Technical Advisory Group – What might it look like and how should it operate?

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Outline

- Background
- Comparison of operating procedures of CRIRSCO, IASB and SPE OGRC as basis for discussions
- Some recommendations
- Next steps
- Detailed discussion of what EGRC thinks is appropriate for Technical Advisory Group

Background

- At 7th session of AHGE October 2009, agreed to establish a Technical Advisory Group (TAG).
- From Report of 7th Session:

  the AHGE "should establish a Technical Advisory Group to provide assistance and advice on how to interpret and apply UNFC-2009 as and when requested"

  "stakeholders should be invited to map their systems to UNFC-2009 and to report on the outcome to the Technical Advisory Group, which would in turn ensure that the AHGE and its Bureau were kept informed. As part of this process, user recommendations for additional specifications and guidelines should be requested and compiled"

  "stakeholders should be encouraged to carry out cross-mapping with other systems; ideally this would include government to government mapping as well as commercial systems. Results would be compiled and analysed by the Technical Advisory Group".

Comparison of similar bodies

- **To facilitate discussions three bodies/organizations chosen and their operating procedures and governance structures compared on the basis of 10 different criteria.**
- **Committee for Mineral Reserves International Reporting Standards (CRIRSCO)**
- **International Accounting Standards Board (IASB)**
- **Society of Petroleum Engineers (SPE) Oil and Gas Reserves Committee (OGRC)**

Issues compared

- Number of members
- Selection process for new members
- Period of membership
- Selection process for Chair
- Period as Chair
- Decision-making process
- Frequency of meetings
- Openness of meetings
- Publication of minutes
- Funding

Number of Members

CRIRSCO	**13 - countries represented: Canada (2), USA (2), Chile (2), Europe (3), South Africa (2), and Australia (2). Russia currently included in Europe.**
IASB	**Currently 14, increasing to 16 by 1 July 2012.**
SPE OGRC	**Currently 17 (normally between 12 and 16). Representatives of invited organizations can act as observers, currently 5 observers, no prescribed time limit for observers (invitation subject to SPE Board approval).**

Selection Process for New Members

CRIRSCO	Nominated by the National Reporting Organizations (NRO).
IASB	Trustees oversee IASB - IASB members appointed via open and rigorous process, incl. advertising vacancies & contacting relevant organizations. Criteria for IASB members set out in Annex to Constitution of IASC/IFRS Foundation. To ensure a broad international basis, by 1 July 2012 membership should comprise: (a) Asia/Oceania region - 4 (b) Europe - 4 (c) North America - 4 (d) Africa - 1 (e) South America – 1 and (f) 2 members appointed from any area, subject to maintaining overall geographical balance. Trustees also select IASB members so that IASB as a group provides an appropriate mix of recent practical experience among auditors, preparers, users and academics.
SPE OGRC	Selected by SPE President-Elect. Generally appointed on a rotating basis such that one-third of the members are replaced during the course of a normal year. President-Elect may consult with the existing OGRC Chair or other committee members for the nomination of potential candidates.

Period of Membership

CRIRSCO	Undefined
IASB	Members of IASB appointed before 2 July 2009 are appointed for a term of 5 years, renewable once for a further term of 5 years. Members of IASB appointed after 2 July 2009 are appointed initially for a term of 5 years. Terms are renewable once for a further term of 3 years, with the exception of the Chair and a Vice-Chair who may serve a second term of 5 years, but may not exceed 10 years in total length of service as a member of the IASB.
SPE OGRC	3 years (however, SPE President-Elect can ask members to extend their term to fill critical functions or complete ongoing activities. Normally, members cannot be appointed for consecutive terms).

Selection Process for Chair

CRIRSCO	Elected by existing members of CRIRSCO.
IASB	Selected by Trustees – must be a full time member (he/she will also become Chief Executive of IFRS Foundation). Up to 2 full-time IASB members may also be designated by Trustees as a Vice-Chair, whose role is to chair IASB meetings when Chair absent or to represent the Chair in external contacts. Title of Vice-Chair does not imply that member (or members) concerned is (or are) the Chair elect. Appointment of a Chair and Vice-Chairs is made with regard to maintaining a geographical balance.
SPE OGRC	Selected by SPE President-Elect from current or previous OGRC membership.

Period as Chair

CRIRSCO	**2 years**
IASB	**5 years initially. Can serve a second term of 5 years, but may not exceed 10 years in total length of service as a member of IASB.**
SPE OGRC	**2 years (Chair then remains on Committee for 1 year following his/her term to ensure continuity with incoming Chair).**

Decision-Making Process

CRIRSCO	Consensus
IASB	Each member has 1 vote. On both technical and other matters, proxy voting is not permitted nor are IASB members entitled to appoint alternates to attend meetings. In event of a tied vote, on a decision to be made by a simple majority of IASB members present at a meeting in person or by teleconference, the Chair has an additional casting vote. Publication of an exposure draft, or an IFRS requires approval by 9 IASB members if there are fewer than 16 members or by 10 members if there are 16 members. Other IASB decisions, including publication of a discussion paper, requires a simple majority of members present at a meeting that is attended by at least 60% cent of members, in person or by telecommunications.
SPE OGRC	In general, a quorum of members defined as a simple majority will decide the position of the Committee. Changes to reserve/resource definitions are subject to SPE Board approval.

