition of advisory groups

Types of advisory groups

9.4 Advisory groups are not decision-making bodies, but advisory in nature and can be standing or ad-hoc. Their characteristics are described in the table below:

Type	Standing	Ad-hoc
Duration	Advisory group with an indefinite life. Intended to be long-lived.	Intended to be short-lived for a pre-defined time or set duration and is project-based.
Description	Provides regular and focused input on a wide range of strategic and technical issues.	Provides focused input on specific technical issues. May support the implementation and/or transition to a new international accounting standard ³¹
Members – stakeholder type	Usually includes stakeholders from a particular industry, sector or stakeholder type (i.e. preparers, auditors or users). It can also include a 'mix' of stakeholders with shared interests ³² .	Usually includes a 'mix' of senior professionals from different stakeholder groups but with a specialist knowledge of the specific issue or technical area relevant to the group. It can also include a narrower (even single) stakeholder group when appropriate to a particular project (e.g. users or academics only for particular project, e.g. research project).
Benefits	Benefits are the same as for both standing and ad-hoc advisory groups. Enables the Board to access regular and timely advice on areas of specialist knowledge and receive a real-world view of the impact of proposals, generally on major projects.	

Types of participants

9.5 Participants in a UKEB's advisory group (standing or ad-hoc) may originate from the following stakeholder groups:

- (a) *Users* – those with practical experience in analysing and using financial information as users of financial reporting information. Users include 'buy-side' fund managers, institutional investors and retail investors as well as participants from 'sell-side' investment banks and ratings agencies.
- (b) *Preparers* – those with considerable practical experience of financial reporting and provide knowledge and understanding of the financial reporting issues faced

³¹ This may be the case for an advisory group providing expert perspectives (for example, on how rate-regulatory schemes operate) or providing input on the implementation of new requirements in an international accounting standard.

³² For example, accounting bodies and auditors have both a close interest in the use and implementation of international accounting standards and both have insights to share on the use of standards and on any concerns arising from that use.

by IFRS reporters. Preparers have backgrounds in large or small, listed or unlisted UK-based companies applying international accounting standards.

- (c) *Academics* – researchers with expertise and experience in the use of accounting by individuals, organisations and government. This group could include researchers with interests in accounting policy, governance and environmental issues, quantitative analysis, wider corporate reporting and economics.
- (d) *Accounting firms* – those with a close interest in the use and implementation of international accounting standards. Accounting firms have insights to share on the use of international accounting standards by a range of different sectors and on any concerns arising from that use. They include large and medium-sized professional services firms in the UK.
- (e) *Accounting Bodies* – those with a close interest in the use and implementation of international accounting standards and providing insights on current and emerging issues.
- (f) *Regulators* – those that regulate or supervise a particular industry or business activity. Regulators have insights to share on the use of international accounting standards by different sectors and on any concerns arising from that use.

Operating procedures

Approval for the creation of an advisory group

- 9.6 The establishment of an advisory group is approved at a Board meeting by a majority of Board members present at that meeting.

Terms of reference

- 9.7 Each advisory group has its own Terms of Reference, setting out:

- (a) the advisory group's purpose and responsibilities;
- (b) membership rules;
- (c) meetings and administrative arrangements; and
- (d) date of approval of the Terms of Reference and process for making changes.

- 9.8 An outline of the content of the Terms of Reference applicable to each advisory group (i.e. standing or ad-hoc) is included in Appendix B of this Handbook.

Recruitment

- 9.9 Consistent with the UKEB's guiding principles of accountability and transparency, all recruitment for advisory groups should be via a public advertisement, inviting applications. Appointments should be based on interviews with Board members and members of the Secretariat. The Board retains the option to make the occasional direct appointment, however, this would need to be in exceptional circumstances, for example where there are few experts in a particular area or no other expert is forthcoming.

Appointments and membership

- 9.10 In selecting members, the UKEB Chair seeks to ensure that the membership in the advisory groups is diverse in terms of skills, experience, background, race and other characteristics, and achieves a gender balance.
- 9.11 Members of advisory groups are appointed in their personal capacity. Alternates are not permitted.
- 9.12 Membership of an advisory body (including the chair) is approved by a majority of Board members present at a meeting. Once approved, the members of an advisory group are listed on the UKEB's website.
- 9.13 Depending on the advisory group's nature and purpose, the UKEB Chair may appoint a chair for the advisory group who may be either: an advisory group member, a Board member or a Secretariat member.
- 9.14 Members of advisory groups are appointed for an initial term of up to three years renewable for a second term of up to three additional years, or for the length of the project (e.g. for ad-hoc groups). The length of term may be shortened or lengthened if circumstances warrant. There will be staggered rotation of members to ensure continuity on the advisory group. Changes to appointments arising from such reviews are approved by the Board at a private meeting. The membership of the advisory group is then updated on the UKEB's website.

