



Cover memo

Project:	AASB Work Plan 2017-2019	Meeting	AASB May 2017 (M157)
Topic:	Cover memo – AASB Work Plan 2017-2019	Agenda Item:	3.0
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Introduction and objective of this meeting

- 1 The objective of this meeting is for the Board to determine, having regard to the staff analysis in this paper and the proposed project plans (agenda papers 3.2-3.8):
 - (a) the new projects, identified from feedback received on ITC 34 *AASB Agenda Consultation 2017-2019* and from other avenues, to be added to the AASB work programme for 2017-2019; and
 - (b) consider the expected timing of project initiation for projects to be added to the AASB work programme.

Background

- 2 At its August 2016 meeting, the Board had before it a summary of the topics identified in feedback on ITC 34 as well as potential projects previously identified by the Board¹. The Board:
 - (a) directed staff to prepare project plans with respect to identified possible new projects identified from feedback received on ITC 34, to provide the Board with more information to assist it with its deliberations on its 2017-2019 work program;
 - (b) noted several projects for possible addition to its research agenda;
 - (c) noted the staff recommendation for a staff paper to be developed to make recommendations as to which IPSASB projects the Board could contribute to and follow closely on IPSASB; and

¹ Not separately identified in the Agenda Paper 8.0 of the August 2016 meeting.

- (d) noted the staff recommendation for further outreach to be performed relating to several topics before the Board considers whether there is a potential project to be added to the Board's work programme.²
- 3 Staff comments on these different aspects are in this agenda paper, including updated staff recommendations, with a view to enabling the Board to complete its discussions relating to ITC 34.
- 4 In addition, staff have separately identified potential projects previously identified by the Board during the conduct of other Board projects. These projects are listed in Appendix B (agenda paper 3.0.2).
- 5 Also, the Board has recently received correspondence from two separate bodies (agenda papers 3.9 and 3.10). The correspondence suggest further projects that the Board may wish to undertake. These projects are also noted in the list in Appendix B.
- 6 This paper is set out as follows:
- (a) summary of staff recommendations (paragraphs 7-9);
 - (b) discussion and analysis of the various projects/topics identified (paragraphs 10-21); and
 - (c) next steps on the Board's Agenda Consultation 2017-2019 process (paragraphs 22-24).

Attachments

Agenda Paper 3.0.1 Appendix A – Draft work programme 2017-2019 [BOARD ONLY]

Agenda Paper 3.0.2 Appendix B – Listing of possible projects

Agenda Paper 3.0.3 Appendix C – Summary of staff recommendations compared to those made as part of Agenda Paper 8.0 of the August 2016 meeting

Agenda Paper 3.1 Staff Paper: Project plan – AASB 13 for public sector entities

Agenda Paper 3.2 Staff Paper: Project plan – Public sector intangible assets

Agenda Paper 3.3 Staff Paper: Project plan – Contributions by owners

Agenda Paper 3.4 Staff Paper: Project plan – Senior executive remuneration reporting

Agenda Paper 3.5 Staff Paper: Project plan – Volunteer services

2 Link to Agenda Paper 8.0 of the August 2016 meeting:
http://www.aasb.gov.au/admin/file/content102/c3/8.0_Memo_AASB_Agenda_Consultation_M153.pdf

The table in Agenda Paper 8.0 summarising feedback received and the related staff recommendation is replicated as Appendix A in this Agenda Paper.

