



Project:	Standard-Setting Due Process	Meeting:	AASB September 2021 (M183)
Topic:	AASB Process for Post-implementation Reviews of domestic Standards and Interpretations	Agenda Item:	14.1.0
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		Decision-Making:	Medium
		Project Status:	Initial deliberations

OBJECTIVE OF THIS PAPER

1. The objective of this paper is for the AASB to consider a Post-Implementation Review (PIR) process to undertake PIRs in Australia, including those PIRs needed to meet its regulatory and due process obligations of Australian Accounting Standards, including Interpretations (Standards).¹
2. The process is intended to help enable the AASB make decisions about forthcoming PIRs at this meeting. As set out in agenda paper 14.2, there are a number of domestic Standards requiring a PIR over the next 12-24 months.

REASONS FOR BRINGING THIS PAPER TO THE AASB

3. The [AASB Due Process Framework for Setting Standards](#) (due process framework) sets out high-level steps the AASB must follow in relation to a PIR. These principles are supplemented by post-implementation evidence-informed activities outlined in the [AASB Evidence-Informed Standard-Setting Framework](#) (SSF).
4. However, these documents do not explain what a PIR is, why the AASB is required to perform a PIR and when a PIR is required. To support the consistent application of the PIR framework to the forthcoming PIRs noted in paragraph 2 above, it is appropriate to develop a more detailed process that can be applied at this time.

ATTACHMENTS

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| Agenda paper 14.3 | <i>AASB Due Process Framework for Setting Standards</i> [supporting material folder] |
| Agenda paper 14.4 | <i>AASB Evidence-Informed Standard-Setting Framework</i> [supporting material folder] |

¹ This paper and Agenda paper 14.2 only consider PIRs in respect of domestic Standards.

STRUCTURE

5. This Staff Paper is set out as follows:
 - (a) What is a PIR? (paragraphs 6 to 7)
 - (b) Why is a PIR required, and when is a PIR required? (paragraphs 8 to 22)
 - (c) How is a PIR performed? (paragraphs 23 to 31)
 - (d) Questions to AASB members

WHAT IS A PIR?

6. A PIR is a process that:
 - (a) outlines the original problem a pronouncement was intended to address, including the objectives of a pronouncement;
 - (b) gathers evidence about the impacts of a pronouncement, including evidence from research and consultations with stakeholders;
 - (c) analyses the effects of a pronouncement, including regulatory cost impacts where possible; and
 - (d) based on available evidence, concludes on the overall effectiveness and efficiency of a pronouncement in meeting its original objectives, including whether a pronouncement remains appropriate.²
7. A PIR is not intended to be a reconsideration of an entire underlying pronouncement. Instead, it acknowledges that consultation and due process during the development of a pronouncement are not a substitute for the practical application of new requirements. For example, when new requirements are applied in practice, unexpected issues may arise, such as a pronouncement being more difficult or costly to apply than what was expected. There might also be situations where a pronouncement unintentionally gives rise to divergence in practice. This divergence could be either due to the judgement required to apply the requirements or because the requirements are not sufficiently clear. Finally, new or emerging transactions may be increasing in prevalence and these types of transactions may not have been contemplated when a pronouncement was developed.

WHY IS A PIR REQUIRED, AND WHEN IS A PIR REQUIRED?

8. The AASB undertakes a PIR:
 - (a) because there is a regulatory requirement to do so (see paragraph 9 and paragraphs 13-16 below); or
 - (b) to comply with AASB due process requirements (see paragraph 10 and paragraphs 17-18 below).
9. As a Government agency, the AASB must perform a PIR for all regulatory changes that have a substantial or widespread impact on the economy. A PIR may also be required in other circumstances (e.g., when regulatory change is made without a RIS or a RIS is assessed as being insufficient). The Office of Best Practice Regulation (OBPR) oversees this PIR process.³
10. The [AASB Due Process Framework for Setting Standards](#) (due process framework) outlines that the AASB performs a PIR of each new domestic Standard or Interpretation or major amendments to such a pronouncement. It also states that a PIR normally begins after the new requirements have been applied for two years.⁴

² Adapted from the [Post-implementation Reviews Guidance Note](#) (OBPR PIR guidance note), page 1

³ Adapted from the OBPR PIR guidance note, page 1

⁴ Paragraph 7.15.1 of the due process framework

11. The [AASB Evidence-Informed Standard-Setting Framework](#) (SSF) also outlines that several post-implementation evidence-informed activities are undertaken once a pronouncement is implemented. This is generally within 2-3 years of the first effective date.⁵
12. Notwithstanding that there are two ‘types’ of PIRs, it is staffs’ view that the objective of and reason for a PIR is the same (i.e., to assess the effectiveness and efficiency of a pronouncement in addressing the problem it was intended to solve). For this reason, unless otherwise noted in this staff paper, all discussion applies equally to ‘regulatory PIRs’ as it does ‘due process PIRs.’

