

# AGENDA PAPER

IFRS® Foundation Trustees meeting – Due Process Oversight Committee

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PRESENTERS

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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 to the Due Process Oversight Committee’s (DPOC) on the International Accounting Standards Board’s (the Board) engagement with the major advisory and consultative bodies of the Board.
2. Appendix A sets out the meetings of the groups in the period and planned dates for the next meeting.

### Executive Summary

3. The staff have reviewed the activities of the standing advisory groups and in general consider the groups are functioning well.

### 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.*

### Review to October 2017

6. 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 October 2017. Details on each of these groups are set out in the following paragraphs.

7. In this period the accessibility of the materials associated with the consultative groups has improved with the creation of the new IFRS Foundation website.

### **Standing advisory groups**

#### ***Accounting Standards Advisory Forum (ASAF)***

8. The objective of the ASAF is to provide an advisory forum in which members can constructively contribute to the Board's technical projects. The ASAF consists of 12 national accounting standard-setters and regional bodies with an interest in financial reporting, selected by the IFRS Foundation Trustees.
9. During 2016/2017, 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 website<sup>1</sup>. In September 2016 Jim Quigley observed the meeting.
10. The ASAF also acts as the advisory group to the *Conceptual Framework* project. Issues related to the *Conceptual Framework* were discussed at its meetings in September, December 2016 and in March 2017.
11. ASAF members completed a feedback questionnaire following the July 2017 ASAF meeting. Overall ASAF members rated the meeting as effective, and in general ratings on specific aspects of the meeting improved from last year's feedback, with many members rating the meeting as highly effective.
12. In 2018, the Trustees of the IFRS Foundation will conduct the second ASAF review. The first review, conducted in 2015, focussed on the how the ASAF performed in relation to its Terms of Reference (TOR) and its Memorandum of Understanding (MOU). We will discuss the scope of the second review with the Trustees at this meeting.

#### ***Capital Markets Advisory Committee (CMAC)***

13. The CMAC aims to provide the Board with regular input from the international community of users of financial statements.
14. The CMAC currently consists of 18 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

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<sup>1</sup> [ASAF meetings](#)

which they are involved. Members are drawn from a variety of industries and geographical backgrounds.

15. 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 2016, March 2017, and held a joint meeting with the GPF in June 2017. Agenda papers and audio webcasts can be accessed on the CMAC page on the website<sup>2</sup>.
16. 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.
17. The staff's view is that the CMAC is functioning well.

### ***Global Preparers Forum (GPF)***

18. The GPF aims to provide the Board with input from the international community of financial statement preparers.
19. Currently the group consists of 13 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.
20. The GPF meets three times a year (once jointly with the CMAC). In the period under review, the GPF met in November 2016, March 2017 and held a joint meeting with the CMAC in June 2017. Agenda papers, audio webcasts and the meeting notes can be accessed on the GPF page on the website<sup>3</sup>.
21. The staff's view is that the GPF is functioning well.

### ***Emerging Economies Group (EEG)***

22. The aim of the EEG is to enhance the participation of emerging economies in the development, application and implementation of IFRS Standards.
23. The EEG comprises 12 members who represent the emerging economies member countries of the G20 with the addition of Malaysia.

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<sup>2</sup> [CMAC meetings](#)

<sup>3</sup> [GPF meetings](#)

24. 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 November 2016 (South Africa) and May 2017 (India). Agenda papers for each meeting are posted on the website in advance of the meeting<sup>4</sup>.
25. The Communiqués for the November 2016 and May 2017 meetings can also be accessed on the EEG page on the IFRS Foundation website. In addition, an Emerging Economies Update (Update) was posted to the IFRS Foundation website following the meeting in May 2017. The Update provides more detail of the discussion at the EEG meeting than the Communiqué and replaces the recordings of the meeting that were previously available on the IFRS Foundation website.
26. The objectives and role of the Group was discussed with members at the May 2017 meeting. The staff are working toward formalising a consolidated Terms of Reference for the Group at its next meeting. As part of this discussion it was agreed that neighbouring emerging economies to the EEG member hosting the meeting would be invited to the meeting, as observers. This will be incorporated in the updated Terms of Reference.
27. The staff's view is that the EEG is an effective vehicle for ensuring that emerging economies have a conduit to the Board and also provides an effective forum to discuss the implementation of IFRS Standards. The work of the group has been largely technical in nature, with different members taking a lead on project discussions.

### ***SME Implementation Group (SMEIG)***

28. 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.
29. 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

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<sup>4</sup> [EEG meetings](#)

(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.

