

AGENDA PAPER

IFRS Foundation Trustees meeting – Due Process Oversight Committee

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Consultative Groups—Annual Review and DPOC Engagement

Introduction

1. The purpose of this paper is to set out the annual review of consultative groups and to provide an update on the Due Process Oversight Committee’s (DPOC) engagement with the IASB’s major advisory and consultative bodies.

Background

2. Paragraphs 3.58–3.63 of the *Due Process Handbook* (the ‘Handbook’) set out the provisions relating to consultative groups. The Handbook notes 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 (see paragraph 3.58).
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. Reviews of the consultative groups have been undertaken since July 2012, when the first such review was reported to the DPOC.

Review up to June 2015

5. A list of the IASB’s current consultative groups is set out in Appendix A of this paper, together with details of the meeting activity for each group in the year to the end of June 2015. Details on each of these groups are set out in the following paragraphs.

Standing advisory groups

Accounting Standards Advisory Forum (ASAF)

6. The principal role of the ASAF is to provide technical advice and feedback to the IASB. The ASAF is made up of 12 national accounting standard-setters and regional bodies with an interest in financial reporting, selected by the IFRS Foundation Trustees.
7. During 2014/2015 the ASAF has met quarterly. It has provided technical input on the IASB's major projects, including a number of projects on the IASB's research agenda. Agenda papers and audio webcasts can be accessed on the ASAF page on the website¹.
8. The ASAF also acts as the advisory group to the *Conceptual Framework* and has discussed issues related to the *Conceptual Framework* at its meetings in June and September 2014 and March 2015. In addition, ASAF members have reviewed and provided feedback on a staff draft of the *Conceptual Framework* Exposure Draft.
9. During the course of 2015 the Trustees have undertaken a full review of the ASAF. The Feedback Statement to the review was published on 1 May 2015 along with a call for nominations to the membership of the ASAF². Feedback to the ASAF review was very positive, with strong support for the ASAF and the IASB's commitment to the ASAF. It is clear from the feedback that the ASAF has established itself as a key advisory group to the IASB.

Capital Markets Advisory Committee (CMAC)

10. The CMAC aims to provide the IASB with regular input from the international community of users of financial statements.
11. The CMAC currently consists of 18 members that have 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 industries and geographical backgrounds.
12. The CMAC meets three times a year (one of which is a joint meeting with the Global Preparers Forum (GPF)). In the period under review, the CMAC met in October 2014

¹ Click here for [ASAF meetings](#)

² [IFRS – Trustees' review of Accounting Standards Advisory Forum](#)

and February 2015, and a joint meeting is being held with the GPF on 11–12 June 2015. Agenda papers and audio webcasts can be accessed on the CMAC page on the website³.

13. CMAC members also provide support for the IASB. This includes helping the IASB and its staff network with other members of the investment community, giving feedback on projects outside of CMAC meetings and helping us develop publications and materials aimed at the investment community. A notable recent highlight was the assistance we received from a CMAC member in publishing a ‘guest author’ edition of *Investor Perspectives* that profiles the proposed amendments to IAS 7 *Statement of Cash Flows*.
14. The staff’s view is that the CMAC is functioning well.

Global Preparers Forum (GPF)

15. The GPF aims to provide the IASB with input from the international community of financial statement preparers.
16. Its 15 members (the maximum number according to its constitution is 17) 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.
17. The GPF meets three times a year (one of which is a joint meeting with the CMAC). In the period under review, the GPF met in November 2014 and March 2015, and a joint meeting is being held with the CMAC on 11–12 June 2015. Agenda papers, audio webcasts and the meeting notes can be accessed on the GPF page on the website.⁴
18. The staff’s view is that the GPF is functioning well.

Emerging Economies Group (EEG)

19. The aim of the EEG is to enhance the participation of emerging economies in the development of IFRS.
20. The EEG is chaired by Wayne Upton, Chairman of the IFRS Interpretations Committee (the ‘Interpretations Committee’), and comprises 12 members who represent the emerging economies member countries of the G20 and Malaysia.

