

## Draft for Discussion Purposes

### IFAC's Standards-Setting Public Interest Activity Committees' Due Process and Working Procedures

In promulgating international pronouncements, IFAC's standards-setting Public Interest Activity Committees' (PIACs) adopt the following due process and working procedures.

Matters of due process are identified in each of the following paragraphs. Working procedures, shown in *italics*, are steps adopted by the PIAC to facilitate the operations of its due process but are not themselves part of the due process.<sup>1</sup> Working Procedures may be modified to reflect unique circumstances of the individual PIAC or, as considered necessary, to respond to changes in circumstance.

#### General

1. PIAC meetings to discuss the development, and to approve the issue, of international pronouncements are open to the public. Matters of a general administrative nature or with privacy implications may be dealt with in closed sessions.
  - *Where practicable, PIAC meetings are broadcasted over the Internet or recorded and archived on the IFAC website [Note: subject to the results of the IAASB's webcast field tests.]*
2. Meeting agenda papers, including issues papers and draft international pronouncements prepared for the PIAC's review and debate and minutes of the immediately preceding meeting of the PIAC, are published on the IFAC website in advance of each PIAC meeting.
  - *Meeting agenda papers are published on the IFAC website ordinarily no later than three weeks in advance of each PIAC meeting. Draft meeting minutes are published on the IFAC website ordinarily within six weeks after each PIAC meeting. Final minutes are retained on the website indefinitely.*
  - *Updated project summaries and meeting highlights are posted to the website after each meeting. Agenda papers are retained on the IFAC website for at least three years from the date of the meeting. Only the final international pronouncements issued by the PIAC are authoritative.*
3. Meetings and agenda papers are in English, which is the official working language of IFAC.

#### Project Identification, Prioritization and Approval

4. The PIAC identifies new projects based on a review of national and international developments and on comments and suggestions from those who have an interest in the development of international pronouncements issued by the PIAC.

<sup>1</sup> For discussion purposes, this document presents matters of due process and working procedures together. This presentation style may also be used when publishing such matters on the IFAC website. A PIAC may however publish its due process, either separately or along with its working procedures, in a document within its Handbook or similar containing the PIAC's international pronouncements.

5. The Public Interest Oversight Board (PIOB) and the PIAC's Consultative Advisory Group (CAG) are consulted to help establish the PIAC's project priorities.
6. A proposal to start a new project is prepared based on research and on appropriate consultation with the PIAC and the PIAC's CAG. It is also circulated to other IFAC Committees and IFAC Task Forces to identify matters of possible relevance to the project. The PIAC considers and prioritizes the project proposal having regard to the public interest. As appropriate, the PIAC approves, amends or rejects the project proposals in a meeting open to the public.
  - *Where the PIAC has a Steering Committee (or equivalent), a proposal to start a new project is first considered by the Steering Committee (or equivalent). The Steering Committee (or equivalent) recommends to the PIAC either that a project proposal be approved or that no new project be initiated at that time. A project proposal identifies, where applicable, who has recommended the project for consideration by the PIAC.*
7. Where the PIOB or the PIAC's CAG has recommended a project for consideration by the PIAC, the Chair of the PIAC informs the PIOB and the PIAC's CAG of the decisions of the PIAC.

### **Development of Proposed International Pronouncements**

8. The PIAC may assign responsibility for a project to a Project Task Force. The Project Task Force operates within the guidelines established by the PIAC.
  - *A project proposal includes any proposed assignment of responsibility for the project to a Project Task Force. It addresses, where appropriate, specific areas of expertise or geographical representation that may be needed on the Project Task Force. The identification of Project Task Force members focuses on finding the best person for the job.*
  - *A Project Task Force is chaired by a member of the PIAC and may contain participants, such as external experts, who are not members of the PIAC but have experience relevant to the subject matter. Members of a Project Task Force are identified in the project summaries contained on the IFAC website.*
  - *Project Task Force meetings are not open to the public.*
  - *Draft pronouncements are developed based on research and consultation, which may include: conducting research; consulting with the PIAC or the PIAC's CAG, practitioners, regulators, national standard setters and other interested parties; and reviewing professional pronouncements issued by IFAC member bodies and other parties.*
  - *The PIAC may also conduct projects jointly with a national standard setter(s) or other organizations with relevant expertise. In such cases, a member of the PIAC chairs the joint Project Task Force.<sup>2</sup> Where practicable, joint projects are conducted on a multi-national basis whereby two or more national standard setters or national organizations are involved in the joint project.*

<sup>2</sup> Note: The issue of whether joint projects should be co-chaired is to be considered further by the IAASB and national auditing standard setters. Respondents' comments on the IAASB ED have suggested, however, that the practice of co-chairs should be eliminated.

