



Project:	AASB Work Plan 2017-2019	Meeting	AASB May 2017 (M157)
Topic:	Volunteer services – project plan	Agenda Item:	3.5
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Introduction

- 1 As part of the feedback on ED 260 *Income of Not-for-Profit Entities*, some constituents requested that the Board consider accounting requirements for volunteer services and whether information about volunteer services should be reported outside of the not-for-profit (NFP) entity's financial report (e.g. in a service performance report).
- 2 At its August 2016 meeting, the Board considered the feedback received and directed staff to prepare a project plan to consider the accounting requirements for volunteer services for NFP entities in both the public sector and the private sector. This agenda paper sets out the proposed project plan to assist the Board to form its views whether to add this project to the AASB work programme for 2017-2019 (addressed in Agenda Paper 3.0).¹

¹ The staff recommendation as to whether the project should be added to the 2017-2019 work programme is included in Agenda Paper 3.0.

Project rationale, objective(s) and link to AASB strategy

Project rationale

(responds to RIS² questions *What is the problem you are trying to solve?* and *Why is government action needed?*)

- 3 In ED 260, the Board decided to carry forward the requirements in AASB 1004 *Contributions* on recognition of volunteer services by local governments, government departments, GGSs and whole of governments³. The Board also clarified that any NFP entity can elect to recognise volunteer services if fair value of those services can be measured reliably.
- 4 Feedback received on ED 260, indicated concerns about measuring volunteer services, in particular applying AASB 13 *Fair Value Measurement* to recognised transactions, and the inconsistent accounting treatment of volunteer services by NFP entities in both public and private sectors (i.e. requiring some NFP entities to recognise volunteer services and not requiring others). Some constituents considered that volunteer services should be reported outside the financial statements, possibly within service performance reporting.
- 5 In relation to service performance reporting, the board also considered, as a part of ED 270 *Reporting Service Performance Information*, that an entity may choose to provide information on volunteer services within the service performance report if it has not already been recognised as revenue and expenses in their financial report. Therefore, service performance reporting and recognition and measurement of volunteer services are interrelated.
- 6 The Board considered that a thorough review of the accounting requirements for volunteer services could take significant time and potentially delay the completion of AASB 1058 *Income of Not-for-Profit Entities*. Therefore, the Board decided to consider the accounting requirements for volunteer services as part of a separate future project.

Project objective(s)

(responds in part to RIS question *Why is government action needed?* through clear identification of the objectives, outcomes or goals of this project)

- 7 The objectives of the project are to consider:
 - (a) the different options for accounting for volunteer services including whether such services should be recognised or if disclosure would be sufficient;
 - (b) whether the accounting requirements for volunteer services should be consistent for both public and private NFP entities; and

2 Australian Government Regulation Impact Statement

3 These entities must still recognise volunteer services if they would have otherwise purchased them had they not been donated.

- (c) whether reporting for volunteer services should be within the financial statements or outside the financial statements.

Link to AASB strategy

- 8 The Board's strategy for the period 2015-2019 identifies five strategic directions.⁴ This project is consistent with:
- (a) strategic direction 1 'use IFRS and transaction-neutrality as a starting point, taking into account cost/benefit considerations and user needs'. Undertaking this project shows that the Board is proactive in considering amendments to Accounting Standards, in respect of accounting matters that are specific to the non-for-profit sector.
 - (b) strategic direction 4 'facilitate and encourage active stakeholder participation in developing standards'. Undertaking this project shows that the Board responds to stakeholder feedback; thereby providing support to the Board's strategy of encouraging active stakeholder participation.
 - (c) strategic direction 5 'to maintain relevance, investigate expanding the scope of activities to cover external reporting rather than just financial reporting'. Undertaking this project would consider whether to report volunteer services outside financial statements (e.g. service performance reporting).

Project scope

- 9 Having regard to the feedback on ED 260 and the proposed project objectives, staff recommend the scope of this project is to:
- (a) conduct research on user needs for volunteer services information;
 - (b) consider accounting treatment options to satisfy user needs on volunteer services information including disclosure options (this would also include investigation into accounting requirements for volunteer services in other jurisdictions) and whether any of those options should be mandatory;
 - (c) consider whether the accounting treatment for volunteer services should be aligned for NFP entities in both public and private sectors and/or within public sector; and
 - (d) determine whether information on volunteer services should be provided within financial statements or outside financial statements (for example as part of service performance reporting).
- 10 Staff recommend the scope of this project does not extend to
- (a) a review of all differences between accounting requirements for public sector and private sector NFP entities; and

4 The AASB Strategy 2015-2019 is available on the AASB website at:
http://www.aasb.gov.au/admin/file/content102/c3/AASB_Strategy_2015-2019.pdf.

- (b) considering in-kind goods or services.