³ [Click here for CMAC meetings](#)

⁴ [Click here for GPF meetings.](#)

21. The EEG focuses on issues around the application and implementation of IFRS in emerging economies. The EEG typically devotes a full day to a particular topic, usually ones that are on the IASB’s research agenda. It then devotes a half day on implementation issues raised by the members. 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.
22. The EEG meets twice a year. In the period under review, the EEG met in December 2014 (Indonesia) and May 2015 (Mexico). The Communiqué for the December 2014 meeting can be accessed on the EEG page on the IFRS Foundation website⁵. Papers and the agenda for each meeting are posted on the website in advance of each meeting.
23. The 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 Asian-Oceanian Standard-Setters Group (AOSSG) and the Group of Latin American Standard-Setters (GLASS). Some EEG members are also members of the ASAF. Some papers discussed at the EEG have also been presented at these regional meetings as well as at the meetings of the International Forum of Accounting Standard Setters (IFASS) (the larger international forum).

SME Implementation Group (SMEIG)

24. The SMEIG’s aim is to support the international adoption of the *IFRS for SMEs* and monitor its implementation. The SMEIG currently has two principal responsibilities:
 - (a) to develop non-mandatory guidance for implementing the *IFRS for SMEs* in the form of questions and answers (Q&As) that will be made publicly available to interested parties on a timely basis; and
 - (b) to make recommendations to the IASB regarding any need to amend the *IFRS for SMEs*.

⁵ [Communique-Eighth-EEG-meeting-in-Jakarta-December-2014.pdf](#)

25. During the period under review, the SMEIG has played an important role in the initial comprehensive review of the *IFRS for SMEs*. In particular:
- (a) in July–October 2014 the SMEIG and the IASB staff together developed a report of SMEIG recommendations after considering the comment letter analysis on the proposals in the 2013 ED/2013/9 *Proposed amendments to the IFRS for SMEs*.
 - (b) in January–February 2015 the SMEIG provided fatal flaw comments on the pre-ballot of the final amendments to the *IFRS for SMEs*.
26. The SMEIG is chaired by IASB member Darrel Scott and currently comprises 27 members (increased from 22 as of 1 July 2014). Members are selected on the basis of their knowledge and experience in the financial reporting of small and medium-sized entities (SMEs) and to give a balanced geographical distribution. Membership of the SMEIG is personal; this means that members participate and vote in accordance with their own independent views, not as representatives voting according to the views of the firm, organisation or constituency with which they are associated. The terms of 15 members will expire on 30 June 2017 and those of the others on 30 June 2016.
27. The SMEIG was created with the expectation that its members would do most of their work (ie development of Q&As) by email. The next face-to-face meeting is unlikely to take place before the next review of the *IFRS for SMEs*, which is unlikely to commence before 2017.
28. The staff's view is that the SMEIG is an effective group that has functioned well during the period. It has made a significant contribution during the comprehensive review of the *IFRS for SMEs*. Although there is currently no face-to-face meeting scheduled, it will remain active via email. The SMEIG's main responsibilities before the next review will be to consider whether to address any implementation issues via Q&As and also to advise on ongoing SME issues, for examples the process for future reviews.

Education Advisory Group (EAG)

29. 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).
30. The EAG is a group of up to 10 individuals having diverse geographical and functional backgrounds, but with expertise and experience in the education of

accountants or other professionals. During the period under review, the EAG met once, via teleconference.

31. The staff find the EAG very helpful in developing the Education Initiative's plans. The staff's view is that the EAG is operating effectively and should continue in its current form.

Shariah-compliant Instruments and Transactions

32. This group has been formed to discuss Shariah-compliant instruments and transactions. The group is chaired by Ian Mackintosh.
33. An inaugural meeting was held on 2 July 2013 and a second meeting was held on 5 September 2014. The second meeting was a hybrid of a second meeting of the consultative group and an outreach meeting to discuss the IASB's Staff Paper *Issues in the Application of IFRS 9 to Islamic Finance*.
34. To attract participants, the meeting was held in Kuala Lumpur immediately following the biennial Global Islamic Finance Forum (GIFF). Due to the large number of participants, two sessions were held.
35. An additional outreach meeting was held in April 2015 in Bahrain. This meeting was co-sponsored by the IASB and the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Staff work is underway to revise and expand the IASB's staff paper referred to in paragraph 34 with an eye to publishing it. The form of publication has yet to be determined.

