

AGENDA PAPER

IFRS® Foundation Trustees meeting – Due Process Oversight Committee

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Consultative Groups—Annual Review and DPOC Engagement

Purpose

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 International Accounting Standards Board’s® (the Board’s) major advisory and consultative bodies.

Executive Summary

2. The staff have reviewed the activities of the standing advisory groups and in general consider the groups to be functioning well.
3. The staff have also considered the project consultative groups and are recommending that the following groups are disbanded:
 - (a) Valuation Experts Group (see paragraphs 44 to 46); and
 - (b) Insurance Working Group (see paragraphs 47 to 49).

Background

4. Paragraphs 3.58–3.63 of the *Due Process Handbook* (the Handbook) sets out the provisions relating to consultative groups. The Handbook notes that the Board usually establishes a consultative group for each of its major projects, such as a specialist or expert advisory group, in order to give the Board access to additional practical experience and advice (see paragraph 3.58).

5. 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.*

6. Reviews of the consultative groups have been undertaken since July 2012, when the first such review was reported to the DPOC.

Review up to October 2016

7. A list of the Board'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 October 2016. Details on each of these groups are set out in the following paragraphs.

Standing advisory groups

Accounting Standards Advisory Forum (ASAF)

8. The principal role of the ASAF is to provide technical advice and feedback to the Board. 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.

9. During 2015/2016 the ASAF has met quarterly. It has provided technical input on the Board's major projects, including a number of projects on the Board's research agenda. Agenda papers and audio webcasts can be accessed on the ASAF page on the website¹.

10. The ASAF also acts as the advisory group to the *Conceptual Framework* project and has discussed issues related to the *Conceptual Framework* at its meetings in July, October and December 2015 and in April and July 2016.

11. ASAF members completed a feedback questionnaire following the July 2016 ASAF meeting. Overall ASAF members rated the meeting as effective.

Capital Markets Advisory Committee (CMAC)

12. The CMAC aims to provide the Board with regular input from the international community of users of financial statements.

13. The CMAC currently consists of 17 members that have extensive practical experience in analysing financial information and who are established commentators on accounting

¹ [ASAF meetings](#)

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.

14. The CMAC meets three times a year (including once jointly with the Global Preparers Forum (GPF)). In the period under review, the CMAC met in November 2015 and February 2016, and a joint meeting was held with the GPF in June 2016. Agenda papers and audio webcasts can be accessed on the CMAC page on the website².

15. CMAC members also provide support for the Board. This includes helping the Board 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.

16. The staff's view is that the CMAC is functioning well.

Global Preparers Forum (GPF)

17. The GPF aims to provide the Board with input from the international community of financial statement preparers.

18. Its 18 members³ 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.

19. The GPF meets three times a year (once jointly with the CMAC). In the period under review, the GPF met in November 2015 and March 2016, and a joint meeting was held with the CMAC in June 2016. Agenda papers, audio webcasts and the meeting notes can be accessed on the GPF page on the website.⁴

20. The staff's view is that the GPF is functioning well.

Emerging Economies Group (EEG)

21. The aim of the EEG is to enhance the participation of emerging economies in the development and application and implementation of IFRS.

22. The EEG comprises 12 members who represent the emerging economies member countries of the G20 and Malaysia.

² [CMAC meetings](#)

³ The maximum number of members according to the GPF Constitution (as updated March 2016) is 16, however, the Constitution permits in specific circumstances for more members for a good representation of all jurisdictions.

⁴ [GPF meetings](#).

23. The EEG typically devotes a full day to a particular topic, usually ones that are on the Board’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 Board 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.
24. The EEG meets twice a year. In the period under review, the EEG met in December 2015 (Saudi Arabia) and May 2016 (Turkey). The Communiqués for the December 2015 and May 2016 meetings 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.
25. The staff’s view is that the EEG is an effective vehicle for ensuring that emerging economies have a conduit to the Board. The work of the group has been largely technical in nature, with different members taking a lead on project discussions. 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).

SME Implementation Group (SMEIG)

26. 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 Board regarding any need to amend the *IFRS for SMEs*.
27. The SMEIG is chaired by Board member Darrel Scott and currently comprises 27 members. 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

⁵ [EEG meetings](#)

with which they are associated. The terms of 16 members will expire on 30 June 2017 and those of the others on 30 June 2019.