- Agenda Paper 3.6 Staff Paper: Project plan – PIR of AASB 1049
- Agenda Paper 3.7 Staff Paper: Project plan – Discounting of defined benefit plan liabilities in the public sector
- Agenda Paper 3.8 Staff Paper: Project plan – Definition of fundraising
- Agenda Paper 3.9 Letter from the Business Council of Co-operatives and Mutuals dated 11 April 2017
- Agenda Paper 3.10 Letter requesting Board consideration be given to introducing an Australian specific disclosure [BOARD ONLY]

Staff recommendations – Summary

- 7 Staff recommend a limited number of new major/implementation projects be added to the Board's work programme for 2017-2019, being:
 - (a) AASB 13 for public sector entities;
 - (b) Public sector intangible assets;
 - (c) Contributions by owners;
 - (d) Senior executive remuneration reporting; and
 - (e) Exploring how to progress the matter noted in Agenda Paper 3.10.
- 8 Acknowledging the feedback received on ITC 34 for the AASB to progress its project on the Australian Reporting Framework as a matter of priority, and having regard to work to still be progressed in relation to projects currently on the AASB agenda and available staff resources, staff recommend:
 - (a) no further major new project be added to the AASB work programme for 2017-2019;
 - (b) no further new implementation projects be added to the AASB work programme at this time; and
 - (c) the projects/topics identified in Appendix B (agenda paper 3.0.2) be retained as possible pipeline projects.
- 9 In addition, staff recommend:
 - (a) no existing 'standard-setting' project be removed from the AASB Work Programme. This is consistent with the absence of feedback received in this regard; and
 - (b) not allocating any resources to progressing existing 'research' projects (1) carbon tax /ETS/abatement scheme; and (2) joint control, but to concentrate staff efforts on progressing aspects of the Board's Australian Reporting Framework project. Staff further recommend the Board defer a decision

whether to remove (rather than pause) certain existing ‘research’ projects from the work programme until after the Board has discussed its future research strategy.³

Questions for Board members

Q1 Do Board members agree with the staff recommendations set out in paragraphs 7 – 9?

Discussion and analysis

- 10 In ITC 34, the Board observed that it would consider various factors, including the following, in prioritising individual projects on its work programme and allocating resources to them:
- (a) the importance of the issue to those who use financial reports, including the range and extent of those to whom the issue might apply, and whether it impacts for-profit and not-for-profit entities;
 - (b) interactions with other current or possible projects;
 - (c) the complexity and breadth of the problem to be resolved, and the feasibility of possible solutions being developed;
 - (d) the capacity of stakeholders to respond to proposals, both as individual proposals and across the work programme as a whole;
 - (e) the overall balance of the work plan and the overall balance in the pipeline of research projects that may ultimately come forward to the standards-level work programme, including a balance of not-for-profit, public sector and other projects; and
 - (f) the availability of sufficient staff resources.
- 11 In addition, staff think the following factors are also relevant for determining whether the Board should add a project to its 2017-2019 agenda:
- (a) the source of the project (e.g. from a particular stakeholder/group; from ITC 34 feedback, Board identified during the course of other work); and
 - (b) the current push for engagement on the topic.
- 12 Staff considered the capacity of stakeholders to respond to proposals and the availability of sufficient staff resources during the period 2017-2019, having regard to the:

3 Link to the AASB Research Centre Work Programme:
http://www.aasb.gov.au/admin/file/content102/c3/AASB_Research_Centre_Work_Program.pdf. This work programme also identifies projects on the Conceptual Framework and Intangible Assets, which staff have incorporated into the active agenda (see page 5).