Staff assessment

11 Having regard to the proposed project scope, and project path/milestones, overall staff assess the project as:

- | | |
|-------------------------|---------------------------------------|
| (a) Priority | Medium |
| (b) Timing | Not urgent |
| (c) Resource commitment | Moderate |
| (d) Project length | One year |
| (e) Project scale | Implementation project (narrow-scope) |

Key stakeholders

(Identification of key stakeholders will assist in planning for the RIS question *Who will you consult and how will you consult them?*)

12 Staff have identified the following as key stakeholders of the project:

(a) Government departments and GGS	(f) Australian Charities and Not-for-profits Commission (ACNC)
(b) Heads of Treasuries Accounting and Advisory Committee (HoTARAC)	(g) Auditors
(c) Local governments	(h) Accounting advisors
(d) Private sector not-for-profit entities	(i) Australian Council of Auditors-General (ACAG)
(e) Whole of government	(g) users of NFP entities financial statements

Project milestones

13 Staff have identified the following as key milestones of the project. These will be reassessed periodically and revised/extended to ensure the project path remains appropriate and the project can be adequately resourced.

Major project milestones	Staff comment
Present a project plan	Completed (this agenda paper)
Identifying the specific issues to be addressed by the project (refining project scope), and developing a proposal as to how known concerns could be addressed	Volunteer services have been raised in a number of forums with varying feedback. Staff think that identifying the key issues to be addressed and refining the project scope is likely to require a moderate level of staff effort.
Develop communications strategy, including:	Staff think this project may require

Major project milestones	Staff comment
<ul style="list-style-type: none"> consideration of education activities (if any) after public issue of requirements/ implementation guidance; and consideration of outreach events to host (e.g., roundtables, forums) during consultation period. 	moderate effort with respect to outreach activity and communication deliverables
Research – accounting in other jurisdictions (e.g. New Zealand, United Kingdom and United States), user needs and a literature review of relevant academic research	Staff think this research activity is likely to require a moderate level of staff effort
Research – identify the different positions valuation experts and industry practitioners are taking in measuring volunteer services	Staff think this research activity is likely to require moderate staff effort
Research – impact of other existing AASB projects (e.g. Service performance reporting) and IPSASB projects and/or decisions	Staff think this research activity is likely to require a moderate level of staff effort
Outreach to key stakeholders (e.g. HoTARAC, NFP entities Government departments, users) and identify existing approaches to issues (if any) in accounting for volunteer services.	Staff think this research activity is likely to require a moderate level of staff effort.
Based on research, analysis and outreach, conducted, development of proposals to address the accounting issues, including measurement issues, identified in respect of volunteer services within and outside the financial statements	Involve stakeholders and Project Advisory Panel as necessary to obtain feedback on the approaches. Extent of staff effort required will depend on the issues to be addressed as part of this project
Review of approaches for consistency with the Conceptual Framework, including identifying whether there is a case for departure.	Extent of staff effort required will depend on the approaches under consideration
<i>Indicative milestones</i>	
Develop an Exposure Draft (ED)	Involve stakeholders to develop guidance that is useful for decision making and cost beneficial.
Board approves the ED	Board to determine an appropriate comment period; this may be 90 days
Review of stakeholder feedback on the ED	Extent of staff effort will depend in part on the communications strategy
Redeliberations on the ED completed	Staff envisage this should only take 1 – 2 Board meetings unless changes for stakeholder feedback are extensive
Pre-ballot draft circulated for Board comment	Staff effort will be dependent on Board decisions from redeliberations

Major project milestones	Staff comment
Ballot draft issued for voting	Staff effort will be dependent on Board feedback
Standard approved and issued	Minimal additional staff effort involved
Education (if any) completed	Extent of staff effort is dependent on Board decisions on the communications strategy

Resources required

14 The following resources will be required:

Resources	Expected contribution
(a) Staffing – standard-setting	Technical director/Assistant Director–Moderate Senior project manager –Moderate Project manager/APM ⁵ /Intern –High
(b) Staffing – research	Research required for this project could be undertaken by standard-setting staff with some support from research staff (in identifying relevant academic research done in this area)
(c) Project advisory panel	Staff recommend the NFP Conceptual framework project advisory panel and the Fair Value Measurement project advisory panel be involved in the project
(d) Other	Staff do not expect external resources are required

Factors that might add to complexity and length of the project

15 The following factors may add to the complexity and length of the project:

- (a) The project scope may expand depending on key stakeholders' comments (e.g. ACNC) and constituent feedback on the project
- (b) Staff capacity may change

Related AASB, IASB and IPSASB projects

16 Staff identified the following as current projects where the outcomes of which may affect, or could be affected by, this project:

Source	Project
AASB	<ul style="list-style-type: none"> • Australian Financial Reporting framework, Reporting Service

5 Assistant Project Manager

Source	Project
	Performance Information
IASB	<ul style="list-style-type: none"> • None identified
IPSASB	<ul style="list-style-type: none"> • Revenue project (aims to develop new IPSASs, including a replacement for IPSAS 23 <i>Revenue from Non-Exchange Transactions (Taxes and Transfers)</i>)

Questions for Board members

- Q1 Do Board members agree with the proposed project objective and project scope set out in paragraphs 7, 9 and 10?
- Q2 Do Board members have any other comments about the proposed project plan?