Meetings

- 9.15 Administrative support to the advisory group will be provided by the Secretariat as necessary, including organising meetings and updating members about the project's progress.
- 9.16 Technical papers for meetings of advisory groups will generally be prepared by Secretariat or members of the advisory group, as appropriate. These papers are confidential unless all members of the group agree to share them more widely (e.g. present them at a public Board session).
- 9.17 Board members are welcome to attend any meetings of an advisory group.
- 9.18 Meetings of advisory groups are closed and held in private. The Secretariat will report a summary of the output from the group to the Board at a public meeting.
- 9.19 Meetings of advisory groups may be held in the presence of invited observers with speaking rights only if the chair deems it beneficial to the work of the group.
- 9.20 Members of advisory groups will be expected to:
- (a) review all relevant material before the meeting;
 - (b) provide specialist knowledge and technical advice in line with the purpose and responsibilities of the group's Terms of Reference;
 - (c) make evidence-based and objective contributions, to the extent possible;

- (d) aim for consensus-building wherever possible and, to that end, should be prepared to be challenged on their views and open to consideration of other members' perspectives;
- (e) remain respectful and professional in all interactions with other members of the group and with the Secretariat; and
- (f) attend all meetings.

Frequency for ad hoc advisory groups

9.21 Once work on a project commences, the Board and/or the Secretariat may consult advisory groups when it is beneficial to the project to do so.

Effectiveness review

9.22 The Board will evaluate the purpose and effectiveness of each advisory group every three years (or more frequently, if circumstances warrant), to assess each group as to whether:

- (a) It is continuing to serve the function for which it was established. The Board revises the Terms of Reference applicable to each advisory group as necessary.
- (b) The composition continues to be appropriate. This will include appointments and re-appointments of members. Any changes to membership are approved by the Board at a private meeting. The membership of the advisory group is then updated on the UKEB website.

10 Supporting the work of the IFRS Interpretations Committee

Introduction

10.1 The IFRS Interpretations Committee is the IASB's interpretative body that 'assists the [IASB] Board in improving financial reporting through timely assessment, discussion and resolution of financial reporting issues identified to it within the IFRS framework'³³. It does so by, amongst other things:

- (a) recommending to the IASB to add a standard-setting project to its work plan when certain criteria in the IASB and IFRS Interpretations Committee Due Process Handbook³⁴ are met. This is done in the form of a proposal for a narrow-scope

³³ Refer to paragraph 1.3 in the [IASB and IFRS Interpretations Committee Due Process Handbook](#), IFRS Foundation, (August 2020). The Conceptual Framework describes the objective of and concepts for general purpose financial reporting. It is a practical tool that helps the Board to develop requirements in IFRS Standards based on consistent concepts (refer to paragraph 4.20 in the same Handbook).

³⁴ Refer to paragraph 5.16 in the [IASB and IFRS Interpretations Committee Due Process Handbook](#).

amendment or an annual improvement, i.e. amendments that meet the IASB's criteria for annual improvements or for narrow-scope amendments³⁵;

- (b) developing a proposal for a Draft IFRIC Interpretation (that is later ratified by the IASB); and
- (c) recommending that the IASB does not add a standard-setting project to its work plan, instead publishing an agenda decision³⁶ to address application questions.

10.2 The UKEB supports the IASB's and the IFRS Interpretations Committee's work by ensuring that UK views are considered during the development and improvement of international accounting standards (including IFRIC Interpretations). This is achieved by:

- (a) monitoring the work of the IFRS Interpretations Committee;
- (b) influencing and adopting amendments to international accounting standards and IFRIC Interpretations;
- (c) considering whether to respond to a tentative agenda decision issued by the IFRS Interpretations Committee; and
- (d) informing the IFRS Interpretations Committee and/or the IASB of significant issues raised or identified by UK stakeholders for potential inclusion in their work programme.

