



<b>Project:</b>	<b>Post-Implementation Reviews</b>	<b>Meeting:</b>	M187
<b>Topic:</b>	<b>Project update</b>	<b>Agenda Item:</b>	4.1
		<b>Date:</b>	2 May 2022
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		<b>Decision-Making:</b>	Medium
		<b>Project Status:</b>	Project update

## Objective of this agenda item

- 1 The objective of this agenda item is to provide the Board with an update on the Post-Implementation Reviews (PIR) of domestic Australian Accounting Standards, including Interpretations (Standards).

## Attachments

- Agenda paper 4.2 NFP domestic PIRs  
Agenda paper 4.3 Project plan – PIR of AASB 1059 *Service Concession Arrangements: Grantors*

## Background and reasons for bringing this paper to the Board

- 2 At the September 2021 meeting, the Board considered a detailed [PIR process](#) and [work plan](#) for the domestic PIRs to be carried out over the 2022–2025 period. As most recent Standards issued by the Board have not been subject to a formal PIR process, the Board considered for each Standard currently on issue:
  - (a) whether undertaking a PIR was appropriate, and if so,
  - (b) the expected timing.
- 3 As discussed at that meeting, the [AASB Due Process Framework for Setting Standards](#) sets out high-level steps for performing a PIR, supplemented by post-implementation evidence-informed activities outlined in the [AASB Evidence-Informed Standard-Setting Framework](#). However, the more detailed process being developed by the Board will support the consistent application of the domestic PIR process.
- 4 Following the September 2021 meeting, staff commenced various PIRs, and this paper provides Board members an update, including an updated project timeline (see Table 1).

## Project update

	Status
<p><i>Not-for-profit (NFP) domestic PIRs (Category 1 in Table 1) addressing the following topics:</i></p> <ul style="list-style-type: none"> <li>• Income;</li> <li>• Control/consolidation;</li> <li>• Definition of a structured entity;</li> <li>• Related party disclosures; and</li> <li>• SPFS basis of accounting – compliance with Australian Accounting Standards.</li> </ul>	<p><i>Commenced and on schedule.</i></p> <p><i>The expected execution of certain steps within the PIR process has changed from that previously agreed with the Board at the September 2021 meeting. This is due to a refocus of work required to ensure the Board and staff have sufficient time to consider all issues adequately. The overall project remains on schedule to be completed by the end of 2023 to comply with OBPR requirements.<sup>1</sup></i></p>

- 5 The NFP domestic PIRs have commenced. To date, staff have:
- reviewed original project documentation and collated the issues we are already aware of in respect of the related party disclosures and SPFS<sup>2</sup> basis of accounting – compliance with Australian Accounting Standards requirements;
  - undertaken a literature review to identify any relevant research on all of the topics noted above; and
  - as previously communicated with the Board, gathered initial feedback from targeted stakeholders relating to income of NFP entities as part of the Board’s narrow-scope project on that topic.
- 6 The outcomes of 5(a) and 5(b) are summarised in Agenda Paper 4.2, which:
- provides the Board with an update on the preliminary findings from the literature review;
  - provides the Board with an update on the first two topics (related party disclosures and the SPFS basis of accounting – compliance with Australian Accounting Standards.) to be considered as part of the NFP domestic PIRs status of these PIRs, including refreshing the Board on the key reasons for issuing the pronouncements, why Board action was necessary, and the policy options considered at the time of issuance; and
  - considers a proposed revised timeline for completing the NFP domestic PIRs.
- 7 As noted above, while the expected execution of certain steps within the PIR process has changed from what was previously agreed, the overall project is on schedule to meet the timeline agreed with the Board at the September 2021 meeting.

	Status
<i>AASB 1059 PIR (Category 2 Part B in Table 1)</i>	<i>Commenced and ahead of schedule</i>

- 8 At the September 2021 meeting, the Board decided to commence the AASB 1059 PIR in Q2 of 2022, with the planning phase to conclude in Q1 of 2023.

1 To meet OBPR requirements, the PIR of the Standards covered by the income topic must be completed within 5 years of implementation. Staff consider the date of implementation of a pronouncement to be its mandatory effective date, which for the Standards covered by the income topic was 1 January 2019.

2 Special purpose financial statements

- 9 However, as outlined in Agenda Paper 4.3, the Heads of Treasuries Accounting and Reporting Advisory Committee and the Australasian Council of Auditors-General provided feedback on the timing and priority of the AASB 1059 PIR during their feedback on the AASB’s Agenda Consultation.
- 10 Following this feedback, staff have completed what we consider to be all relevant steps in the PIR planning phase (except the literature review). The outcomes of these activities are summarised in Agenda Paper 4.3, which:
- (a) notes the key findings of the planning work undertaken to date on the PIR of AASB 1059;
  - (a) asks Board members to decide whether to commence the next phase of the PIR and start developing the consultation paper immediately; and
  - (b) if the Board agrees to commence the next phase, considers a revised project timeline for completing the PIR.
- 11 Staff do not anticipate any difficulties meeting the revised timeline.

	<i>Status</i>
<i>Other planned PIRs:</i> <i>Category 2 Parts A and C in Table 1</i>	<i>Due to commence shortly and no delays are anticipated</i>
<i>Category 3 in Table 1</i>	<i>Not due to commence until Q2 2023</i>

- 12 To date, no other PIRs have commenced. However, in preparation for the commencement of the remaining **Category 2** PIRs, staff have:
- (a) scheduled the completion of preliminary literature reviews. Due to the topics covered by the Standards in this category, staff do not expect there will be much if any, published academic research. However, to confirm whether this is the case and to meet due process requirements, preliminary literature reviews will nevertheless be performed; and
  - (b) planned the resourcing needs of each PIR to ensure they can be undertaken as planned.
- 13 As the **Category 3** PIRs are not due to commence for some time and given the Standards in this category have only recently become effective, staff have not yet scheduled the literature review or any other work on these PIRs.
- 14 Staff do not anticipate any difficulties meeting the previously agreed timelines for these PIRs.

