



Accounting Standards Board

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David Sidwell
Chairman
Due Process Oversight Committee
IFRS Foundation
30 Cannon Street
London, EC4M 6XH

27 January 2011

Dear David,

Trustee review of the operational efficiency and effectiveness of the IFRS Interpretations Committee

I am writing in response to the Trustees' review of the operational efficiency and effectiveness of IFRS Interpretations Committee (the Committee). The Accounting Standards Board (ASB) has completed the enclosed questionnaire and is supportive of the work of the IFRIC. The ASB would, however, like to highlight two matters noted in the enclosed questionnaire.

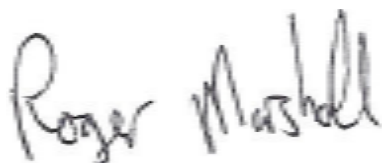
In relation to the Committee's operating procedures the ASB is concerned about the inconsistent quality of agenda papers. Agenda papers, which are publically available, sometimes contain staff explanations that do not accord with the current application of IFRS. The ASB has been informed that these papers, whilst not constituting IASB authoritative literature, are relied on by those that apply IFRS and consequently have the potential to cause confusion. The ASB suggests that further time is devoted to reviewing and improving the quality of the agenda papers. The ASB considers that such an improvement would have the effect of enhancing discussions at the Committee meetings and thereby improving the quality of output whilst removing the possibility of misinterpretation by those reviewing them.

The ASB notes that the Committee often spends considerable time evaluating staff agenda papers prior to deciding whether to take an item on to its agenda. The ASB has two concerns arising from this approach; firstly this absorbs a considerable amount of the Committee's time, which could perhaps be better utilised. Secondly, having already identified its concerns regarding the quality of agenda papers the ASB is worried that rejection notices, based on staff papers, are not always robust and require refinement.

To address these concerns the ASB suggests that the process for considering whether items are to be taken onto the Committee's agenda requires a review. As part of such a review the ASB suggests consideration be given to the establishment of a planning committee. A planning committee could be constituted from members of the International Accounting Standards Board (IASB) and the Committee, this approach would enable the Committee to focus on only active projects and enhance co-ordination between the Committee and the IASB. The ASB also suggests that consideration is given to providing short observer notes rather than the full agenda papers for the planning committee to avoid the reliance, we understand, is currently placed on staff Committee agenda papers.

Should you have any questions regarding the above or the enclosed questionnaire, please do not hesitate to contact either myself or Michelle Sansom, project director (m.sansom@frc-asb.org.uk).

Yours sincerely,

A handwritten signature in black ink that reads "Roger Marshall". The signature is written in a cursive style.

Roger Marshall

Interim Chairman

DDI: 020 7492 2440

Email: r.marshall@frc-asb.org.uk

IFRS Interpretations Committee Review

Questionnaire to be completed by all external stakeholders interested in the IFRS Interpretations Committee, including IASB Members, IFRS Advisory Council members, External Observers, national standard setters and all other interested parties.

Name

(All responses will remain confidential.)

Background:

Please tick () the appropriate box that best describes your background:

- User
- Preparer
- Auditor
- Regulator
- Academic
- Other (please explain) Accounting Standards Board, UK and Republic of Ireland

Please indicate the geographic region in which you are located by ticking () the appropriate box:

- Asia/Oceania
- Europe
- North America
- Africa
- South America
- International

IFRS Interpretations Committee Review

Purpose: To assist the Trustees of the IFRS Foundation conduct a review of the effectiveness of the IFRS Interpretations Committee as part of its monitoring of the IFRS Foundation. This questionnaire provides for a performance evaluation of the efficiency and effectiveness of the Interpretations Committee in achieving its objectives and to offer suggestions to improve its operations.

The assessment covers the accomplishments of the Committee. It is not an assessment of the performance of individual Committee members.

Process: This questionnaire employs the following rating graduation:

1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree

For all items rated as 3 or 4, it is important that each such rating is supported by comments identifying the areas needing improvement and suggested improvements. However, we strongly encourage respondents to provide comments on all aspects of performance. We would also appreciate comment if you are uncertain, do not know the answer to the question, or feel the answer is not applicable.

Responses will be analysed by staff of the IFRS Foundation and a summary will be circulated to the Trustees. The Trustees will issue a final report in the first half of 2011 and this will be sent to all respondents. It will also be placed on the Foundation's website. The Chairman will make a full report to the Interpretations Committee and time will be made available during the relevant Committee meeting for discussion of the results.

Timing: Respondents are asked to complete this form electronically and return it to interpretations-comm@ifrs.org by **31 January 2011**. Individual responses will remain confidential and will not be published.

IFRS Interpretations Committee Review

Objectives and Scope of Activities of the Interpretations Committee

The objectives of the Committee as set out in the Constitution are.