(a) Monitoring IFRS Interpretations Committee work

10.3 The Secretariat monitors projects developed by (or with the assistance of) the Interpretations Committee and reports them to the Board on a regular basis (i.e. proposals for amendments, IFRIC Interpretations or tentative agenda decisions).

10.4 The Secretariat may consider:

- (a) undertaking outreach activities ahead of the IFRS Interpretations Committee issuing proposals before a due process document is published; and
- (b) delivering an update on matters discussed at Interpretations Committee meetings at Board meetings, with the objective of raising awareness at Board meetings on the issues being discussed; whether the Board would like to respond and possible interactions with the UKEB's other activities and projects.

³⁵ For 'Annual improvements' refer to the criteria in paragraphs 6.10–6.14 in the [IASB and IFRS Interpretations Committee Due Process Handbook](#). For narrow-scope' amendments refer to the criteria in paragraph 5.16 of the same Handbook.

³⁶ Agenda decisions explain why a standard-setting project has not been added to the IASB's work plan to address a question submitted and, in many cases, include explanatory material that explains how the applicable principles and requirements in IFRS Standards apply to the transaction or fact pattern described in the agenda decision. Refer to paragraphs 8.3–8.7 in the [IASB and IFRS Interpretations Committee Due Process Handbook](#).

(b) Influencing and adopting amendments to international accounting standards and IFRIC Interpretations

- 10.5 The UKEB follows the requirements in Section 5 of this Handbook for influencing proposals for amendments to international accounting standards (i.e. annual improvements, narrow-scope amendments) and for influencing Draft IFRIC Interpretations.
- 10.6 The UKEB follows the requirements in Section 6 of this Handbook for the endorsement and adoption of amendments to international accounting standards and for the endorsement and adoption of final IFRIC interpretations.

(c) Considering whether to respond to a tentative agenda decision

- 10.7 The UKEB expects to respond to a limited number of tentative agenda decisions published by the IFRS Interpretations Committee. Some factors to consider when deciding whether to respond may be:
- (a) The degree of impact of the IFRS Interpretations Committee tentative agenda decision on UK companies (for example, in cases where the tentative agenda decision is expected to affect a significant number of UK companies);
 - (b) Disagreement with the analysis performed by the IFRS Interpretations Committee; or
 - (c) Usefulness of the explanations and clarifications included in the tentative agenda decision.
- 10.8 The Board might also choose to respond to a tentative agenda decision even if it agrees with the analysis performed by the IFRS Interpretations Committee, to provide public support of the tentative agenda decision. For example, this may apply in cases where others have expressed disagreement with the analysis in the tentative agenda decision.
- 10.9 When the Board reviews the update on the IFRS Interpretations Committee's activities it decides whether to respond to a tentative agenda decision.
- 10.10 If an issue discussed by the IFRS Interpretations Committee arises outside the usual Board meeting cycle, the UKEB Chair can approve initiation of work on the tentative agenda decision.

Project milestones for tentative agenda decisions

- 10.11 The UKEB will broadly follow the milestones in paragraph 5.1 in Section 5 of this Handbook to influence tentative agenda decisions issued by the IFRS Interpretations Committee that the UKEB considers have relevance for the UK. However, none of these milestones are mandatory and will only be followed using a proportionate approach. For example, given that the consultation period for a tentative agenda decision is shorter than for other IASB's due process documents (normally 60 days³⁷), the UKEB will have very limited time in which to consult. In this situation it may be more appropriate for the UKEB to consult with a representative group of stakeholders and/or

³⁷ Refer to paragraph 8.2 in the [IASB and IFRS Interpretations Committee Due Process Handbook](#).

with members of the UKEB's standing and/or ad-hoc advisory groups, rather than making a draft comment letter available for comment on the UKEB website.

10.12 The activities undertaken to achieve these milestones should also be proportionate to the issue(s) being addressed.

10.13 After considering comments from UK stakeholders on tentative agenda decisions, the UKEB may decide to recommend that the IFRS Interpretations Committee:

- (a) confirms the IFRS Interpretations Committee's decision to publish an agenda decision;
- (b) revises (or abandons) the IFRS Interpretations Committee's tentative agenda decision; or
- (c) refers the matter to the IASB to consider adding a standard-setting project to the IASB's work plan.

(d) Informing the IFRS Interpretations Committee of significant issues raised by UK stakeholders

10.14 The UKEB may decide to inform the IFRS Interpretations Committee of issues raised or identified by UK stakeholders as potential agenda items (i.e. for potential inclusion on the IASB's and/or on the IFRS Interpretations Committee's work programme). In doing so, the UKEB follows the procedures for the 'Identification of Matters' in the IASB and IFRS Interpretations Committee Due Process Handbook³⁸.