28. The SMEIG was created with the expectation that its members would do most of their work (ie development of Q&As) by email. No face-to-face meetings are planned for the foreseeable future.
29. 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* which was completed in 2015. 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 of the *IFRS for SMEs* will be to advise the Board on the process for future reviews, consider whether to address any implementation issues via Q&As, and also to advise on ongoing SME issues, for example implementation support and outreach.

Education Advisory Group (EAG)

30. The EAG advises the Director of Education on the Board's education work (although it does not review the technical quality of the organisation's educational products and services).
31. 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.
32. The staff have found the EAG very helpful in developing the Education Initiative's plans.
33. As we consider the strategic direction and focus of the Education Initiative over the coming months, we will also be reviewing the need for, and future role of, the EAG.

Islamic Finance Consultative Group

34. The IFCG is an advisory group to the Board focusing on challenges that may arise when IFRS Standards are applied to Islamic financial instruments and transactions.
35. During the period the IFCG has not met. However, in February 2016 a staff paper drawing from the IFCG's discussions to date was published on the IASB website, focussing on the application of the classification and measurement requirements of the new financial instruments Standard, IFRS 9.

36. In August 2016, Mohammad Faiz Azmi (Executive Chairman of PwC Malaysia) was appointed as Chair and Martin Edelmann the Vice-Chair.

37. The staff are considering possible additions to the IFCG’s membership, topics for future discussions, and the scheduling of a meeting (probably in Indonesia) for early 2017.

IFRS Taxonomy Consultative Group (ITCG)

38. The ITCG was formed in April 2014 to assist with the development of the IFRS Taxonomy. The revised IFRS Taxonomy due process, which was approved by the DPOC at its June 2016 meeting, describes and formalised the role of the ITCG.

39. Members of the ITCG:

- (a) conduct reviews of proposed updates to the IFRS Taxonomy to help ensure its integrity from both a data content and a technological perspective; and
- (b) provide technical and strategic guidance to the Board and the IFRS Taxonomy technical staff on matters relating to the IFRS Taxonomy.

40. 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. There is currently one open position.

41. The ITCG generally meets face-to-face twice a year for one day and additionally four conference calls of one hour are scheduled (see Appendix A for meetings in this period). More or less, meetings can be convened at the request of the Board or the Chair. The meetings of the ITCG are public.

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

Project consultative groups—disbanded in 2016

Leases Working Group (LWG)

43. Following the publication of IFRS 16 *Leases* in January 2016, and as agreed with the DPOC, the group was disbanded.

Project Consultative Groups—recommended for disbandment in 2016

Valuation Expert Group (VEG)

44. The VEG was formed in May 2012 to assist with the preparation of educational material for IFRS 13 *Fair Value Measurement*. 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.
45. The staff drew on the expertise of some members of the VEG in the redeliberations of the Exposure Draft *Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value*.
46. During 2016/2017 the Board will commence the post-implementation review (PIR) of IFRS 13 *Fair Value Measurement* (IFRS 13)⁶. The staff think that it would better to disband the group and seek advice from members on an individual basis where appropriate. The staff also consider it is important, as part of the PIR of IFRS 13, that advice is sought from non-VEG members.

Insurance Working Group (IWG)

47. The IWG was formed in August 2004 to help the Board analyse accounting issues relating to insurance contracts. The IWG 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).
48. The IWG has not met since June 2012. The continued existence of the IWG was reviewed by the DPOC at its meeting in July 2015 (see Agenda Paper 3E for that meeting), at which time the DPOC was content with the staff view that it would not be appropriate to disband the group at that stage of the project. At that time, the staff view was that it would draw on the expertise of the individual members as the insurance contracts Standard is drafted.
49. It is now anticipated that the insurance contracts Standard will be issued in H1 of 2017. It is recommended that following the issuance of the Standard that the group is disbanded. The staff will separately develop a plan to support the implementation of the forthcoming Standard.

⁶ Staff have started work on Phase 1 of the post implementation review of IFRS 13 and are scheduling a number of outreach meetings for initial information gathering.