Frequency of Meetings

CRIRSCO	**CRIRSCO meets once a year (AGM). Ad-hoc meetings are arranged as required, preferably electronically.**
IASB	**IASB meets at least once a month (except in August) for up to 5 days. Additional meetings can be held if necessary. Meeting dates are announced in the meetings diary on the IASB website.**
SPE OGRC	**Two face-to-face meetings are organized per year. Additional meetings organized by teleconference as required.**

Openess of Meetings

CRIRSCO	**All CRIRSCO members are invited to attend; a portion of the AGM will be an open meeting for anyone wishing to attend. Meeting details (date, time, location) are not published.**
IASB	**All IASB meetings (apart from administrative meetings) are held in public and are usually webcast. Agenda for each meeting is published in advance on IASB website together with Observer Notes, which contain the substance of the papers tabled for the meeting.**
SPE OGRC	**In general, open to any SPE member upon their request to attend. Meeting details (date, time, location) are not published.**

Publication of Meeting Minutes

CRIRSCO	**Posted to ICMM website. There are plans to post minutes to CRIRSCO website.**
IASB	**Summaries of technical decisions made at IASB meetings are published promptly after each meeting, and made available on IASB website. IASB is also trialing the use of podcasts as another means for reporting main outcomes from board meetings.**
SPE OGRC	**Not made available to general public or to the general SPE membership - restricted access only.**

Funding

CRIRSCO	**Travelling, accommodation and incidental expenses are funded mainly by ICMM with contributions from NROs and employers of members. Members contribute their time. CRIRSCO is a strategic partner of ICMM (relationship defined in an MoU).**
IASB	**Full-time & part-time members paid at rates commensurate with respective responsibilities assumed: rates are determined by Trustees. Travel expenses are met by IFRS Foundation. On appointment, full-time IASB members cut all employment relationships with current employers and cannot hold any position giving rise to economic incentives that might call into question their independence of judgement in setting financial reporting standards. Secondments and any rights to return to an employer are not permitted. Part-time members are not expected to sever all other employment arrangements.**
SPE OGRC	**SPE OGRC members are not paid or funded in any way by SPE – member's time and travel expenses must be covered by employer or personally by OGRC member.**

Funding *continued*

CRIRSCO	**No support staff.**
IASB	**Trustees are responsible for financing arrangements of the IASC Foundation. They approve annually budget of the Foundation and determine the basis for funding. Any financing regime has to ensure that Foundation and IASB have the ability to engage interested parties worldwide in shaping of financial reporting standards, while maintaining the capability to respond to crises. Financing though has to be accomplished in such a way that ensures the independence and objectivity of the standard-setting process. IASB well funded through a levy on a number of organizations – this also covers a large support staff.**
SPE OGRC	**Limited support staff.**

Recommendations

- **All recommendations of the Mapping Task Force, UNFC Revision Task Force and Specifications Task Force should be considered when establishing the Technical Advisory Group.**

  E.g. from Specifications Task Force Report, 16 April 2010:

  "<u>Governance and administrative system for guidelines</u>

  ***Para 61.* Guidelines require a governance and administrative system to support ongoing development and maintenance. Both CRIRSCO and SPE have systems in place and the Expert Group on Resource Classification is planning to establish a Technical Advisory Group to perform a similar function, though with the additional requirement for very close liaison with CRIRSCO and SPE with respect to commodity-specific guidelines. It should be noted that a view has been expressed that the governance structure for PRMS is not suitable for regulatory (financial reporting) purposes."**

Recommendations *continued*

- **From <u>Mapping</u> <u>Task Force Report</u>, :**

  "It is recommended that a "working group" is established with similar membership to that of the Mapping Task Force with a mandate to provide advice and guidance to any such mapping effort, with particular emphasis on maintaining a standardized format for the mapping document and ensuring consistency with the existing mapped systems."

- **Exact role of Technical Advisory Group needs to be agreed. Amongst other tasks, it will need to compile, analyze and report to the Expert Group on UNFC-2009 application issues and results of mapping exercises undertaken by countries and other organizations/bodies.**

Next Steps

- **What is best approach for EGRC to establish the TAG? EGRC needs to discuss and seek to agree on the process and steps.**

***<u>Possible approach for consideration</u>*:**

- **Detailed discussion at April 2010 Session on each of the issues highlighted (number of members, selection process etc) plus any others EGRC would like to add (mandate, terms of reference?).**
- **Preliminary views solicited on all issues as to what might be appropriate, what is important etc.**
- **EGRC tasks Bureau to prepare a formal (reasoned) approach for each issue.**
- **All proposals circulated for comment and posted to ECE website with an adequate comment period (i.e. transparent & open process).**

Next Steps *continued*

- **Based on feedback, Bureau prepares final proposal for EGRC approval.**
- **Time period for this approach needs to be agreed e.g. 6 months, 12 months?**
- **TAG will need funding therefore rules of procedure and budget preferably agreed upon before approaching donors.**
- **Any other approaches to way forward?**

Discussion of Governance Issues

1. Mandate
2. Terms of Reference
3. Number of members
4. Selection process for new members
5. Period of membership
6. Selection process for Chair
7. Period as Chair
8. Decision-making process
9. Frequency of meetings
10. Openness of meetings
11. Publication of minutes
12. Funding
13. Other issues?