Project consultative groups—disbanded in 2014

Financial Instruments Working Group (FIWG)

36. Following advice from the DPOC this group was disbanded in October 2014, because the IASB issued IFRS 9 *Financial Instruments* in July 2014.
37. The IASB is continuing its deliberations on *Accounting for Dynamic Risk Management: A Portfolio Approach to Macro Hedging* and will evaluate the need to set up a specialist group for the same in due course.

Expert Advisory Panel (EAP)—Impairment

38. As with the FIWG, following IFRS 9 being issued and agreement from the DPOC, this group was disbanded in October 2014.

Effects Analysis Consultative Group (EACG)

39. Following publication of the EACG report in November 2014, and as agreed with the DPOC, the group was disbanded.

Project Consultative Groups—recommended for disbandment in 2015

Leases Working Group (LWG)

40. The LWG was formed in 2006 and has 15 members.
41. The LWG's aim is to help the IASB in its Leases project. The IASB has completed its deliberations on leases (except for the effective date, which it will consider later in 2015) and plans to publish a new *Leases* Standard before the end of this year. The IASB also plans to send the external review draft of the new *Leases* Standard to LWG members for comment.
42. In view of the impending publication of the new *Leases* Standard, and following consultation with LWG members on the external review draft, the staff's view is that the LWG should be disbanded later in 2015. At that stage, the LWG will have served its purpose by providing the IASB with a variety of perspectives on leases, which has helped the IASB in developing the Standard.

Project Consultative Groups—no changes recommended

Insurance Working Group (IWG)

43. The IWG is designed to help the IASB analyse accounting issues relating to insurance contracts.
44. The IWG was formed in August 2004 and has 25 members (12 from Europe, 10 from North America and 3 from Asia-Oceania). It also has 5 official observers (3 from Europe and 2 from North America).
45. The IWG has not met since June 2012. The continued existence of the IWG was reviewed by the DPOC at its meeting in January 2014 (see Agenda Paper 3E for that meeting), at which time the DPOC was content with the staff's view that it is not appropriate to disband the group at this stage of the project. The staff's view has not changed: it is still beneficial to retain this as a formal group, because we may wish to draw on the expertise of the individual members as we finalise the Insurance Contracts project.

Rate-regulated Activities Consultative Group (RRACG)

46. The RRACG was formed in April 2013 to help the IASB in its project on rate regulation by providing a variety of expert perspectives, including those of preparers, auditors, users of financial statements and regulators.
47. The group consists of 15 senior professionals with extensive practical experience in the operation of a variety of rate-regulatory schemes, plus observers from three organisations.
48. The RRACG met in March 2015 to consider some of the issues raised in the responses to the Discussion Paper *Reporting the Financial Effects of Rate Regulation* published in September 2014. The points raised will feed in to the analyses that will be developed for the IASB's future deliberations.
49. The staff's view is that the RRACG is an effective group that has functioned well during the period. It has made a significant contribution during the development of the Discussion Paper. It will remain active to assist in the staff's continuing analysis of the issues.

Valuation Expert Group (VEG)

50. The VEG was formed in May 2012 to assist with the preparation of educational material for IFRS 13 *Fair Value Measurement*.
51. 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 IFRS.
52. Although the group has not had any activity in the current period, the staff's view is that this group should be retained in its current form. The staff plan to draw on the expertise of the group in undertaking considering the feedback to the Exposure Draft *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value*, which is currently being discussed by the IASB.

IFRS Taxonomy Consultative Group (ITCG)

53. The ITCG was formed in April 2014 to provide a technical advisory and review forum in which members can contribute towards the development of the IFRS Taxonomy. The ITCG replaces the two advisory bodies established in 2007 by the IFRS Foundation for

its XBRL related activities. These were the XBRL Advisory Council (XAC) and the XBRL Quality Review Team (XQRT).

54. Members of the ITCG:

- (a) review in depth the IFRS Taxonomy and ensure that it meets the expected market standards and best practices from both a data content and an architectural perspective; and
- (b) provide technical advice and strategic implementation guidance on matters relating to the IFRS Taxonomy and IASB digital reporting activities.

