

AGENDA PAPER

IFRS Foundation Trustees meeting – Due Process Oversight Committee

Johannesburg

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Agenda ref 1F

CONTACT

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Education material—due process

Introduction

1. The purpose of this paper is to report to the DPOC, in accordance with paragraph 6.45 of the *Due Process Handbook (Handbook)*:
 - a. the material developed and under development by the IFRS Foundation to support the implementation and application of IFRS Standards; and
 - b. the level of review undertaken in each case.

Question for the DPOC

2. Does the DPOC agree, based on the descriptions of the various materials set out in the Appendix, that the staff have undertaken the appropriate review of those materials as specified in paragraph 6.44 of the *Handbook*?

Scope of report to the DPOC

3. Paragraphs 6.43 and 6.45 of the *Handbook* explain that:

...The IASB and the technical staff have a responsibility to ensure that any educational material is not confused with an IFRS or perceived as being mandatory. Consequently, the IASB has an interest in ensuring that the Education Initiative has quality assurance processes that are appropriate for each of its publications.

The Education Initiative reports periodically to the DPOC, identifying the material it is developing and the level of review it expects to undertake in each case.
4. However, as discussed last year, this report covers all publicly available materials designed to support implementation and application of IFRS Standards (except those governed by other requirements in the *Handbook*), rather than only the materials produced by the Education Initiative. This reflects the increased focus on implementation support and, consequently, the broader range of material now being provided by the IFRS Foundation than was the case a number of years ago. The staff

think that it would be prudent to apply consistent standards of review to all such materials.

5. The staff plan to propose amendments to the *Handbook* as part of the ongoing review to reflect this point. We will discuss this at the January 2019 DPOC meeting.

Applying the requirements in the *Handbook*

6. Paragraph 6.44 of the *Handbook* specifies the review required for educational material developed by the Education Initiative as follows:

In order to meet the assurances above, educational material developed by the Education Initiative is subjected to the following peer reviews:

- a. **high level summaries**, such as Executive Briefings and PowerPoint presentations, are reviewed by an appropriate technical staff member and by a member of the Editorial team;
 - b. **teaching materials**, such as those used for *Conceptual Framework*-based teaching, are also reviewed by an IASB member or appropriate external expert, such as an academic. **More detailed teaching materials**, however, such as comprehensive *IFRS for SMEs* training material, is reviewed by at least two IFRS experts, one of which must be an IASB member; and
 - c. **educational material** accompanying an IFRS must be reviewed by at least three IASB members.
7. These requirements were written in contemplation of the material then being produced by the Education Initiative. They do not specifically address the newer types of materials being produced, such as webinars developed to support implementation of new Standards.
 8. Accordingly, the staff interpret the requirements in paragraph 6.44 of the *Handbook* to specify three categories of educational material corresponding to the three tiers specified in paragraph 6.44. These categories guide the appropriate minimum level of review for material not specifically addressed in paragraph 6.44 of the *Handbook*. The categories are described in the following table, with some examples of the types of materials in each category.
 9. In determining the level of review, we consider both the technical quality of the material as well as ensuring the material is educational, explanatory information about IFRS Standards, rather than interpretative. In practice, the level of review often exceeds the minimum specified, for example all of the materials relating to the new insurance contracts Standard were reviewed by at least three board members.

Categories of materials supporting implementation and application of IFRS Standards published on the IFRS website

High level materials summarising requirements in IFRS Standards	More detailed introductory materials on requirements in IFRS Standards	More detailed explanatory materials on requirements in IFRS Standards
Level of review: 6.44(a) of <i>Handbook</i>	Level of review: 6.44(b)	Level of review: 6.44(c)
Summary information about what a Standard says. The material is drawn <i>directly from the Standard</i> and its accompanying materials, or other materials reviewed by the Board or Interpretations Committee (eg Effects Analysis)	Detailed information about what a Standard says and why. The material might: <ul style="list-style-type: none"> - provide information about the <i>background</i> to the requirements (ie the ‘why’ drawn from the Basis); - use <i>simple examples</i> to illustrate the requirements; or - present the same information in a more <i>practical way</i> (eg step-by-step summary of the requirements). 	Information about how the requirements might be applied. The material does not contain any requirements that are not already in a Standard, but might include: <ul style="list-style-type: none"> - information about the <i>Board’s expectations</i> as to how the requirements might be applied in practice; - <i>new examples</i> to demonstrate how the requirements might be applied to different fact patterns
Recent examples include: Introductory webinars in 2017 to IFRS 17 <i>Insurance Contracts</i> .	Recent examples include: Webcasts in 2018 explaining specific topics in IFRS 17.	Recent examples include: Webcasts in 2017 on lease term in IFRS 16 <i>Leases</i> and revolving facilities in IFRS 9 <i>Financial Instruments</i> .

