

# AGENDA PAPER

IFRS Foundation Trustees meeting – Due Process Oversight Committee

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Engagement

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## Introduction

1. The purpose of this paper is set out the annual review of consultative groups and to provide an update on DPOC engagement with the IASB's major advisory and consultative bodies.

## Background

2. The *Due Process Handbook* (paragraphs 3.58-3.63) sets out the provisions relating to consultative groups. It notes (in paragraph 3.58) that the IASB usually establishes a consultative group for each of its major projects, such as a specialist or expert advisory group, in order to give the IASB access to additional practical experience and advice.
3. The Handbook goes on to state:
  - 3.63 All consultative groups are reviewed by the technical staff each year to assess whether each group is continuing to serve the function for which it was established and whether, if that is the case, the membership should remain the same. The outcome of the review is presented to the IASB and DPOC.
4. The first such review was carried out last year and reported to the DPOC and IASB at their meetings in July 2012 (DPOC Agenda Paper, AP 4A and IASB AP 9C). As a result of that review, it was agreed that a number of groups should be formally wound up (those for Financial Statement Presentation, Employee Benefits, and the Expert Advisory Panel for Fair Value Measurement).

## Review to June 2013

5. A list of the IASB's current consultative groups is set out in Appendix A, together with details of the meeting activity for each group in the year to the end of June 2013. Details on each of these groups are set out below.

### ***Accounting Standards Advisory Forum (ASAF)***

6. The ASAF is a group of 12 national accounting standard-setters and regional bodies with an interest in financial reporting. The main purpose of the ASAF is to provide technical advice and feedback to the IASB and, in particular, to act as the consultative group to the IASB on its conceptual framework. The Trustees approved the membership of the ASAF in March 2013 and the ASAF held its first meeting on 8-9 April. A progress report on ASAF was considered by the Trustees at their April 2013 meeting (AP 1A for that meeting refers), when it was reported that the meeting had gone very well.
7. The ASAF will be subject to a full review of its membership and operations after two years (ie in early 2015).

### ***Emerging Economies Group (EEG)***

8. The EEG is a group, chaired by Wayne Upton, the Chairman of the IFRS Interpretation Committee, comprising 12 members who represent the emerging economies member countries of the G20 and Malaysia. The aim of the EEG is to enhance the participation of emerging economies in the development of IFRSs.
9. The EEG focuses on issues around the application and implementation of IFRSs in emerging economies. In addition, the group may also consider if, and how, the IASB could provide educational guidance at the right level for interested parties in emerging economies—and what the best delivery system for this would be. However, the remit of the EEG may evolve over time.
10. The EEG meets twice a year. In the period under review, the EEG met in December 2012 (in São Paulo) and May 2013 (in Seoul). Communiqués of both meetings can be accessed on the EEG page on the IFRS Foundation website.<sup>1</sup>
11. The technical staff's view is that the EEG is an effective vehicle for ensuring that emerging economies have a conduit to the IASB. The work of the group has been largely technical in nature, with different members taking a lead on project discussions. We will monitor the continuing effectiveness of this group in the light of the evolving regional groups. Members of the EEG generally participate in regional forums such as the AOSSG and GLASS and some EEG members are also on ASAF.

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<sup>1</sup> <http://www.ifrs.org/The-organisation/Advisory-bodies/EEG/Pages/About-the-EEG.aspx>.

Some papers discussed at the EEG have also been presented at these regional meetings and at IFASS (the larger international forum). We need to ensure that the EEG meetings are providing a marginal benefit to the members and to the IASB.

12. Additionally, the AOSSG has started to mentor some countries within their membership—for example, Australia is assisting the Nepalese Standard Setter.
13. All of these developments are helpful to emerging economies. We need to ensure that we maintain an appropriate membership and focus that supplements and complements these developments.