Project Consultative Groups—no changes recommended

Rate-regulated Activities Consultative Group (RRACG)

50. The RRACG was formed in April 2013 to help the Board in its project on rate regulation by providing a variety of expert perspectives, including those of preparers, auditors, users of financial statements and regulators.
51. The group consists of 15 senior professionals with extensive practical experience in the operation of a variety of rate-regulatory schemes, plus observers from two organisations.
52. The RRACG last met in March 2015 to discuss the responses to the Discussion Paper that was published in September 2014. It had made a significant contribution during the development of the Discussion Paper. The staff's view is that the RRACG is an effective group that has functioned well so far. It will remain active to assist in the staff's continuing analysis of the issues.

Joint Transition Resource Group for Revenue Recognition (TRG)

53. The TRG is a limited-life joint group of the Board and the Financial Accounting Standards Board (FASB).
54. The TRG was established to:
- (a) provide a forum for stakeholders to learn about the new Standard (IFRS 15 *Revenue from Contracts with Customers* and its US equivalent) from others involved with implementation; and
 - (b) inform the Board and the FASB about potential implementation issues that could arise when companies and organisations implement the Standard.

The TRG does not issue guidance.

55. The 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 Board and the FASB.
56. 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 Board's website, together with a written summary of the discussions⁷.

⁷ [Joint Transition Resource Group for Revenue Recognition - meeting papers](#)

57. The Board and the FASB considered a few issues that emerged from the TRG's discussions and made targeted amendments to the respective revenue Standards to clarify the principles. The Board issued those amendments *Clarifications to IFRS 15* in April 2016.
58. In the period under review, the TRG has met on two occasions (July and November 2015). The Board announced in January 2016 that it did not plan to schedule further meetings of the IFRS constituents of the TRG but explained that it would monitor FASB TRG discussions. Consequently, some Board members and staff observed the half-day meeting that the FASB held with its constituents of the TRG in April 2016, and the staff subsequently reported to the Board that no follow-up would be required in respect of the issues discussed.
59. The TRG has not been disbanded and is available for consultation by the Board if needed. Additionally, the Board maintains a dedicated IFRS 15 issues mailbox that stakeholders can use to make us aware of implementation questions relating to IFRS 15.

Transition Resource Group for Impairment of Financial Instruments (ITG)

60. The ITG was established in 2014 with the aim of providing support to the Board'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 Board or to the Interpretations Committee. Any new authoritative guidance would be published through our normal channels and be subject to normal due process.
61. The ITG consists of 12 members (6 auditors and 6 preparers) and 3 observers from regulators and banking supervisors.
62. There has been one meeting during the period in question and that took place during December 2015. At this meeting the ITG discussed ten submissions.
63. At present, no further meetings are scheduled. However, the group remains in place and stakeholders may continue to submit potential implementation issues. Further meetings will be convened if circumstances warrant it.

64. Summaries of each meeting the group has had, together with the audio webcasts, can be accessed via the ITG page on the Board's website⁸.
65. At present, no submissions have been referred to either the Board or the Interpretations Committee.
66. The staff's view is that the ITG is a useful forum for Board stakeholders implementing the impairment requirements of IFRS 9. In particular, it plays an important educational role and to date is functioning well.

⁸ [Transition Resource Group for Impairment of Financial Instruments - meetings papers](#)

Appendix A
Board CONSULTATIVE GROUPS

Consultative group	Meetings in the year to end October 2016	Date of last meeting
Standing groups		
Accounting Standards Advisory Forum	5	July 2016
Capital Markets Advisory Committee	3	February 2016, joint meeting with GPF June 2016
Global Preparers Forum	3	March 2016, joint meeting with CMAC June 2016
Emerging Economies Group	2	May 2016
SME Implementation Group	Group was established to operate mainly by email and provided input on this basis in the year.	
Education Advisory Group	Nil	September 2014
Islamic Finance Consultative Group	Nil	September 2014, additional outreach meeting April 2015
IFRS Taxonomy	2 (plus 5 conference calls)	September 2016
Project consultative groups		
Insurance Working Group	Nil	June 2012
Valuation Expert Group	Group was established to operate mainly by email.	
Rate-regulated Activities	Nil	March 2015
Joint Transition Resource Group for Revenue Recognition	2	November 2015
IFRS Transition Resource Group for Impairment of Financial Instruments	1	December 2015