

# Agenda PAPER

IFRS Foundation Trustees meeting – Due Process Oversight Committee

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## IFRS Taxonomy — Due Process

### Purpose

1. The purpose of this paper is to propose some amendments to the *Due Process Handbook* to the Due Process Oversight Committee (DPOC) to enhance the clarity of the due process requirements and the DPOC's oversight of the IFRS Taxonomy's due process.

#### Question for the DPOC

Do the DPOC agree to leave the Taxonomy elements of the Due Process Handbook in a separate Annex, and to amend the *Due Process Handbook*:

- (a) to clarify the approval and review process associated with the issuance and publication of IFRS Taxonomy due process documents;
- (b) to specify the DPOC's oversight of IFRS Taxonomy content that refers to IFRS Standards; and
- (c) to include an explanatory paragraph in the introduction about the annex?

### Background

2. The Due Process Handbook was updated in May 2016 to include, as an annex, the due process requirements of the IFRS Taxonomy. This replaced the former, and separate, XBRL Handbook. The annex explains the type of IFRS Taxonomy due process

documents produced and the involvement of the Board, the IFRS Taxonomy Review Panel (a subset of no more than 5 Board members and one Technical Director) and the IFRS Taxonomy Consultative Group (ITCG) (the Board's Consultative Group made up of external IFRS Taxonomy experts).

3. The annex to the 2016 *Due Process Handbook* currently explains the level of approval and review required for each IFRS Taxonomy due process publication. Given the recent addition of the IFRS Taxonomy due process as an annex and its continuing development the staff do not recommend incorporating the annex into the main body of the *Due Process Handbook*. However, the staff think some limited amendments could be made to enhance the clarity of the due process requirements and the DPOC's oversight of the IFRS Taxonomy's due process.

### **Staff Recommendations**

4. The annex to the *Due Process Handbook* explains in Paragraph A16 that the only type of IFRS Taxonomy Update that is subject to Board approval are updates that reflect new or amended IFRS Standards. There are three other types of IFRS Taxonomy Updates. These do not require Board or other approval but are subject to review by the IFRS Taxonomy Review Panel and optionally by the ITCG. These are:
  - (a) Common Practice (a publication that reflects common reporting practice);
  - (b) Annual improvements (minor changes to improve the Taxonomy on a yearly basis); and
  - (c) Technology (changes that solely affect the IFRS Taxonomy technology).
5. The staff think that paragraphs A16-A22 of the *Due Process Handbook* could be supported by inclusion of a table for greater clarity of the approval and review process associated with the issuance and publication of IFRS Taxonomy Updates. The staff also think that following the structure of the table will assist in informing the DPOC of the due process steps associated with producing IFRS Taxonomy Updates.

6. The below tabulates the review and approval requirements for IFRS Taxonomy Updates:

IFRS Taxonomy Update	Issued/Published	Review ITCG	Board Approval
<b>Updates subject to Board approval</b>			
Standards	Usually at time main Standard is issued	Required (paragraph A20)	Required (paragraph A16)

IFRS Taxonomy Update <i>(not subject to Board approval)</i>	Published	Review	
		IFRS Taxonomy Review Panel	ITCG
Common Practice	Anytime	Required (paragraph A17)	Required (paragraph A20)
Annual Improvements	Usually end of year	Required (paragraph A17)	Required (paragraph A20)
Technology	Anytime	Not Required (paragraph A19)	Required (paragraph A20)

7. Currently the annex to the *Due Process Handbook* does not explicitly describe the DPOC’s role in respect of overseeing the due processes associated with IFRS Taxonomy content. Implicitly the DPOC does have an oversight role, at least of due process requirements associated with updates of the IFRS Taxonomy that refer to IFRS Standards.
8. The DPOC are informed through the Technical Update paper discussed at each DPOC meeting of the taxonomy due process documents issued in the period and, where applicable, the date that publication was approved by the Board. Through the annual review of Consultative Groups, the DPOC also receives the report of the technical staff’s review of the ITCG to ensure it is “continuing to serve the function for which it was established and whether, if that is the case, the membership should remain the same” (paragraph 3.63 *Due Process Handbook*).

9. The staff think that the annex to the *Due Process Handbook* should be amended to specify the DPOC's oversight of due process requirements associated with updates of the IFRS Taxonomy that refer to IFRS Standards.
10. The staff also note that the introduction to the *Due Process Handbook* does not contain a paragraph that explains the annex. The staff recommend amending the introduction to include an explanatory paragraph.

**Question for the DPOC**

Do the DPOC agree to leave the Taxonomy elements of the *Due Process Handbook* in a separate Annex, and to amend the *Due Process Handbook*:

- (a) to clarify the approval and review process associated with the issuance and publication of IFRS Taxonomy due process documents;
- (b) to specify the DPOC's oversight of IFRS Taxonomy content that refers to IFRS Standards; and
- (c) to include an explanatory paragraph in the introduction about the annex?