- *Joint projects are subject to the due process of the PIAC. If exposed separately both internationally and by the national standard setter(s) with whom the project is being jointly developed, and where applicable, the PIAC may additionally have regard to comments received by the national standard setter(s), where they may be relevant internationally, and to the extent the process does not result in unnecessary delay in the finalization of the pronouncement. The final pronouncement approved by PIAC becomes a final international pronouncement in the normal way. It may differ from the corresponding document(s), if any, approved by the collaborating national standard setter(s).*
9. The PIAC considers whether to hold a public forum or roundtable, or issue a consultation paper, in order to solicit views on a matter under consideration. The decision to do so may be made at any stage before or after a draft international pronouncement is issued for public exposure. Comments received through a public forum or roundtable, or the issue of a consultation paper, are considered in the same manner as comments received on an exposure draft.
- *In deciding upon the need to hold a public forum or roundtable or to issue a consultation paper, the PIAC considers whether the subject of the international pronouncement, the level of interest within and outside the profession, the likely or actual existence of a significant and controversial divergence of views, the need for additional information in order to further the PIAC's deliberative process, or some other reason indicates that wider or further consultation would be appropriate.*
10. When the Project Task Force is satisfied that it has a proposed draft international pronouncement that is ready for exposure, it presents the draft to the PIAC for approval in accordance with the PIAC's voting procedures.

### **Public Exposure**

11. Approved draft international pronouncements are exposed for public comment (subject to the PIAC's terms of reference). Exposure drafts are placed on the IFAC website where they can be accessed free of charge by the general public. Each exposure draft is accompanied by an explanatory memorandum that highlights the objective(s) of, and the significant proposals contained in, the draft international pronouncement.
- *Notice of the issuance of exposure drafts is widely distributed to: regulatory bodies; organizations that have an interest in the pronouncements issued by the PIAC; member bodies of IFAC; and the press.*
  - *An explanatory memorandum may also direct respondents to aspects of the draft international pronouncement on which specific comments are sought.*
12. The exposure period will ordinarily be no shorter than 90 days.<sup>3</sup>

<sup>3</sup> Note: In response to the IAASB's exposure draft on due process, several national standard setters expressed concern that a 90 exposure period does not provide sufficient time to allow: the issue of exposure drafts nationally in parallel with the IAASB exposure process; (ii) comment from jurisdictions where translation is necessary; and (iii) representative bodies to consult and achieve consensus of their comments within their due process. Accordingly, the exposure period proposed for the IAASB due process states: "The exposure period will ordinarily

- *A shorter or longer exposure period, however, may be set when considered appropriate. A longer exposure period may be set, for example, where complex or pervasive changes might affect translation or to make wider consultation possible. A shorter exposure period may be set, for example, where in the public interest there is a need to conclude on a matter more quickly, the exposure draft is relatively simple or short, or where the PIAC decides to re-expose all or only part of a draft international pronouncement*
  - *Exposure drafts indicate that the PIAC cannot undertake to consider comments and suggestions received after the close of the comment period.*
13. Comments made by respondents to an exposure draft are a matter of public record and are posted on the IFAC website after the end of the exposure period.
- *An acknowledgement of receipt is sent to every respondent to an exposure draft.*
  - *PIAC members, their technical advisers, and Project Task Force members who are not members of the PIAC are notified when comment letters have been made available on the IFAC website.*
  - *A number of printed copies of the exposure draft and comment letters are also made available for the reference purpose of PIAC members at the PIAC meeting in which the project is scheduled for discussion.*

