

## STAFF PAPER

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## IASB Meeting

Project	Disclosure Initiative
Paper topic	Establishing a consultative group
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**Purpose of this paper**

1. This paper considers whether the IASB should establish a consultative group to support the Disclosure Initiative.

**Background**

2. The *IASB and IFRS Interpretations Committee Due Process Handbook* (February 2013) states:
  - 3.58 The IASB usually establishes a consultative group for each of its major projects, such as a specialist or expert advisory group. Consultative groups give the IASB access to additional practical experience and expertise.
  - 3.59 Once a project is added to the IASB's standard-setting programme it must consider whether it should establish a consultative group for the project. It is not mandatory to have such a group, but if the IASB decides not to do so, it must explain why on the project page and inform the DPOC [Due Process Oversight Committee]. The composition of a consultative group should reflect the purpose for which the group is being formed, bearing in

mind the need to ensure that it draws on a diverse and broad membership. ...

3. The Disclosure Initiative evolved from the *Agenda Consultation 2011*, in which many respondents told us that they think that a disclosure framework is needed to ensure that information disclosed is more relevant to investors and to reduce the burden on preparers. In response, the IASB agreed that a disclosure framework would be beneficial for the IASB in developing Standards. The IASB therefore also agreed to hold a disclosure forum to foster discussion and to provide input for the Conceptual Framework project. As a result, the IASB held a Discussion Forum on Financial Reporting Disclosure (the Forum) in January 2013. The Forum was attended by a wide range of participants from the financial reporting process, including users, preparers, auditors, regulators and standard-setters. The Forum provided the IASB with valuable information about the problems associated with disclosure in financial reporting and possible ways by which the IASB and others could address those problems.
4. The messages heard at the Forum were summarised in the Feedback Statement *Discussion Forum—Financial Reporting Disclosure* (the Feedback Statement) and provided the basis for the projects that now form the Disclosure Initiative. These projects are :
  - (a) Amendments to IAS 1;
  - (b) Amendments to IAS 7;
  - (c) Materiality; and
  - (d) Principles of Disclosure.
5. In addition, the Disclosure Initiative covers ongoing activities (drafting new Exposure Drafts and development of the IFRS Taxonomy) and will incorporate a review of existing disclosure requirements in Standards.

### **A separate consulting group?**

6. Since starting the Disclosure Initiative staff have consulted the following IASB advisory groups:

- (a) Accounting Standards Advisory Forum (ASAF);
  - (b) Global Preparers Forum (GPF); and
  - (c) Capital Markets Advisory Committee (CMAC).
7. We have also undertaken direct outreach with users, preparers, auditors, regulators and standard-setters. For example we have been consulting representatives of the International Auditing and Assurance Standards Board and of the International Organization of Securities Commissions in the Materiality project.
8. Consultative groups are usually formed to seek specialist or expert advice from a broad range of constituents. The Disclosure Initiative is portfolio of projects which include both implementation projects (Amendments to IAS 1 and IAS 7) and research projects (Principles of Disclosure and Materiality) as a consequence the Initiative is considering a broad range of possible solutions to improve disclosure in financial statements, it is not seeking specialist advice in specific areas.
9. We recognised that the IASB alone cannot solve what is broadly referred to as the ‘disclosure problem’; however, we believe that the problem is pervasive in nature and that we should continue to consult with a broad range of constituents. As a consequence we consider that:
- (a) disclosure is a broad subject and therefore specialist advice is not needed; and
  - (b) a broad range of participants are interested in disclosures, and establishing a consultative group would limit those who can be involved. It may be more appropriate to organise broad-based forums (similar to the Forum) at milestones in some of the projects. These broad-based forums would allow for a wider range of participation across those involved in the financial reporting process.

## **Recommendation**

10. Based on discussion in paragraphs 6 to 9 above, the staff recommend to the IASB that the Disclosure Initiative should continue to use the IASB’s existing advisory groups

for consultation, eg ASAF, CMAC and GPF and should not establish a specific consultative group.

11. We also think that, as part of the Disclosure Initiative, the IASB should:
- (a) organise round tables or discussion forums to obtain input and direction across a wide range and number of participants at key milestones in the Principles of Disclosure and Materiality projects; and
  - (b) continue to undertake direct outreach with users, preparers, auditors, regulators and standard-setters as we progress the projects in the Disclosure Initiative.

**Question for the IASB**

Does the IASB agree with the staff recommendation not to establish a consultative group for the Disclosure Initiative?