II Due process compliance statement

Introduction and objective

11.1 For each project, the Secretariat assesses whether it has complied with the UKEB's due process activities as set out in Section 4 (Governance activities), Section 5 (Influencing Process), Section 6 (Endorsement process), Section 7 (for research documents that invite stakeholder comments), Section 8 (for a UKEB post-implementation review) and Section 10 (when influencing proposals for amendments to international accounting standards or for Draft IFRIC Interpretations³⁹) of this Handbook, as applicable to the subject matter of the project.

11.2 The Secretariat summarises the due process activities undertaken in a closing control report called 'due process compliance statement'. This report fulfils the following objectives:

- (a) provides a record of the activities undertaken by the Secretariat to comply with the UKEB's due process activities;

³⁸ Refer to paragraphs 5.15 to 5.16 in the [IASB and IFRS Interpretations Committee Due Process Handbook](#).

³⁹ This is when the UKEB follows the requirements in Section 5 of the Handbook when influencing proposals for amendments or for Draft IFRIC Interpretations.

- (b) provides a basis for holding the Secretariat accountable to the Board for the due process procedures that it follows in practice; and
- (c) informs the Board about the work undertaken compared with that agreed in the project initiation plan (PIP). The due process compliance statement retrospectively validates that the process undertaken complied with the PIP (or not). If discrepancies are identified this report provides an explanation as to why, and how the activities still meet due process requirements.

Content

11.3 The due process compliance statement includes the following sections:

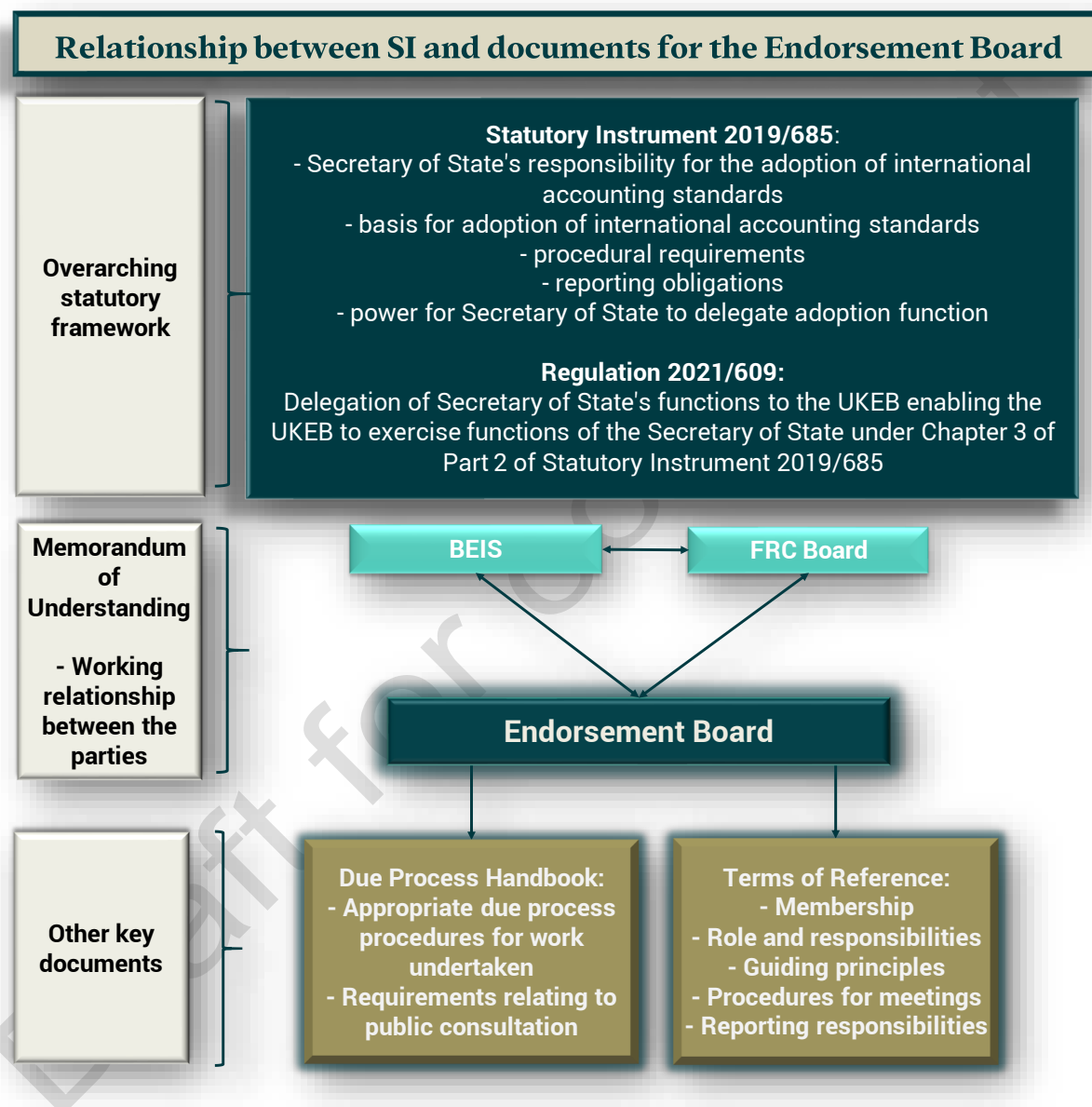
- (a) Project details:
 - (i) If influencing an IASB's due process document: title, date of publication and comment letter deadline;
 - (ii) If a UKEB's thought leadership/research project: project title, date of publication, comment letter deadline (if applicable); or
 - (iii) If endorsing an IASB standard or amendment: title, date of publication and the IASB's effective date.
- (b) A description of due process steps undertaken covering the following areas:
 - (i) Project preparation (i.e. the PIP and/or a revised version of the PIP and desk-based research);
 - (ii) Communications (e.g. public meetings, documents posted on the UKEB website);
 - (iii) Outreach activities (e.g. advisory groups, fieldwork undertaken);
 - (iv) Preparation of documents for public comment (e.g. draft comment letter for influencing activities);
 - (v) Project finalisation and project closure (e.g. final comment letter, feedback statement for influencing activities);
- (c) Metrics or evidence to demonstrate that the process was undertaken as agreed in the PIP and/or in the revised version of this plan (if applicable) (e.g. number of meetings held);
- (d) An explanation of why the Secretariat decided not to undertake a due process step for a given project, if relevant (i.e. why an outreach activity specified in the PIP was not undertaken); and
- (e) A conclusion as to whether, in the Secretariat's opinion, applicable due process steps have been complied with.