- To interpret the application of IFRSs and provide timely guidance on financial reporting issues not specifically addressed in IFRSs, in the context of the IASB's Framework, and to undertake other tasks at the request of the IASB¹.
- The other tasks include reviewing and making recommendations to the IASB of items for inclusion in the Annual Improvements process, and review of comment letters received and making recommendations on the finalisation of those Annual Improvements.

#	Criteria	Rating				Uncertain / Do not know	Not applicable
		1	2	3	4		
1.	The Committee's stated objectives and scope of activities are appropriate to assist the IFRS Foundation and the IASB in meeting the objective of promoting the use and rigorous application of IFRSs.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.	The Committee understands its objectives and how these link with those of the IFRS Foundation and the IASB. This is reflected in the functioning of the Committee.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3.	The Committee's activities appropriately reflect its objectives	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4.	The Committee's experience and expertise are being efficiently and fully utilised by the IASB.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Comments on Objectives and Scope of Activities of the Interpretations Committee

The ASB supports the Committee's work and considers the current number of interpretations issued is appropriate. The ASB acknowledges that as further regions adopt IFRSs there may be greater demands for interpretations. However, the ASB encourages IFRIC to retain its current position and levels of guidance. See covering letter for the ASB's comments which are relevant for 3 and 4 above.

¹ Paragraph 43 of the IFRS Foundation's Constitution.

IFRS Interpretations Committee Review

Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree							
#	Criteria	Rating				Uncertain / Do not know	Not applicable
		1	2	3	4		
Membership Committee members are appointed by the Trustees. The members of the Committee are selected so as to represent the best available combination of technical expertise and diversity of international business and market experience in the practical application of IFRSs and analysis of financial statements prepared in accordance with IFRSs.							
5.	The Committee has a sufficiently broad range of collective expertise, experience and geographical balance to ensure its effective and efficient operation. The Committee membership achieves an appropriate balance of backgrounds and experience.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.	The size of the Committee is appropriate to achieve diversity of experience and background without being too large.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comments on Membership of the Interpretations Committee 							
Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree							

IFRS Interpretations Committee Review

#	Criteria	Rating				Uncertain / Do not know	Not applicable
		1	2	3	4		
Operating Procedures							
The Committee generally meets six times each year for one and a half days. Meetings are open for public observation (except for administrative matters).							
7.	Committee meetings are efficient and effective in terms of:						
	(a) Frequency.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(b) Length.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(c) Geographical location (London).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(d) Quality of agenda material.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(e) Quantity of agenda material.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(f) Timely provision of agenda materials (observer notes).	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8.	There is high quality participation and interaction in the discussion by Committee Members in reaching consensus	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9.	Committee meetings are productive and achieve their full potential	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10.	The Committee is optimally placed to meet the future demand of stakeholders	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree							

IFRS Interpretations Committee Review

#	Criteria	Rating				Uncertain / Do not know	Not applicable
		1	2	3	4		
<p>Comments on Operating Procedures of the Interpretations Committee</p> <p>The ASB considers that the quality control of the Committee papers could be improved. The ASB is concerned that the papers, which are publically available, sometimes contain staff interpretations that do not accord with current application of IFRS. The ASB notes, by way of example, that the initial review of the issues on sharebased payments may have been more beneficial and enhanced the quality of the Committee's discussion if the papers had been less detailed and perhaps more strategic.</p>							
<p>Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree</p>							
<p>Agenda Criteria</p> <p>The criteria for the Committee to address an issue by issuing an Interpretation are as follows:</p> <p>(a) <i>The issue is widespread and has practical relevance</i></p> <p>(b) <i>The issue indicates that there are significantly divergent interpretations (either emerging or already existing in practice). The Committee will not add an item to its agenda if IFRSs are clear, with the result that divergent interpretations are not expected in practice.</i></p> <p>(c) <i>Financial reporting would be improved through elimination of the diverse reporting methods.</i></p> <p>(d) <i>The issue can be resolved efficiently within the confines of existing IFRSs and the Framework, and the demands of the interpretation process.</i></p> <p>(e) <i>It is probable that the Committee will be able to reach a consensus on the issue on a timely basis.</i></p> <p>(f) <i>If the issue relates to a current or planned IASB project, there is a pressing need to provide guidance sooner than would be expected from the IASB's activities. The Committee will not add an item to its agenda if an IASB project is expected to resolve the issue in a shorter period than the Committee requires to complete its due process.</i></p>							
11.	The Criteria for the Committee's interpretative agenda are appropriate and adequate.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12.	The Agenda Criteria are applied appropriately and consistently.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