### ***Capital Markets Advisory Committee (CMAC)***

14. The CMAC aims to provide the IASB with regular input from the international community of users of financial statements.
15. The CMAC consists of (currently) 14 members with extensive practical experience in analysing financial information and who are established commentators on accounting matters in their own right or through the representative bodies with which they are involved. Members are drawn from a variety of industry and geographical backgrounds.
16. The CMAC meets three times a year (one in a joint meeting with the Global Preparers Forum, GPF). In the period under review, the CMAC met in October 2012 and March 2013, with a joint meeting with the GPF held in June 2013. Meeting papers and audio webcasts can be accessed on the CMAC page on the website.<sup>2</sup>
17. At the last meeting we discussed with the CMAC the fact that they select their own members. The CMAC agreed, and welcomed, having their membership reviewed by the DPOC and the IASB work with the CMAC to appoint members. The change should add credibility to the selection process and help the CMAC identify potential members from areas where they struggle to attract representatives.
18. The technical staff's view is that the CMAC is functioning well, and that the enhancement to membership will improve its effectiveness.

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<sup>2</sup> <http://www.ifrs.org/The-organisation/Advisory-bodies/CMAC/Pages/CMAC.aspx>.

### ***Global Preparers Forum (GPF)***

19. The GPF aims to provide the IASB with input from the international preparer community. Its (currently) 14 members have considerable practical experience of financial reporting and are established commentators on accounting matters in their own right or through working with representative bodies in which they are involved.
20. The GPF meets three times a year (one in a joint meeting with the CMAC). In the period under review, the GPF met in November 2012 and March 2013, with a joint meeting with the CMAC held in June 2013. Meeting papers and audio webcasts can be accessed on the GPF page on the website.<sup>3</sup>
21. We had similar discussions about membership selection as we had with CMAC and the reaction and outcome was the same. In this case we are helping identify people who can represent mid-cap entities. The technical staff's view is that the GPF is functioning well, and that the enhancement to membership will improve its effectiveness.

### ***Education Advisory Group (EAG)***

22. The EAG is a group of 10 individuals having diverse geographical and functional backgrounds, but with expertise and experience in the education of accountants or other professionals. The EAG advises the Director of Education on the IASB's education work (although it does not review the technical quality of the organisation's educational products and services). During the period under review, the EAG met once, via teleconference, and conducted one email based discussion.
23. The Trustees' Education and Content Services Committee considered a 'refresh' of the membership of the EAG at its meeting in April 2013 (AP 6B refers). The main outcome of that meeting is that future appointments will only be made after we have publicly advertised a call for applications.
24. The education staff report that they find the group very helpful.. The technical staff's view is that the EAG is operating effectively and should continue in its current form, subject to the change in membership selection.

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<sup>3</sup> <http://www.ifrs.org/The-organisation/Advisory-bodies/Pages/Global-preparers-forum.aspx>.

### ***SME Implementation Group (SMEIG)***

25. The SMEIG's aim is to support the international adoption of the IFRS for SMEs and monitor its implementation. The SMEIG is chaired by IASB member Darrel Scott and comprises 22 members selected on the basis of their knowledge and experience in the financial reporting of SMEs, and with a balanced geographical distribution in selecting its members. We plan to increase the group to 30 members in July 2014. The DPOC considered, and was content with, the proposal to expand the SMEIG at its meeting in October 2012 (AP 3D for that meeting refers).
26. During the period under review, the SMEIG has played an important role in the Comprehensive Review of the IFRS for SMEs. Although traditionally the group (established in 2010) has operated on an e-mail basis, it held its first face-to-face meeting in February 2013. Agenda papers and a meeting summary can be accessed on the SMEIG page on the website<sup>4</sup>.
27. The SMEIG was created with the expectation they would do most of their work (ie development of Q&As) by email. The next face-to-face meeting is unlikely to take place until the next review of the IFRS for SMEs which will be 2017-2019 depending on whether review takes place after 3-5 years.
28. The technical staff's view is that the SMEIG is an effective group that has functioned well during the period. They have made a significant contribution to the review of IFRS for SMEs. Although the next face-to-face is not scheduled for another three to five years we expect them to remain engaged via email.

