

AGENDA PAPER

IFRS® Foundation Trustees meeting – Due Process Oversight Committee

Johannesburg **October 2018**

Agenda ref 1D

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Review of activities and functions of Advisory Groups

Purpose

1. This paper provides the Due Process Oversight Committee (DPOC) with the technical staff's annual review of the International Accounting Standards Board's (Board) consultative groups.
2. No formal action is required to be taken by the DPOC.
3. Paragraphs 3.58–3.63 of the *Due Process Handbook* (DPH) set out the provisions relating to consultative groups. The DPH also 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).
4. 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.
5. The Board currently has eight Standing Groups and five Project Consultative Groups. The review of each of these groups is set out in paragraphs 9 to 68. A list of the Board's current consultative groups is set out in the appendices of this paper:
 - (a) Appendix A – sets out details of the meeting activity for each group in the year to 30 September 2018.
 - (b) Appendix B – provides details of the chair and IASB Board members for each group.
6. The Board considered this paper at its (private) administrative meeting in September 2018.

Executive Summary

7. The staff have reviewed the activities of the consultative groups. The staff is recommending two groups are disbanded:
 - (a) Education Advisory Group (EAG): In recent years, the Board has refocused its educational work on supporting its Standards after they are issued, in particular supporting implementation of the major new standards (IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers*, IFRS 16 *Leases* and IFRS 17 *Insurance Contracts*), and application of the *IFRS for SMEs* Standard. Historically the EAG provided advice on the development of Framework-based teaching materials for teachers of IFRS Standards; no new materials have been developed for three years. Accordingly, the EAG has not been consulted in the last three years.
 - (b) Transition Resource Group for Impairment of Financial Instruments (ITG): This group was a limited-life group formed to support the initial implementation of the expected credit loss model in IFRS 9. IFRS 9 *Financial Instruments* has now been in effect since January 2018. Support for the implementation and application of IFRS 9 will continue to be available from the IFRS Interpretations Committee, the Board and through the publication of educational materials.
8. As detailed below, the staff believes that the other groups are functioning well.

Standing consultative groups

Accounting Standards Advisory Forum (ASAF)

9. The objective of ASAF is to provide an advisory forum in which members can constructively contribute to the Board's technical projects. ASAF consists of 12 National Standard-setters and regional bodies with an interest in financial reporting, selected by the IFRS Foundation Trustees.
10. In the period under review, 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 of the meeting can be accessed on the ASAF

page on the website¹ together with summaries of the meetings.

11. ASAF also acted as the advisory group to the *Conceptual Framework* project. This role came to an end when the *Conceptual Framework* was issued March 2018.
12. In 2018, the Trustees conducted the second ASAF review; the Feedback Statement to the review was published in June 2018. Overall the feedback received from the review was very positive. The Feedback Statement highlights that ASAF continues to be a key component of the IFRS Foundation's engagement strategy with National Standard-setters. The Feedback Statement also highlights that the actions taken following the view conducted in 2015 has resulted in positive change.
13. The outcome of the review was to recommend only minor changes to the ASAF Terms of Reference:
 - (a) to permit, where appropriate, one meeting a year to be held by videoconference.
 - (b) to remove the requirement that the Trustees conduct formal three-yearly reviews.
14. At its October 2018 meeting the Trustees will discuss the appointment of ASAF members for the period 2018 to 2021. Following this, the first meeting of the new composition of ASAF will be held in December 2018 at which the Terms of Reference and Memorandum of Understanding will be signed.
15. The staff's view is that ASAF is functioning well.

Capital Markets Advisory Committee (CMAC)

16. The CMAC aims to provide the Board with regular input from the international community of users of financial statements.
17. The CMAC currently consists of 19 members. Members have extensive practical experience in analysing financial information and are established commentators on accounting matters, either 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.
18. The CMAC meet three times a year (including once jointly with the Global Preparers Forum (GPF)). In the period under review, the CMAC met in November 2017,

¹ [ASAF meetings](#)

March 2018, and held a joint meeting with the GPF in June 2018. Agenda papers, audio webcasts and the meeting notes can be accessed on the CMAC page on the website².