#### **Consideration of Respondents' Comments on an Exposure Draft**

14. To facilitate the deliberative process, the Project Task Force provides the PIAC, as part of the PIAC's public agenda papers, with an analysis that summarizes the main issues raised by respondents, outlines the proposed disposition of the issues that have been raised and, as appropriate, explains the reason(s) significant changes recommended by a respondent(s) are, or are not, to be accepted.
- *The comments and suggestions received within the exposure period are read and considered by the Project Task Force.*
  - *Project agenda papers contain a cumulative summary of the significant decisions made by the PIAC on matters relating to the project, including its position on the main points raised in comment letters.*
  - *When an exposure draft has been subject to many changes, a summary comparative analysis is presented to the PIAC. This analysis shows, to the extent practicable, the differences between the exposure draft and the proposed final international pronouncement.*
15. Members of the PIAC familiarize themselves with the issues raised in comment letters on exposure drafts such that they are able to make well informed decisions as they finalize an

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be 120 days.” While the extension from 90 days to 120 days does not substantively impact the IAASB timetable, it would affect the timeliness of output by other PIACs that do not convene as frequently as the IAASB.

international pronouncement. The PIAC deliberates significant matters raised in the comment letters received, with significant decisions recorded in the minutes of the meeting of the PIAC.

- *The PIAC does not enter into debate or discussion with respondents on individual comment letters.*
- *The PIAC may decide, however, to discuss a letter of comment with the respondent to seek clarification on a matter. For comments received from members of the Monitoring Group, if and as requested, the PIAC will explain to them the reason(s) for not having accepted their proposals. The nature and outcome of such discussions are reported and recorded in the minutes of the PIAC meeting at which the related project is discussed.*

### **Re-Exposure**

16. After approving the revised content of an exposed international pronouncement, the PIAC assesses whether there has been substantial change to the exposed document that may warrant re-exposure. If so, the PIAC votes on a resolution in favor of re-exposure that is subject to the same voting rules as a vote on the issue of an exposure draft or final international pronouncement of the type to be issued, in accordance with the PIAC's terms of reference.

- *The senior staff member of the PIAC, in consultation with the Chair of the PIAC and chair of the Project Task Force, advises the PIAC on whether a draft international pronouncement, or part thereof, needs to be re-exposed.*
- *Situations that constitute potential grounds for a decision to re-expose may include, for example; substantial change to a proposal arising from matters not aired in the exposure draft such that commentators have not had an opportunity to make their views known to the PIAC before it reaches a final conclusion; substantial change arising from matters not previously deliberated by the PIAC; or substantial change to the substance of a proposed international pronouncement.*

17. When an exposure draft is re-exposed, the explanatory memorandum accompanying the re-exposure draft includes the reasoning for re-exposure and sufficient information to allow an understanding of the changes made as a result of the earlier exposure.

### **Approval of a Final International Pronouncement**

18. The senior staff member of the PIAC is responsible for advising the PIAC whether the established due process has been followed before a final international pronouncement is approved for issue.

19. When a revised draft international pronouncement is approved by the PIAC, it is issued as a definitive final international pronouncement. Where applicable, the PIAC sets an effective date for the application of the international pronouncement.

- *In setting such dates, the PIAC considers the reasonable expected minimum period for effective implementation, including the need for translation into national languages.*

20. For each final international pronouncement, the PIAC issues a separate document explaining its basis of conclusions with respect to comments received on an exposure draft.

- *The document explaining the PIAC's basis of conclusions with respect to comments received on an exposure draft is circulated to the PIAC for comment and is issued after clearance by the Chair and senior staff member of the PIAC. The issue of the document is not subject to voting approval by the PIAC and therefore does not constitute part of the final international pronouncement and is non-authoritative. It is retained for an indefinite period on the IFAC website.*

### **Voting**

21. The PIAC votes on the approval of a final international pronouncement in accordance with the PIAC's terms of reference.

### **Matters of Due Process**

22. If an issue over adherence to due process is raised with PIAC (other than one that is clearly frivolous or vexatious), whether by a third party or otherwise, the PIAC assesses the matter and seeks an appropriate resolution. The PIAC's decision on the matter is communicated to the party raising the matter. Alleged breaches of due process and the resolution thereof is communicated by the PIAC to the PIOB.
  - *Where the PIAC has a Steering Committee (or equivalent), the Steering Committee (or equivalent) assesses issues raised over due process and obtains relevant information from all parties involved. The Steering Committee (or equivalent) brings the issue to the attention of the PIAC with a recommendation on whether the alleged breach has merit and if so, an appropriate resolution.*
  - *The PIAC reports annually on the manner in which it has complied with its due process during the period.*