### ***XBRL Advisory Council (XAC) and XBRL Quality Review Team (XQRT)***

29. The XAC provides strategic advice on the IFRS Foundation's XBRL activities and on the adoption and implementation of the IFRS Taxonomy throughout the world. The XQRT reviews developed taxonomies in order to achieve the highest level of quality by providing input and offering practical recommendations on the usability of the IFRS Taxonomy from both an XBRL technology and a financial reporting perspective.
30. As DPOC members are aware, the IASB has reassessed its strategy for XBRL. At their meeting in January 2013 (AP 13 refers), the Trustees agreed with the proposal that the IASB should focus on how an IFRS Taxonomy could help facilitate regulatory filing

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<sup>4</sup> <http://www.ifrs.org/IFRS-for-SMEs/Pages/Implementation-Group.aspx>.

requirements and help users of IFRS financial statements to consume that information. This means that the IASB is placing less emphasis on the technology behind the taxonomy ie XBRL and more emphasis on electronic filing mechanisms more generally.

31. This change of focus has implications for both the XAC and XQRT. This was a matter discussed at the IFRS Advisory Council in June. Our assessment of the discussions was that we should not continue with both the XAC and XQRT in their current form. There were, however, mixed views about what steps should be taken next. We plan to bring a formal proposal to the Trustees in October.

### ***Effects Analysis Consultative Group (EACG)***

32. The EACG is a new group that was established in 2012, in response to a recommendation made by the Trustees in their February 2012 report *Strategy Review 2011* that the IASB should establish a consultative group from the international community to develop an agreed methodology for field testing and effects analysis. Following a call for candidates issued in July 2012, the DPOC reviewed the proposed membership of the EACG at its meeting in October 2012 (AP 3C refers).
33. The EACG comprises 17 members, including representatives from the European Commission and the US Securities and Exchange Commission (SEC).
34. The EACG held its first meeting on 20 May. A second meeting is scheduled for 19 July. The EACG is designed to be a limited life group with a final report being ready by the end of 2013.

### ***Rate-Regulated Activities Consultative Group (RRACG)***

35. The RRACG is another new group, which has been formed to help the IASB in its project on rate regulation by providing a variety of expert perspectives, including those of preparers, auditors and users of financial statements, and regulators. Following a call for candidates issued in January 2013, the DPOC reviewed the proposed membership of the RRACG at its meeting in April 2013 (AP 3D refers).
36. The group consists of 15 senior professionals with extensive practical experience in the operation of a variety of rate-regulatory schemes, plus observers from 3 organisations.

37. The first meeting of the RRACG is scheduled to take place during July 2013.

***Financial Instruments Working Group (FIWG)***

38. This group was established prior to 2004. It has 15 members from US, France, Germany, The Netherlands, Australia, Switzerland, the UK and Japan. The members are Financial Instrument specialists from preparers, audit firms, regulators, users of financial statements and academics. The FIWG's aim is to help the IASB in its financial instruments project.
39. The FIWG has not met over the last year. However, the technical staff's view is that, although the FIWG has not met in the last year, it is beneficial to retain this as a formal group because we still draw on the expertise of the individual members.

***Insurance Working Group (IWG)***

40. The IWG is designed to help the IASB analyse accounting issues relating to insurance contracts. It was formed in August 2004 and has 25 members (12 from Europe, 10 North America and 3 Asia-Oceania). It also has 5 official observers (3 Europe and 2 North America).
41. The group was very active during the assessment of the first exposure draft, with the last meeting held over two days in June last year. It has not met in the last year.
42. The technical staff's view is that the group should be retained. The IWG has been used throughout the development of the Insurance Contracts project. The IASB recently issued an exposure draft and having the IWG in place when we begin considering the feedback on the proposal should be beneficial.

***Leases Working Group (LWG)***

43. The LWG was formed in 2006. It has 15 members. It has not met in the last year.
44. The technical staff's view is that the group should be retained. The IWG has been used throughout the development of the Leases project. The IASB recently issued an exposure draft and having the LWG in place when we begin considering the feedback on the proposal should be beneficial. We expect to draw on the expertise of the individuals in the group rather than having a full face-to-face meeting.