19. CMAC members also provide support for the Board, including helping the Board and its staff network with other members of the investment community, giving feedback on projects outside of CMAC meetings, and helping to develop publications and materials aimed at the investment community.
20. The staff's view is that the CMAC is functioning well.

Global Preparers Forum (GPF)

21. The GPF aims to provide the Board with input from the international community of financial statement preparers.
22. Currently the group consists of 16 members who 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.
23. The GPF meets three times a year (once jointly with the CMAC). In the period under review, the GPF met in October 2017, March 2018 and held a joint meeting with the CMAC in June 2018. The next meeting is scheduled for 6 November 2018. Agenda papers, audio webcasts and the meeting notes can be accessed on the GPF page on the website³.
24. The staff's view is that the GPF is functioning well.

Emerging Economies Group (EEG)

25. The aim of the EEG is to enhance the participation of emerging economies in the development, application and implementation of IFRS Standards.
26. The EEG comprises 12 members who represent the emerging economies member countries of the G20 with the addition of Malaysia.
27. The EEG meets twice a year and typically devotes a full day to a particular topic. In the period under review, the EEG met in December 2017 (Brazil) and May 2018 (Malaysia). Agenda papers for each meeting are posted on the website in advance of the meeting⁴.

² [CMAC meetings](#)

³ [GPF meetings](#)

⁴ [EEG meetings](#)

28. The Communiqués and the Reports of the EEG meetings for the December 2017 and May 2018 meetings can also be accessed on the EEG website. The meeting Report provides more detail on the discussions at EEG meetings than in the past, in the expectation that other emerging economies can benefit from the discussions.
29. Terms of Reference for the EEG were updated in January 2018. In accordance with the updated Terms of References, National Standard-setters from emerging economies neighbouring the EEG member hosting the meeting have been invited to the EEG meeting. A representative from Laos attended the May 2018 EEG meeting.
30. The staff's view is that the EEG is an effective vehicle for ensuring that emerging economies have a conduit to the Board. It also provides an effective forum to discuss the implementation of IFRS Standards.

SME Implementation Group (SMEIG)

31. The SMEIG's aim is to support the international adoption of the *IFRS for SMEs* Standard and monitor its implementation. The SMEIG currently has two principal responsibilities:
- (a) to develop non-mandatory guidance for implementing the *IFRS for SMEs* Standard 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* Standard.
32. The SMEIG currently comprises 26 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; meaning 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 11 members will expire on 30 June 2019 and those of the others on 30 June 2020.
33. 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 have taken place this year or are planned for the foreseeable future.

34. In December 2017, the IFRS Foundation published a Q&A that advised how an issuer accounts for financial guarantee contracts applying the *IFRS for SMEs* Standard. This guidance was developed by the SMEIG. In addition, during the first half of 2018 many SMEIG members reviewed one or more modules from the 35 revised modules of supporting materials being developed by the IFRS Foundation for the *IFRS for SMEs* Standard.
35. The staff's view is that the SMEIG is an effective group that has functioned well during the period. Although there is currently no face-to-face meeting scheduled, it will remain active via email and will become more active once the next review of the *IFRS for SMEs* Standard begins in 2019.

Islamic Finance Consultative Group (IFCG)

36. 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. The Group is made up of 14 members plus the Chair and Vice-Chair. The membership is mainly drawn from National Standard-setters and built on the Asian-Oceanian Standard-Setters Group's Islamic Finance Working Group. It includes a representative from the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).
37. During the review period the IFCG met in March 2018 in Dubai and the agenda papers and summary of this meeting has been made available on the website⁵. The meeting included discussion of some specific questions arising in applying the new revenue, financial instruments leases Standards to particular Islamic products on the basis of well-analysed papers prepared by some of the members
38. The next full meeting of the Group is scheduled for April 2019 in Malaysia.
39. The staff's view is that the IFCG is functioning well.