30. 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.
31. 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. The SMEIG's main responsibilities before the next review of the *IFRS for SMEs* will be to perform external reviews of the *IFRS for SMEs* training material that is being updated this year. It will also advise the Board on the process for the next comprehensive review that is due to start in 2019, consider whether to address any implementation issues via Q&As, and also to advise on ongoing SME issues, for example implementation support and outreach.
32. In June 2017, draft guidance on applying the *IFRS for SMEs* Standard to financial guarantees in a parent's separate financial statements was published. This guidance has been developed by the SMEIG. 11 comment letters were received. The SMEIG is currently considering the feedback from those comment letters and will decide whether to publish a final Q&A in late 2017. During the second half of 2017 SMEIG members have been actively helping to review the 35 modules of training material on the *IFRS for SMEs* Standard.

### **Education Advisory Group (EAG)**

33. 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).
34. 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.

35. In the period, an email was sent to members to enquire as to their availability for continued membership and contribution to the group. As a result of the limited response received the role of the EAG is now part of a larger review being undertaken into our engagement with academics by the Board's Academic Liaison Committee.

### ***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 17 members plus the Chair and Vice-Chair.

37. During the review period the IFCG met in July 2017 in Jakarta, Indonesia and the summary of this meeting has been made available on the website<sup>5</sup>. At the meeting it was acknowledged that it is intended that the Group will meet more regularly, noting that it should be seen as part of the Board's strategy for providing more implementation support for IFRS Standards.

38. The next full meeting of the Group is likely to be in Q1 2018.

### ***IFRS Taxonomy Consultative Group (ITCG)***

39. 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.

40. 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.

41. The ITCG comprises 18 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.

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

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<sup>5</sup> [Islamic Finance Consultative Group - meetings](#)

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

### **Project consultative groups—disbanded in 2017**

44. As recommended in our report and approved by the DPOC last year the Valuation Expert Group (VEG) and Insurance Working Group have been disbanded this year.

### **Project Consultative Groups—no changes recommended**

#### ***Consultative Group for rate regulation (CGRR)***

45. 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.

46. The CGRR last met in March 2015 to discuss the responses to the Discussion Paper *Reporting the Financial Effects of Rate Regulation* that was published in September 2014. The Group is meeting on 26 October 2017 to provide further practical input about how the rate-adjustment mechanism used in some regulatory regimes operates in practice. This input will inform the Board's discussions as it continues to develop a potential IFRS Standard to replace IFRS 14 *Regulatory Deferral Accounts*.

47. 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 last met. The plan is to replace these members.

48. The staff's view is that the CGRR is an effective group that has functioned well so far and will remain active to assist in the staff in developing an accounting model.

#### ***Joint Transition Resource Group for Revenue Recognition (TRG)***

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

50. 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.

51. In the period under review, the TRG has not met. As report last year, 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 observe FASB TRG discussions. The FASB held a meeting of their TRG in November 2016, which was observed by two Board members and two staff members.
52. 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)***

53. The ITG was established in 2014 as a limited-life group 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 does not publish any guidance.
54. The ITG consists of 12 members (6 auditors and 6 preparers) and 3 observers from regulators and banking supervisors.
55. There have been no meetings in the period under review and, at present, no further meetings are scheduled. However, the group remains in place and stakeholders may continue to submit potential implementation issues, even after IFRS 9 becomes effective on 1 January 2018. Further meetings will convene if circumstances warrant.

### ***Transition Resource Group for Insurance Contracts***

56. The Board has established a TRG on IFRS 17 *Insurance Contracts* to support its implementation. Similarly to the TRGs discussed above, the purpose of this 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.
57. The composition of the group was announced in September 2017 and will be made up of 15 members and 3 observers. The first meeting of the TRG, which will discuss administrative matters and establish how the group will operate, will take place on 13 November 2017. Four meetings are scheduled for next year.



## Appendix A Board Consultative Groups meetings

Consultative group	Meetings in the period to end September 2017	Date of last meeting
<b>Standing groups</b>		
Accounting Standards Advisory Forum	4	September 2017
Capital Markets Advisory Committee	3	March 2017, joint meeting with GPF June 2017
Global Preparers Forum	3	March 2017, joint meeting with CMAC June 2017
Emerging Economies Group	2	May 2017
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	1	July 2017
IFRS Taxonomy	2 (plus 1 conference call)	September 2016  (next conference call 11 October 2017)
<b>Project consultative groups</b>		
Consultative Group for Rate Regulation	Nil	March 2015  (next meeting 26 October 2017)
Joint Transition Resource Group for Revenue Recognition	Nil (as planned)	November 2015
IFRS Transition Resource Group for Impairment of Financial Instruments	Nil (as planned)	December 2015
Transition Resource Group for Insurance Contracts	Not applicable	First meeting 13 November 2017