### **Expert Advisory Panel (EAP) – Impairment**

45. The EAP on Impairment was established when the Impairment ED was published in 2009. It has 25 members, from Germany, France, Switzerland, Brazil, US, UK, South Africa, Australia, Japan, The Netherlands and China. The members are credit risk specialists.
46. No face-to-face meetings have been held, however, informal ad hoc meetings have been held with subgroups.
47. The staff have found this an effective group for assessing potential models in the impairment project. Assessing the ability of banks to apply a model is a critical part of the assessment of the likely effects of the proposals.
48. The technical staff's view is that the group should be retained.

### **Valuation Expert Group (VEG)**

49. The VEG was formed in May 2012 to assist with the preparation of educational material for IFRS 13 *Fair Value Measurement*.
50. It comprises 17 members, who come from developed, transition and emerging economies. These professionals are experienced in measuring fair value for financial reporting purposes and are knowledgeable about the challenges of applying IFRS 13 or other fair value measurement requirements in IFRSs.
51. During the period under review the group was not asked to meet. However, when we established the group it was intended to be a virtual group, providing feedback on draft education material.
52. The technical staff's view is that this group has operated effectively and should be retained in its current form. We are already planning on using the group for the next chapter of the fair value measurement material.

### **DPOC engagement with consultative groups and Constitutional bodies**

53. At its last meeting (AP 3D refers), the DPOC discussed how it might enhance its engagement with consultative groups and IFRS Foundation Constitutional bodies (in particular the IFRS Interpretations Committee and the IFRS Advisory Council). The DPOC agreed with Scott Evans' proposal that one member of the DPOC, or David Loweth (on behalf of the DPOC), should attend at least part of a face-to-face meeting



of each of the major groups and report back to the Committee to validate the breadth of attendance and an appreciation of the quality of the dialogue.

54. Since the April 2013 meeting, a number of the groups have held meetings. David attended both the IFRS Advisory Council meeting held on 10-11 June and a number of sessions of the Joint CMAC/GPF meeting held on 13 June, and will report his observations to the DPOC. Duck-Koo Chung gave a welcoming address to the meeting of the EEG held in Seoul on 30-31 May. There was no DPOC representative at the first meeting of the Effects Analysis Consultative Group held on 20 May, although David plans to attend the next meeting scheduled in July, and the first meeting of the Rate-regulated Activities Consultative Group.
55. As noted at the April meeting, Scott intends to attend the October meeting of the IFRS Advisory Council and will be seeking volunteers for other forthcoming meetings. At present in the calendar, the following meetings are scheduled:

<b>Group</b>	<b>Date</b>	<b>Location</b>
EACG	19 July	London
RRACG	26 July	London
IFRS Advisory Council	14-15 October (some overlap with the Trustees' Frankfurt meeting).	London
IFRS Interpretations Committee	10-11 September, then 12-13 November	Both London
CMAC	17 October (clashes with Trustees' meeting)	London
XQRT	22 October	London
XAC	23 October	London
GPF	11 November	London
EEG	16-17 December	Kuala Lumpur

**Appendix A**

**IASB CONSULTATIVE GROUPS**

<b>Consultative Group</b>	<b>Meetings in the year to end June 2013</b>	<b>Date of last meeting</b>
Accounting Standards Advisory Forum	1	April 2013 (first meeting).
Emerging Economies Group	2	May 2013
Capital Markets Advisory Committee	3	June 2013 (jointly with GPF)
Global Preparers Forum	3	June 2013 (jointly with CMAC)
Education Advisory Group	1	Xxx
SME Implementation Group	1	4 and 5 February 2013
XBRL Advisory Council	3	June 2013
XBRL Quality Review Team	4	May 2013
Effects analysis	1	May 2013 (first meeting)
Rate-Regulated Activities	Nil	New group – yet to meet. First meeting scheduled 26 July 2013.
Financial Instruments	Nil	August 2011
Insurance	Nil	June 2012
Leases	Nil	January 2012
Expert Advisory Panel – Impairment	Nil	Not met.
Valuation Expert Group (IFRS 13)	Email consultation	Not met.