IFRS Taxonomy Consultative Group (ITCG)

40. The ITCG role is to help provide a technical advisory and review forum in which members can contribute towards the development of the IFRS Taxonomy.
41. Members of the ITCG:

⁵ [Islamic Finance Consultative Group - meetings](#)

- (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.
42. The ITCG comprises 16 members, plus the Chair and Vice-Chair and four observers. The composition of the membership provides for a broad geographical spread and a range of functional backgrounds.
43. The ITCG generally meets face-to-face twice a year for one day and additionally conference calls of one hour are scheduled. Meetings can be convened at the request of the Board or the Chair. Agenda papers, audio webcasts and the meeting notes can be accessed on the website for all meetings (including conference calls).⁶
44. The staff's view is that this group is operating effectively.

Education Advisory Group (EAG) - recommended for disbandment

45. The EAG was established to advise on the Board's education work (although it does not review the technical quality of the organisation's educational products and services).
46. 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.
47. Historically the EAG provided advice on the development of Framework-based teaching materials for teachers of IFRS Standards. While this material is still available on the website, no new materials have been developed for three years. Accordingly, the EAG has not been consulted in the last three years.
48. In recent years, the Board has refocused its educational work on supporting its Standards after they are issued to support their consistent application. In particular, the Board has undertaken a range of activities to support implementation and application of the major new standards (IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers*, IFRS 16 *Leases* and IFRS 17 *Insurance Contracts*), and application of the *IFRS for SMEs* Standard.

⁶ <https://www.ifrs.org/groups/ifrs-taxonomy-consultative-group/#meetings>

49. The Board's academic liaison committee is currently looking at how the IFRS Foundation engages with academics across a wide range of activities. One of the outcomes of this review is to identify mechanisms to engage with a wider cross-section of academics to advise and support our academic liaison activities.
50. Consequently, we believe that we no longer need an EAG and recommend that the Group be disbanded.

Project Consultative Groups

Transition Resource Group for Impairment of Financial Instruments (ITG) - recommended for disbandment

51. The ITG was established in 2014 as a limited-life group with the aim of providing support for the implementation of the new expected credit loss requirements in IFRS 9. The group does not publish any guidance. The ITG consists of 12 members (6 auditors and 6 preparers) and 3 observers from regulators and banking supervisors.
52. The ITG last met in December 2015 and no further meetings are scheduled. Since that meeting, only one submission has been received (which will be considered by the Interpretations Committee).
53. The staff note that the ITG was established as a limited-life Group to support implementation of IFRS 9. Given that IFRS 9 has been in effect since January 2018, the staff consider that the work of the ITG is complete and, therefore, recommend that the group be disbanded.
54. Support for the implementation and application of IFRS 9 will be provided by the IFRS Interpretations Committee, the Board and through publication of educational materials.

Consultative Group for Rate Regulation (CGRR)

55. The CGRR was formed in April 2013 to help the Board in its project on rate-regulated activities by providing a variety of expert perspectives, including those of preparers, auditors, users of financial statements and regulators.
56. The group currently consists of 13 senior professionals with extensive practical experience in the operation of a variety of rate-regulatory schemes, plus observers from two organisations. Two members have retired since the CGRR was formed. The staff are

reviewing the balance of the group's membership as the project moves to publishing proposals for the model in the next consultative document.

57. The CGRR last met in October 2017 to provide further practical input about how the rate-adjustment mechanism used in some regulatory regimes operates in practice. This input is informing the Board's discussions as it continues to develop a potential IFRS Standard to replace IFRS 14 *Regulatory Deferral Accounts*.

58. The staff's view is that the CGRR has been an effective group that has functioned well so far.

Management Commentary Consultative Group

59. In November 2017 the Board added to its agenda a project to update IFRS Practice Statement 1 *Management Commentary* (Practice Statement). To support this project the Board created the Management Commentary Consultative Group. The aim of the group is to provide the Board with access to practical experience and expertise in developing, implementing and using management commentary regimes, and to advise the Board as it develops proposals for updating the Practice Statement.

60. There are 18 members of the MCCG and 4 official observers. The DPOC considered the proposed membership of the group at its June 2018 meeting. One member of the MCCG has resigned from the group and we are currently seeking a replacement member from within that jurisdiction. We will keep the DPOC informed of any further developments.