- (a) draft AASB work programme for 2017-2019 for existing major AASB and IASB originated projects – including projects on the Disclosure Initiative, Conceptual Framework (NFP), Reduced Disclosure Requirements, Australian Reporting Framework, Reporting Service Performance Information and Insurance Contracts (NFP);
 - (b) entities preparing for, and implementing, significant Standards which will become effective in the next few years, including AASB 9 *Financial Instruments*, AASB 15 *Revenue from Contracts with Customers*, AASB 16 *Leases*, AASB 1058 *Income of Not-for-Profit Entities* and the forthcoming AASB 10XY *Service Concession Arrangements: Grantors*.
- 13 Based on this, staff think the Board should not add any further major technical projects directed at public sector entities and not-for-profit entities private sector entities, until work on the existing projects are substantially complete, but add several implementation projects that could be completed within a shorter timeframe, and which are less likely to require significant stakeholder resources, both from an outreach and an implementation perspective. Staff are also of the opinion that the Board should not overcommit to new projects at this time so as to maintain some capacity to undertake projects or other activity arising from emerging issues or Board's previous work (for example, case in point would be work done on related party disclosures, and on fair value disclosures of public sector entities).
- 14 Also, given the Board's capacity to take on new projects, staff are of the view that generally, projects should be prioritised where:
- (a) the importance of the issue to those who use financial reports is widespread, rather than being important only to a certain industry/ type of entity, or certain stakeholders or constituents; and
 - (b) there are interactions with existing Standards, projects, or stakeholder appetite that suggest the project should be undertaken during 2017-2019, rather than being deferred.
- 15 Accordingly, with respect to the staff preliminary recommendations made in agenda paper 8.0 of the August 2016 meeting, staff now recommend:
- (a) **Topics for further outreach (see paragraph 2(d) and Appendix C).** In Agenda Paper 8.0 of the August 2016 meeting, staff recommended further investigation be performed on certain topics before staff form a preliminary recommendation whether the Board should undertake a project in relation to those topics. Staff now recommend that no resources be allocated to performing outreach on these topics identified for further outreach; but to consider those topics for future narrow-scope pipeline projects should the AASB be made aware by constituents that they are significant issues for practice which need to be urgently addressed, and the issues are widespread across entities;
 - (b) **Identified possible research projects (see paragraph 2(b) and Appendix C).** In Agenda Paper 8.0 of the August 2016 meeting, staff identified several issues for consideration as part of the AASB research agenda. Staff propose

that no resources be presently allocated to considering whether the identified topics should be added to the AASB work program; but to retain the feedback received for consideration as future possible research projects. Staff make this recommendation having regard in part to the feedback received that the Board should progress its project on the Australian Reporting Framework as a project of importance, and the Board's discussions on its research strategy.

- (c) **Contribution to IPSASB projects (see paragraph 2(c) and Appendix C).**
The IPSASB agenda⁴ includes projects on:

IPSASB projects⁵	Current stage	Next milestone
(a) Social benefits	ED Q3 2017	IPSAS H2 2018
(b) Revenue	DP Q2 2017*	ED H2 2018
(c) Non-exchange expenses	DP Q2 2017*	ED H2 2018
(d) Heritage	CP open for comment	ED H2 2018
(e) Infrastructure assets	Discussion begin Q3 2017	CP H2 2018
(f) Measurement	Discussions began Q1 2017	CP Q4 2017

* *DP to include proposals on non-contractual receivables and non-contractual payables*

Having regard to the availability of staff resources and the stage of many of these projects, staff recommend the Board only contributes in a limited manner on these IPSASB projects, particularly for projects at the DP or CP stage (for example, the Board may decide not to make submissions on some of the public consultation documents). (However, the Board may wish to consider whether it makes a submission on the forthcoming IPSASB ED on Social Benefits, or provide input to the Infrastructure or Measurement projects, through shared efforts with the NZASB. Where the Board decides to contribute to these IPSASB projects, staff think this should be added to the Board's work programme to reflect the commitment of staff resources to the activity.)

- 16 Staff note the Board's direction at its August 2016 meeting was for staff to prepare project plans in respect of identified topics.⁶ Based on staff's initial assessment that the identified projects below should not be taken onto the Board's active agenda for 2017-2019, staff have not prepared project plans in respect of the following topics:

- (a) **review of Australian additional disclosures.** A proposed project in this regard would consider whether there is still reason for retaining existing Australian-specific disclosures that apply to all Australian entities preparing general purpose financial statements.

4 Link to publicly available IPSASB agenda: <https://www.ifac.org/system/files/uploads/IPSASB/IPSASB-Project-Timetable.pdf>

5 More information about each project is included on the IPSASB's website at: <http://www.ipsasb.org/projects>

6 The topics are identified in the table in Appendix C.

Staff rationale: Staff think a project in this regard, if added to the Board's active agenda, should be undertaken no earlier than after the Board has completed its Reduced Disclosure Requirements project and formed its tentative views on potential reporting Tiers as part of its Australian Reporting Framework project, as outcomes from these projects could inform the Board about this topic. In addition, decisions about whether to undertake a project in this regard may be informed by the Board's future research strategy.