11.4 The Board discusses and provides comments on a (draft) due process compliance statement and approves the final version of this statement at a public Board meeting.

- 11.5 A due process compliance statement is published on the UKEB website, usually at the same time as the feedback statement.

Draft for comment

Appendix A—Relationship between Statutory Instruments (SI) and other governance documents for the UK Endorsement Board



Appendix B–[Draft] Terms of Reference outline for advisory groups

Terms of Reference

1 Name, purpose and responsibilities

1.1 Name [of advisory group], purpose and responsibilities to the Board and/or to the Secretariat.

1.2 Guiding principles and compliance with legislative framework.

2 Membership

2.1 Appointments and membership. Description of how members are selected and duration of membership.

2.2 Size: minimum and maximum number of members.

2.3 What the Board and/or the Secretariat expect from the members of the advisory group and consequences of failing to meet the expectations set out in the terms of reference (for example dismissal after non-attendance at a certain number of meetings, etc).

3 Meetings and administrative arrangements

3.1 Process for holding meetings:

(a) Indication that meetings of advisory groups::

(i) are closed and held in private;

(ii) may be held in the presence of invited observers with speaking rights only if the chair deems it beneficial to the work of the group;

(b) Requirements for attendance and an indication that alternates are not permitted;

(c) Location, duration (i.e. number of hours), and frequency (i.e. number of meetings per month and/or per year); and

(d) Indication of who will act as the chair of the advisory group;

3.2 Notice of meetings and agendas. State obligation for the Secretariat to:

(a) make available meeting agendas and papers only for the members of the advisory groups before the meeting; and

(b) report a summary of the output from the group to the Board at a public meeting.

4 Travel and expenses policy

- 4.1 Indication of whether members are reimbursed for reasonable travel and other costs incurred in participating in the group's activities.

5 Approval of Terms of Reference and changes

- 5.1 Date of approval of the Terms of Reference and process for making changes to these terms.

Draft for comment