This table does *not* apply to:

- Illustrative Examples that accompany an IFRS Standard and are published with that Standard—these form part of the package that is balloted by the Board;
- Agenda Decisions published by the IFRS Interpretations Committee—the Committee follows the due process requirements in paragraphs 5.14-5.22 of the *Handbook*.

Material developed in 2018 and level of review

10. Material to support implementation and application of IFRS Standards developed since the last review in November 2017 and publicly available on our website, as well as material currently under development, is set out in the Appendix to this paper, categorised by the levels of review specified in paragraph 6.44 (as described above). The staff confirm that the contents of the materials are accurately described in the Appendix and believe that the level of review satisfies or exceeds those set out in the *Handbook*.

Review level for materials developed and under development between November 2017 and September 2018 supporting implementation and application of IFRS Standards

<p>Level of review specified in paragraph 6.44(a)—1 appropriate technical staff + 1 Editorial team member</p> <ul style="list-style-type: none"> • The Annotated IFRS Standards <ul style="list-style-type: none"> ○ The official text of IFRS Standards annotated with extensive cross-references, footnotes setting out Agenda Decisions of the IFRS Interpretations Committee, and other minor annotations. ○ 2 Volumes Produce in 2018 (one based on Standards that have been issued, the other on Standards that are in effect) ○ The same is planned for 2019 ○ All the underlying material has previously been subject to the Board's or Interpretations Committee's due process. • Comprehensive supporting modules for the <i>IFRS for SMEs</i> Standard* <ul style="list-style-type: none"> ○ 35 modules accounting for over 1500 pages of material. In 2018 we plan to publish the majority of the modules with the remainder available in early 2019. ○ Modules requiring only minor editorial amendments since the previous version have this level of review because they are modifications to materials previously given higher level of review.
<p>Level of review specified in paragraph 6.44(b)—1 appropriate technical staff + 1 Editorial team member + 1 IASB member</p> <ul style="list-style-type: none"> • Comprehensive supporting modules for the <i>IFRS for SMEs</i> Standard* <ul style="list-style-type: none"> ○ Modules not incorporating significant changes to the <i>IFRS for SMEs</i> Standard, but requiring some rewriting and changes to examples have this level of review because they are modifications to materials previously given higher level of review. • Microsoft PowerPoint presentations used in the Investor Engagement meetings/workshops for institutional investment professionals. <ul style="list-style-type: none"> ○ Where material is new it is developed within technical teams. In 2018, this included materials supporting education meetings on IFRS 9 <i>Financial Instruments</i>, IFRS 15 <i>Revenue from Contracts with Customers</i>, IFRS 16 <i>Leases</i>, IFRS 17 <i>Insurance Contracts</i> and IAS 7 <i>Statement of Cash Flows</i>. • <i>Investor Update</i> newsletter articles discussing existing IFRS Standards to support investor education. In 2018, this included articles that discussed IFRS 9, IFRS 15 and IFRS 16.
<p>Level of review specified in paragraph 6.44(b)—1 appropriate technical staff + 1 Editorial team member + 1 IASB member + 1 external IFRS expert or additional IASB member</p> <ul style="list-style-type: none"> • Comprehensive supporting modules for the <i>IFRS for SMEs</i> Standard* <ul style="list-style-type: none"> ○ Modules incorporating significant changes because of either the 2015 amendments to the <i>IFRS for SMEs</i> Standard or substantial rewriting have this level of review. • Webcast on IFRS 9: Prepayment features • Webcasts on IFRS 17: recognition and derecognition; transition to IFRS 17; summary of the accounting model in IFRS 17 in one page; level of aggregation; recognising the CSM in profit or loss; insurance contracts with participation and other features • Investor education article in the <i>Investor Perspectives</i> series on IFRS 17—Accounting to reflect economics • Educational materials on IFRS 17: Premium Allocation Approach: example with comparison to existing accounting practice, IFRS 17 and mutual entities; Reinsurance contracts held: example of proportionate reinsurance coverage; IFRS 17 pocket guide on reinsurance contracts held
<p>Level of review specified in paragraph 6.44(c)—three IASB members</p> <ul style="list-style-type: none"> • None in period

* Decision on level of review appropriate for Comprehensive IFRS for SMEs training modules is undertaken in consultation with appropriate Board member.