61. The MCCG held its first full meeting in September 2018.

Joint Transition Resource Group for Revenue Recognition (TRG)

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

63. 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.

64. The joint TRG last met in November 2015. During 2016, the FASB held two meetings with their members of the TRG which IASB board members and staff observed.
65. IFRS 15 has been in effect from January 2018 and the IFRS Interpretations Committee has addressed several questions related to IFRS 15 in the period under review. Nonetheless, the staff is not recommending disbanding the TRG at this time. The staff thinks that decisions about the future of the group should be made in consultation with the FASB.

Transition Resource Group for Insurance Contracts

66. In 2017 the Board established a TRG on IFRS 17 *Insurance Contracts* to support its implementation. Similarly, to the TRGs discussed above, the purpose of this limited-life group is to provide a public forum for stakeholders to follow the discussion of questions raised on implementation, and to inform the Board in order to help the Board determine if any action will be needed to address those questions.
67. The group consists of 15 members and 3 observers. During the period under review, there was one administrative and three full meetings of the TRG. A further meeting is scheduled for later in 2018. Further meetings will be convened if circumstances warrant.
68. IFRS 17 represents a fundamental change to existing practice for most insurers and therefore requires significant implementation effort. The staff's view is that the TRG is an effective resource to support the implementation of IFRS 17. In the three full meetings held so far, the TRG have discussed 81 implementation questions and as a result have provided a significant amount of helpful insight to insurers and others preparing for the new Standard.

Appendix A

Board Consultative Groups meetings

Consultative group	Meetings in the review period	Date of last meeting
Standing groups		
Accounting Standards Advisory Forum	4	October 2018
Capital Markets Advisory Committee	3	June 2018
Global Preparers Forum	3	June 2018
Emerging Economies Group	2	May 2018
SME Implementation Group	Nil as planned (Group work is undertaken by email)	
Islamic Finance Consultative Group	1	March 2018
IFRS Taxonomy	7	September 2018
Education Advisory Group	Recommend disbandment	
Project consultative groups		
IFRS Transition Resource Group for Impairment of Financial Instruments	Recommend disbandment	
Consultative Group for Rate Regulation	1	October 2017
Management Commentary Consultative Group <i>[New group this period]</i>	1	September 2018
Joint Transition Resource Group for Revenue Recognition	Nil as planned	November 2015
Transition Resource Group for Insurance Contracts	3	September 2018

Appendix B
Board Consultative Groups Chairs and Board member

Consultative group	Chaired	Board member
Standing groups		
Accounting Standards Advisory Forum	Chair IASB	
IFRS Advisory Council	Independent (Joanna Perry)	The Chair and the Vice-Chair normally attend
Capital Markets Advisory Committee*	Members (co-chaired by Marietta Miemietz and Osman Sattar)	Nick Anderson
Global Preparers Forum*	Member (Christoph Hütten)	Martin Edelmann
Emerging Economies Group	IASB member (Amaro Gomes)	Darrel Scott
Islamic Finance Consultative Group	Member (Faiz Azmi)	Martin Edelmann (vice-chair)
SME Implementation Group	IASB Member (Darrel Scott)	
IFRS Taxonomy Consultative Group	Member (John Dill)	Ann Tarca
Education Advisory Group	Recommend disbandment	
Project consultative groups		
IFRS Transition Resource Group for Impairment of Financial Instruments	Recommend disbandment	
Consultative Group for Rate Regulation	IASB member (Amaro Gomes)	
Management Commentary Consultative Group	IASB Member (Hans Hoogervorst)	
Joint Transition Resource Group for Revenue Recognition	FASB and IASB Member	
Transition Resource Group for Insurance Contracts	IASB Member (Martin Edelmann)	

*While the Capital Markets Advisory Committee (CMAC) and Global Preparers Forum (GPF) function as standing consultative groups for the IASB, they are established as bodies independent from the IFRS Foundation. Consequently, members of CMAC and GPF are appointed by the CMAC members and the GPF Nominations Committee, in accordance with the CMAC Charter and GPF Constitution respectively.