55. The ITCG comprises 20 members, including the Chair and Vice-Chair and three observers. The composition of the membership provides for a broad geographical spread and a range of functional backgrounds.

56. The ITCG generally meets face-to-face twice a year for one day and additionally four conference calls of one hour are scheduled. More or less, meetings can be convened at the request of the IASB or the Chair. The meetings of the ITCG are public.

57. The staff's view is that this group has operated effectively and should be retained in its current form.

Joint Transition Resource Group for Revenue Recognition (TRG)

58. The TRG is a limited-life joint group of the IASB and the Financial Accounting Standards Board (FASB).

59. The TRG informs the IASB and the FASB about potential implementation issues that could arise when companies and organisations implement IFRS 15 *Revenue from Contracts with Customers* and its US equivalent. The TRG does not issue guidance.

60. The 27 members of the TRG include financial statement preparers, auditors and users representing a wide spectrum of industries, geographical locations and public and private companies and organisations. Meetings have been co-chaired by the Vice-Chairmen of the IASB and the FASB.

61. All meetings have been webcast, and agenda papers and a recording of the TRG's discussion for each of the topics discussed have been made available on the IASB's website, together with a written summary of the discussions⁶.
62. In the period under review, the TRG has met on four occasions (July and October 2014 and January and March 2015) and has two more meetings scheduled this year.
63. The staff's view is that the group has functioned well and that its discussions of implementation questions have been useful to stakeholders. Together with the FASB, we are now encouraging stakeholders to submit outstanding questions as soon as possible.

Transition Resource Group for Impairment of Financial Instruments (ITG)

64. The ITG was established in 2014 with the aim of providing support to the IASB's stakeholders who are implementing the new expected credit loss requirements in IFRS 9 (2014). The group will have a limited life during the transition period and will not publish any guidance. Where necessary, matters can be referred back to the IASB or to the Interpretations Committee. Any new authoritative guidance would be published through our normal channels and be subject to normal due process.
65. The ITG consists of 12 members (6 auditors and 6 preparers) and 3 observers from regulators and banking supervisors.
66. There have been two meetings to date: one introductory conference call in December 2014 and one face-to-face meeting in April 2015.
67. During the December conference call, the ITG discussed the purpose, operating procedures and organisational structure of the group. These terms of reference are available on the IASB's website. At the April meeting, the ITG discussed eight submissions.
68. IASB staff prepared agenda papers and will prepare meeting summaries of each meeting. These, together with the audio webcasts, can be accessed via the ITG page on the IASB's website⁷.
69. At present, no submissions have been referred to the IASB.

⁶ [TRG - meeting papers](#)

⁷ [ITG - meetings papers](#)

70. The staff's view is that the ITG is a useful forum for IASB stakeholders implementing the impairment requirements of IFRS 9. In particular, it plays an important educational role and to date is functioning well.

Appendix A IASB CONSULTATIVE GROUPS

Consultative group	Meetings in the year to end June 2015	Date of last meeting
Standing groups		
Accounting Standards Advisory Forum	4	March 2015
Capital Markets Advisory Committee	3	February 2015
Global Preparers Forum	3	March 2015
Emerging Economies Group	2	May 2015
SME Implementation Group	Group was established to operate mainly by email and provided input on this basis in the year.	
Education Advisory Group	1	September 2014
Shariah-compliant Instruments and Transactions	1	September 2014, additional outreach meeting April 2015
Project consultative groups		
Leases Working Group	Nil ⁸	January 2012
Insurance Working Group	Nil ⁹	June 2012
Rate-regulated Activities	1	March 2015
Valuation Expert Group	Group was established to operate mainly by email.	
IFRS Taxonomy	2 (plus 4 conference calls and reviews)	April 2015
Joint Transition Resource Group for Revenue Recognition	4	March 2015
IFRS Transition Resource Group for Impairment of Financial Instruments	2	April 2015

⁸ Some individual working group members consulted over the period under review.

⁹ While the IWG has not met during the period under review, IWG members have been present at least at 5 outreach meetings held in the 11 months to May 2015.