- (b) **review of the limitation on the exemption from preparing consolidated or equity accounted financial statements.** A proposed project in this regard would consider whether it is necessary to retain the AASB restriction on the relief from consolidation or equity accounting available under IFRS Standards.

Staff rationale: Staff think a project in this regard, if added to the Board's active agenda, should be undertaken no earlier than after the Board has formed its tentative views on potential reporting Tiers as part of its Australian Reporting Framework project (including identification of the users), as outcomes from the project could inform the Board about this topic. Staff also note that undertaking a project in this regard at this time could inadvertently affect outcomes that may be sought under the legislation to require significant global entities to lodge general purpose financial statements with the Australian Taxation Office.

- (c) **identifying best practice and developing template disclosure solutions to help alleviate concerns of cooperative entities relating to capital/debt classifications.** A proposed project in this regard would seek to engage with constituents and develop guidance material that could be helpful to explain the financial position of cooperative or mutual member firms to help respond to concerns about the entity's competitive access to finance.

Staff rationale: Staff think there is some merit in developing guidance to provide clarity to understanding the financial report, consistent with the IASB's *better communication* theme, and to conduct a project in this regard in conjunction with the timing of the IASB's Financial Instruments with Characteristics of Equity project. However, staff note that the outcomes of the IASB's Principles of Disclosure and Primary Financial Statements projects could inform what information can be presented on the face of financial statements, and that any guidance developed may equally be applicable to for-profit managed investment schemes. In addition, staff think that developing guidance that applies only to a particular entity type, or conducting research to identify good practice, should be of lower priority on the AASB's work program to progressing potential projects clarifying or determining appropriate accounting.

- (d) **whether further not-for-profit (NFP) modification to Australian Accounting Standards is necessary.** A proposed project in this regard is likely to be a major project, as it could be expected to include a review of all existing pronouncements and further outreach on implementation issues.

Staff rationale: Staff think a project in this regard, if added to the Board's active agenda, should be undertaken only after the Board forms its views on

how to revise its *Process for Modifying IFRSs for PBE/NFP*.⁷ Staff also note that the Board's proposals about which entities should prepare general purpose financial statements and the potential reporting Tiers could inform this project, as could outcomes from the Board's Australian Reporting Framework project.

Potential additions to the work program

17 Agenda Papers 3.1 to 3.8 set out high-level proposed project plans for the identified topics (see Appendix A to this paper). These projects plans have been prepared on a 'stand-alone' project basis, without regard to the project's significance or timing in relation to each other project/activity or possible project on the Board's agenda; i.e. an objective assessment of the length of the project having regard to the project scope and assuming all resources were available to work on the project. Accordingly, length of the project set out in the draft work programme in Appendix A is likely to differ from that envisaged in the respective agenda papers.

18 The table below summarises the preliminary staff assessment of the eight projects:

Project	Priority	Timing	Resource commitment	Project length (approx)	Project scale
AASB 13 for public sector entities	Medium	Not urgent	Moderate	18 months	Implementation
Public sector intangible assets	Medium to High	Before 1 Jan 2019	Moderate	12 months	Implementation
Contributions by owners	Medium	Not urgent	Moderate	8 months	Implementation
Senior executive remuneration reporting	Medium	Not urgent	Significant ⁸	18 months	Major
Volunteer services	Medium	Not urgent	Moderate	12 months	Implementation
PIR AASB 1049	Medium	Not urgent	Moderate to High	18-24 months	Major
Definition of fundraising	Low	Not urgent	Low	12 months	Narrow scope
Discounting of defined benefit plan liabilities in the public sector	Medium	Not urgent	Low	12 months	Implementation

19 Having regard to the factors listed on paragraphs 10-11, and staff's considerations and views set out in paragraphs 12-14, staff think the following projects should be prioritised and added to the work program:

Project	Rationale
AASB 13 for public	Staff note it would be timely to conduct a project in this regard at the

7 Link to the *Process for Modifying IFRSs for PBE/NFP*:
http://www.aasb.gov.au/admin/file/content102/c3/M140_10.5_Final_Process_for_modifying_IFRSs_Oct_2009.pdf

8 Per the project plan in Agenda Paper 3.4, staff propose this project be mostly externally resourced.

sector entities	same time as the IASB's PIR of IFRS 13. This may avoid the Board having to revisit fair value measurement issues continually over a longer period.
Public sector intangible assets	Staff note that clarity as to the accounting by grantors of licences was highlighted as an important issue in both the Income of Not-for-Profit Entities project and the Service Concession Arrangements: Grantors project. Consequently, staff think it would be preferable if the Board could develop any clarification required before Standards in these regard become effective.
Contributions by owners	Staff note that the Board may consider it timely to complete its consideration of the accounting of contributions by owners before AASB 1058 is effective.
Senior executive remuneration reporting	Staff understand there to be some appetite at present for the Board to explore improvements to remuneration reporting. As this project scope will cover all sectors, the project will lend further balance to the AASB domestic work programme.

- 20 Staff recommend not adding projects on the other topics for which project plans were prepared to the work programme at this time in priority to the other projects for the following reasons:

Project	Rationale
Volunteer services	Staff think this project is likely to be informed by outcomes from the Board's Service Performance Information project. Also, staff note that this project need not be aligned with the effective date of existing pronouncements. Accordingly, staff think this project should be prioritised lower than compared to projects on contributions by owners and intangible assets.
PIR AASB 1049	Staff think this project is necessary but can be prioritised lower than other projects for the present, having regard to the capacity of stakeholders to engage with the Board on this project (refer to paragraph 12 above).
Definition of fundraising	Staff note the Board will already be engaged in several other projects of an 'external reporting' nature, for example, Reporting Service Performance Information, Australian Reporting Framework and the proposed project on remuneration reporting. Staff think that the Board's domestic work program will be too heavily skewed towards external reporting projects if this project were to be added to the active agenda.
Discounting of defined benefit plan liabilities in the public sector	Staff think this project is necessary but can be prioritised lower than other projects for the present, as it is a topic that has been managed by practice for several years.

- 21 In addition, the Board has also received correspondence suggesting the Board consider undertaking further projects on improving reporting (1) by introducing a further Australian specific disclosure on the matter identified in agenda paper 3.10; and (2) by cooperative and mutual organisations (see agenda paper 3.9). Having regard to the factors listed on paragraphs 10-11, and staff's considerations and views set out in paragraphs 12-14, staff recommend:

Project	Rationale
Disclosure identified in agenda paper 3.10	Staff think the Board should explore how to progress the matter noted in Agenda Paper 3.10 having regard to the responder, and the potential importance of the issue to those who use financial

	reports.
Reporting by cooperative and mutual organisations	Staff think a project in this regard may be informed by the outcomes of the Board's Reporting Service Performance Information project and the Disclosure Initiative projects, and could also be viewed as providing guidance to certain entity types only. Accordingly, staff recommend the Board not undertake a project in this regard.

Next steps

- 22 Staff will prepare a revised work program following the Board's decisions on projects to progress during 2017-2019. The revised work program will be published, as usual, on the AASB website.
- 23 In addition, staff will develop a feedback statement (or similar) to provide feedback to stakeholders on the outcomes of the Board's agenda consultation process. Staff expect to bring a draft of the feedback statement to the Board's June or August 2017 meeting. Staff do not intend on issuing any specific further communications on the Agenda Consultation (including LinkedIn discussion group posts, media releases, webinar activity or AASB extra), unless resourcing permits.
- 24 Staff will bring back to a future meeting a refined version of the project plan for those projects that the Board agrees to add to the AASB Work Programme, amended to reflect Board comments from this meeting to the plan.