IFRS Interpretations Committee Review

#	Criteria	Rating				Uncertain / Do not know	Not applicable
		1	2	3	4		
<p>Comments on Agenda Criteria</p> <p>The Committee often considers the issue referred to it in some detail before assessing the issue against the agenda criteria. This absorbs a considerable proportion of the Committee's time. The ASB has already raised its concern regarding quality of staff papers and considers this issue is intensified when the Committee considers agenda items and issues rejection notices. The ASB considers the agenda setting process needs a substantial overall and that consideration should be given to establishing a Planning Committee that includes members of the IASB. The objective of the Planning Committee would be to recommend which items the Committee takes on its agenda. The ASB also suggests, given its concerns over the quality of agenda papers, consideration should be given to providing only short observer notes for planning committee meetings rather than allowing the full papers to be available to the public.</p>							
<p>Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree</p>							
<p>Outputs from the Committee</p> <p>The Committee addresses issues by:</p> <p>(a) issuing IFRIC interpretations</p> <p>(b) proposing issues to the IASB for inclusion in Annual Improvements</p> <p>(c) making recommendations for the IASB to address an issue in some other way, for example inclusion in an existing IASB project or consideration in a post-implementation review</p> <p>(d) issuing an agenda decision not to address an issue through one of the above routes. Agenda decisions for issues considered for an Interpretation are published for public comment for 30 days before being finalised.</p>							
13.	The Interpretations issued and Annual Improvements proposed meet the needs of the IASB and the IFRS Foundation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14.	The Interpretations issued are effective (their number, frequency and content) in meeting the needs of constituents	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

IFRS Interpretations Committee Review

#	Criteria	Rating				Uncertain / Do not know	Not applicable
		1	2	3	4		
15.	The Annual Improvements issued are effective (their number, frequency and content) in meeting the needs of constituents	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16.	Agenda decisions are issued when the Committee decides not to take an issue onto its agenda. Some of these agenda decisions do not propose any further action. The content of such agenda decisions is appropriate and sufficient when:						
	(a) the Committee believes the Standards provide sufficient guidance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(b) the Committee is unable to reach a consensus	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17.	The consultative due process for agenda decisions is appropriate and sufficient	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>Comments on Outputs from the Committee</p> <p>The ASB, through its Urgent Issues Task Force, has raised a concern that the Committee has extended its remit outside interpretation of existing IFRS by providing guidance based on tentative decisions of the IASB or by providing interpretations where there is no current IFRS for example, Asset Stripping Costs in the Production Phase of a Mine.</p>							
<p>Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree</p>							
<p>Communications</p>							
18.	The Committee's communications are optimal and effective (IFRIC Update and post-meeting podcast)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19.	When appropriate, the Committee and/or the Committee staff liaises effectively with other similar interpretations bodies and National Standard Setters.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20.	The Committee's activities are sufficiently transparent to stakeholders.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

IFRS Interpretations Committee Review

#	Criteria	Rating				Uncertain / Do not know	Not applicable
		1	2	3	4		
Comments on Communications							
Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree							
Leadership							
21.	Please rate the effectiveness of the Chair.						
	(a) Discussions are at the appropriate level of detail.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(b) Discussions are focused on the right issues.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(c) Issues are identified and deliberated in a timely and effective manner.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comments on Leadership							
<p>The ASB has already noted its concern that the quality of papers hinders the quality of discussion at meetings. Obviously, the task of leading the Committee's discussions is similarly hindered where the agenda papers are of inconsistent quality, as highlighted in the covering letter.</p>							
Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree							

IFRS Interpretations Committee Review

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		1	2	3	4		
<p>Interaction with the IASB</p> <p>The designated Board observers are (from July 2010) Philippe Danjou, Amaro Gomes, Patricia McConnell and Wei-Guo Zhang . They are encouraged primarily to listen and to provide Board Member perspectives on issues being discussed rather than participate in the debate. The Director of Implementation Activities provides an oral update to the IASB after each Interpretations Committee meeting.</p>							
22.	The Committee interfaces effectively with the IASB	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23.	The IASB responds effectively to the IFRS Interpretations Committee's recommendations	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree</p>							
<p>Comments on Interaction with the IASB</p> <p>The ASB considered the decisions regarding how to address the issues raised in relation to Sharebased Payments in 2010 suggested a lack of co-ordinated thinking between the two bodies.</p>							
<p>Overall evaluation</p>							
24.	Overall, the Committee is achieving its stated objectives and scope of activities.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>Ratings: 1 = strongly agree; 2 = agree; 3 = agree somewhat, but needs improvement; 4 = strongly disagree</p>							

IFRS Interpretations Committee Review

Comments:

Please list the three aspects of Committee's activities that, in your opinion, are working best.

Please list the three aspects of Committee's activities that, in your opinion, are in the most need of improvement.

Do you have any suggestions on improving the process of assessing the Interpretations Committee?

General comments: use this space for any general comments that you may have.