	<i>Status</i>
<i>Possible PIRs identified since September 2021</i>	<i>Further work required</i>

- 15 Since the September 2021 meeting, feedback received on other projects has highlighted a need for a possible PIR of the requirements of certain Standards that the Board did not previously consider necessary. This includes:
- (a) whether AASB 1039 *Concise Financial Statements* should be amended to explicitly require the disclosure of material accounting policy information;<sup>3</sup>
  - (b) whether further clarity around the use of the term ‘entity’ in AASB 1053 *Application of Tiers of Australian Accounting Standards* is needed to help with the interpretation of the intended meaning of the first-time adoption and reapplication of Australian Accounting Standards paragraphs of AASB 1053;<sup>4</sup> and

3 Refer to [Agenda Paper 16.1](#) to the November 2021 meeting.

4 Refer to [Agenda Paper 8.1](#) to the November 2021 meeting.

- (c) whether because there might be circumstances, in addition to those contemplated by the Board in ED 315 *Extending Transition Relief under AASB 1* in light of the removal of special purpose financial statements, where an entity could become a first-time adopter of Australian Accounting Standards in its consolidated financial statements after having already adopted Australian Accounting Standards in its separate financial statements, whether additional transition relief is required.<sup>5</sup>
- 16 In relation to 15(a), staff plan to undertake this outreach in the H2 of 2022 and will provide an update to the Board at a future meeting.
- 17 In relation to 15(b) and 15(c) above, staff plan to consider these matters concurrently with any possible transition relief considered as part of the Not-for-Profit Entity Financial Reporting Framework and the transition to Tier 3 requirements. Staff will provide the Board with an update at a future meeting.

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5 Refer to [Agenda Paper 8.1](#) to the November 2021 meeting.

*Project timeline and milestones*

18 Subject to Board member agreement with the staff recommendations in agenda paper 4.3, Table 1 sets out the revised PIR timeline.

**Table 1**

Legend:

<p><b>CATEGORY 1 – Highest priority (NFP)</b> NFP domestic PIRs addressing NFP:<sup>6</sup></p> <ul style="list-style-type: none"> <li>Income;</li> <li>Control/consolidation;</li> <li>Definition of a structure entity;</li> <li>Related party disclosures; and</li> <li>SPFS basis of accounting – compliance with Australian Accounting Standards.</li> </ul>	<p><b>CATEGORY 2 – Medium priority (public sector)</b> <b>PART A</b></p> <ul style="list-style-type: none"> <li>AASB 1050</li> <li>AASB 1051</li> <li>AASB 1052</li> <li>AASB 1004</li> <li>Interpretation 1038</li> </ul> <p><b>PART B</b></p> <ul style="list-style-type: none"> <li>AASB 1059</li> </ul>	<p><b>CATEGORY 2 – Medium priority</b> <b>PART C</b></p> <ul style="list-style-type: none"> <li>AASB 1056</li> <li>Interpretation 1019</li> </ul>	<p><b>CATEGORY 3 – Lower priority</b></p> <ul style="list-style-type: none"> <li>AASB 2020-2*</li> <li>AASB 1060*</li> </ul> <p>* Staff note that this timing may change, subject to the IASB’s Subsidiaries without Public Accountability: Disclosures project</p>	<p>BM = Board meeting**</p> <p>TOR = targeted outreach only</p> <p>** Staff note that the timing of Board meetings are yet to be decided. As such indicative timing may change slightly</p>
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Suggested activities	Completed	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025
<b>Planning</b>														
1. Review of original project documentation (e.g. RIS and Basis for Conclusions).	RP and SPFS topics only	All remaining topics except income												
2. Collation of issues the Board are aware of.	RP and SPFS topics only	All remaining topics except income												
3. Academic research:														
• Identify potential researchers to review existing academic literature and assist with new research.														
• Collate relevant research and summarise.														
4. Seek preliminary feedback from targeted stakeholders (e.g. regulators, professional bodies,	Income topic only													

6 See Agenda Paper 4.2 for more information.

Suggested activities	Completed	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025
advisory panels, preparers and practitioners). Review feedback received.														
5. Prioritise issues from the planning phase to determine the scope of the consultation document.														
6. Discuss steps 1-5 with the Board.		BM (May)	BM (Sept)		BM	BM			BM					
<b>Outreach</b>														
7. Draft consultation document.														
8. Discuss consultation document with the Board and the Board approve for issue.			BM (Aug)	Approve OoS (Oct) <sup>7</sup>		BM				BM				
9. Undertake general and targeted outreach to seek stakeholder feedback.						TOR	TOR							
<b>Consideration of feedback and next steps</b>														
10. Consultation comment period closes.														
11. Review and summarise responses received from consultation document and outreach. Perform follow-up procedures where appropriate.														
12. Identify possible 'next steps' to respond to findings in conjunction with the <a href="#">AASB Evidence-Informed Standard-Setting Framework</a> .														
13. Discuss feedback and possible next steps with the Board.					BM		BM		BM	BM			BM	
14. Prepare a feedback statement, discuss it with the Board and publish the feedback statement.						BM		BM		BM				BM

### Question for Board members

Q1: Do Board members have any comments on the project update?

<sup>7</sup> The NFP FRF project discussion paper is expected to be issued in September 2022, with a six-month comment period. Although the NFP PIRs consultation paper is expected to be issued in October 2022, staff intend to align the outreach for both consultation documents where possible as the consultation periods overlap.