



Project:	Post-Implementation Reviews	Meeting:	M190
Topic:	Draft Invitation to Comment	Agenda Item:	9.4
		Date:	5 September 2022
Contact(s):	Kim Carney kcarney@asb.gov.au Carmen Ridley cridley@asb.gov.au	Project Priority:	Medium
		Decision-Making:	High
		Project Status:	Outreach phase

Objective of this agenda item

1. In respect of the Not-for-Profit (NFP) domestic post-implementation reviews (PIR), the objectives of this agenda item are for the Board to:
 - (a) consider two draft Invitations to Comment (ITC); and
 - (b) give direction to staff regarding the content of the draft ITCs.

Attachments

- Agenda paper 9.4.1 Draft Invitation to Comment (ITC): PIR of Income of Not-for-Profit Entities
- Agenda paper 9.4.2 Draft Invitation to Comment (ITC): Not-for-Profit PIR of control and consolidation, the definition of a structured entity, related party disclosures by public sector entities and special purpose financial statements basis of accounting – compliance with Australian Accounting Standards

Background

2. Agenda papers 9.4.1 and 9.4.2 are working drafts of the ITCs for Board members to:
 - (a) provide feedback on the amount of background information included in the ITC for each topic; and
 - (b) give direction to staff regarding the nature of the questions to respondents for inclusion in the ITCs.

Staff will amend the draft ITCs based on the Board's decisions at the September 2022 meeting.

3. Staff note that when discussing the NFP domestic PIRs, staff's initial expectation was to include all NFP domestic PIR topics in one consultation document. However, staff now recommend issuing two consultation documents – one that considers the topic of income of NFP entities and a second that considers the topics of control and consolidation, the definition of a structured entity, related party disclosures by public sector entities and SPFS basis of accounting – compliance with Australian Accounting Standards.
4. Staff recommend issuing the two ITCs simultaneously and plan to undertake outreach activities concurrently. However, staff consider issuing two ITCs would allow stakeholders to provide more targeted feedback. Further, as the income of NFP entities topic is subject to OBPR

requirements,¹ if it is necessary to expedite this PIR to comply with those requirements, it would be easier to do this if the income for NFP entities topic is the subject of a separate ITC.

Question for Board members

Q1. Do Board members agree with the staff recommendation in paragraph 4 to issue two ITCs? If not, what do Board members suggest?

Agenda Paper 9.4.1 – income of NFP entities

5. Agenda paper 9.4.1 sets out a draft ITC.

Questions for Board members

Subject to Board member decisions in other agenda papers:

Q2. Do Board members have any comments on the introductory section, the background information for each topic or questions for respondents?

Q3. Are there any other questions for respondents that Board members would like to include in the draft ITC for any of the topics?

Agenda Paper 9.4.2 – Not-for-Profit PIR of control and consolidation, the definition of a structured entity, related party disclosures by public sector entities and special purpose financial statements basis of accounting – compliance with Australian Accounting Standards

6. Agenda paper 9.4.2 sets out a draft ITC.

Questions for Board members

Subject to Board member decisions in other agenda papers:

Q4. Do Board members have any comments on the introductory section, the background information for each topic or questions for respondents?

Q5. Are there any other questions for respondents that Board members would like to include in the draft ITC for any of the topics?

Next steps and project timeline

7. The following table contains the timeline approved in May 2022. Staff note that there are no changes to the overall timeline for the domestic PIRs, and the PIRs remain on schedule for completion by the end of 2023.

Staff's proposed timeline	Project milestones based on the PIR process
Planning phase	
<i>Income 2020-2022</i>	Step 4: Seek preliminary feedback from targeted stakeholders (as necessary) and review feedback received

1 The income of NFP entities requirements are subject to OBPR requirements because a RIS-like process was undertaken prior to their issue. To meet OBPR requirements, the PIR of the Standards covered by the income topic must be completed within five 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.

Staff's proposed timeline	Project milestones based on the PIR process
<i>Related party and SPFS basis of accounting topics only</i> Board meeting: 18 May 2022	Steps 1, 2: Review of original project documentation and collation of identified issues.
<i>Control/ consolidation and structured entities</i> Board meeting: 22/23 June 2022	Steps 1, 2: Review of original project documentation and collation of identified issues.
June 2022 – September 2022	Step 3: Finalise findings from academic research ²
June 2022 – September 2022: <i>all topics except for income</i>	Step 4: Seek preliminary feedback from targeted stakeholders (as necessary) and review feedback received ³
<i>Income</i> Board meeting: 3 August 2022	Steps 1, 2: Review of original project documentation and collation of issues the Board are aware of.
Board meeting: 21/22 September 2022	Steps 5, 6: Prioritise issues identified in the planning phase to determine the scope of the consultation document and discuss steps 1–5 (as necessary) with the Board before developing the consultation document. Staff note that prior to the September 2022 meeting, the Board will have considered steps 1 and 2 for each of the topics covered by the NFP domestic PIRs. Therefore, discussion at the September meeting is expected to be limited to providing Board members with an update on any findings from academic and relevant non-academic research, feedback obtained from stakeholders during targeted outreach and any sweep issues.
Outreach phase	
September 2022 –October 2022	Step 7: Draft consultation document. Step 8: Discuss the draft consultation document with the Board and approve for issue. Staff intend to ask the Board to approve the ITC out-of-session either via the full Board or a subcommittee. Staff propose a comment period of approximately 150-days to align with the expected comment period for the NFP Private Sector Financial Reporting Framework Tier 3 Discussion Paper. Comments on the ITC are expected to close end of March 2023.
December 2022 – March 2023	Step 9: Undertake general and targeted outreach to seek stakeholder feedback on the consultation document.

2 The revised timeline agreed with the Board at the May 2022 meeting indicated that staff would finalise the literature review in June for consideration at the September Board meeting. Whilst the literature review has not yet been finalised, it is in progress and on track for completion for the September Board meeting.

3 As staff have previously gathered initial feedback from targeted stakeholders relating to income of NFP entities as part of the Board's narrow-scope project on this topic, no additional targeted outreach was considered necessary.

Staff's proposed timeline	Project milestones based on the PIR process
Feedback and next steps	
Q2 2023 – Q3 2023	<p>Step 10: Consultation comment period closes at the end of March 2023.</p> <p>Step 11: Review and summarise responses received on the consultation document and through outreach. Perform follow-up procedures where appropriate.</p> <p>Step 12: Identify possible 'next steps' to respond to findings. Staff will also review the IPSASB project documentation in relation to their revenue project⁴ and the IASB's work on the <i>IFRS for SMEs Accounting Standard</i>.⁵</p> <p>Step 13: Discuss feedback and possible next steps with the Board.</p>
Q4 2023	Step 14: Prepare a feedback statement, discuss it with the Board and publish the feedback statement.

Question for Board members

Q6. Do Board members have any comments on the next steps and project timeline.

Q7. Subject to earlier Board decisions in other agenda papers, do Board members agree to approve the ITC out-of-session via a sub-committee? If not, what do Board members suggest?

⁴ The IPSASB have a current project on their work program to develop IPSAS for [revenue transactions](#).

⁵ The IASB is carrying out a [second comprehensive review](#) of the IFRS for SMEs Accounting Standard.