A. There is a regulatory requirement

13. The OBPR PIR guidance note outlines that a PIR is required if **any** of the following criteria apply:
 - (a) OBPR has assessed the proposal as having a substantial or widespread economic impact.
 - (b) A RIS that had been through a final assessment by OBPR for the regulatory change was not prepared for the final decision and the change was neither minor nor machinery in nature.
 - (c) A regulatory change was granted a Prime Minister’s exemption from the need to prepare a RIS.
14. Staff note that regulatory PIR requirements only apply to regulation that impacts businesses, community organisations or individuals.⁶
15. The timeframe for completion of the PIR depends on the reasons it is required, as outlined below:

Reason for PIR	PIR required to be completed within:
1. Substantial or widespread impact on the Australian economy	5 years ⁷ of implementation
2. RIS not prepared for a final decision on a regulatory change	2 years of implementation
3. RIS not assessed by OBPR prior to a final decision	2 years of implementation
4. RIS assessed by OBPR as insufficient	2 years of implementation
5. Prime Minister’s exemption from the need to prepare a RIS	2 years of implementation

How this applies to the AASB

16. Staff expect that most regulatory PIRs performed by the AASB will be because the related pronouncement was expected to have a substantial or widespread economic impact when issued (i.e., paragraph 13(a) above).⁸ Staff, therefore, expect that most PIRs will fit within category 1 in

⁵ Paragraph 18 of the SSF

⁶ Adapted from the OBPR guidance note, page 1. [The Australian Government Guide to Regulation](#) defines business, community organisation and individual. A business is defined as “Any organisation engaged in commercial, industrial or professional activities operating under Australian law for the purpose of making a profit.” A community organisation is defined as “Any organisation engaged in charitable or other community-based activity operating under Australian law and not established for the purpose of making a profit.” An individual is defined as “Any person subject to Australian law who interacts with government or is impacted by regulation, and whose activities have an impact in Australia.”

⁷ Unless subject to one of the triggers requiring the PIR to be completed within two years (OBPR PIR guidance note, page 3)

⁸ Staff expect that amendments to existing Standards would ordinarily be considered minor pronouncements that would not be expected to have a substantial or widespread economic impact. For this reason, amending Standards are likely to be excluded from the RIS/PIR process. However, this will not always be the case. For example, the amendments made by AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities* were considered to have a significant impact and as such a RIS-like process was undertaken and a PIR will be required too.

paragraph 15 and therefore must be **completed** within five years of implementation. Staff consider the date of implementation of a pronouncement to be its mandatory effective date.⁹

B. To comply with AASB due process

17. In circumstances where a PIR is not required by regulation, a PIR might still be needed to meet the requirements of the due process framework. A PIR would normally **begin** after the new requirements have been applied for two years.
18. Circumstances where a PIR is not required by regulation might include Standards not within the remit of Government regulation because they do not affect businesses, community organisations or individuals (see paragraph 14 above). For example, AASB 1059 *Service Concession Arrangements: Grantors*, which applies to public sector entities only and AASB 1056 *Superannuation Entities* which applies only to superannuation entities.¹⁰

Timing of PIRs

19. Staff note that per the due process framework (see paragraph 17 above), a PIR normally **begins** after new requirements have been applied for two years. This is consistent with the approach adopted by the IASB.¹¹
20. However, as noted in paragraph 15 above, for most regulatory PIRs, OBPR requires the PIR to be completed within five years of implementation.
21. While the timeline for a PIR in the due process framework and the timeline required by regulation are not entirely consistent, they overlap. Further, commencing a PIR two years after a pronouncement is first applied is reasonable and should enable the AASB to complete the PIR within five years of implementation.
22. Further, commencing a PIR two years after initial application provides for the timely identification of any implementation issues but equally allows sufficient time from the date of implementation to avoid potential transition issues distorting feedback from stakeholders.

HOW IS A PIR PERFORMED?

Background

23. The PIR process is intended to be a positive process where the AASB engages with stakeholders and seeks their feedback on the effect/s of new requirements. The PIR process is not intended to be viewed by stakeholders as onerous.
24. The OBPR PIR guidance note outlines the following seven questions that a PIR needs to address:¹²
 - (1) the problem the pronouncement was meant to solve;
 - (2) why was action needed;
 - (3) what policy options were considered;
 - (4) what the impacts of the pronouncement were;
 - (5) which stakeholders were consulted during the PIR process;

⁹ The OBPR guidance note (page 4) states that “for some measures, particularly those that are extensive in scope, there may be some ambiguity about when the measure is considered to have been implemented. The date on which legislation or regulation passes the parliament, or a minister announces a regulatory change, might not be a useful proxy for the date of implementation. In consultation with agencies, OBPR determines the ‘implementation’ date when a regulation can be considered to have been implemented. Based on the implementation date, OBPR determines the required timing for the PIR in order to maintain the integrity of the regulation impact assessment arrangements.”

¹⁰ Staff consider that a superannuation entity would not be considered a business as their primary purpose is to provide benefits to members upon their retirement, death, disablement or other event that qualifies as a condition of release for member benefits (AASB 1056, Appendix A).

¹¹ Paragraph 6.48 of the IASB Due Process Handbook.

¹² Adapted from the OBPR PIR guidance note.

- (6) whether the pronouncement delivered a net benefit; and
 - (7) how well the pronouncement was implemented, including any lessons learned from the implementation process.
25. To obtain this information, the due process framework outlines the following steps for performing a PIR:
- (a) review of any relevant research, including that by AASB staff and academics;
 - (b) collation of any issues notified to the AASB before the PIR commencing;
 - (c) consultation seeking implementation issues and views on the pronouncement;
 - (d) consideration of any feedback received;
 - (e) publication of the findings of the PIR; and
 - (f) any recommendations for changes to the pronouncement follow a separate consultation process.¹³
26. Staff note that the matters outlined in paragraph 24 are consistent with the seven RIS questions of [The Australian Government Guide to Regulation](#), which the AASB standard-setting processes addresses.
27. Whilst there are situations where a RIS is not required by regulation (see section B above), staff note that these seven RIS questions are embedded within the AASB standard-setting process. For this reason, even if a formal RIS is not required in respect of a pronouncement, the seven RIS questions would still be considered and addressed during its development. Therefore, staff consider it appropriate for the same PIR considerations to be embedded in the AASB PIR process. That is, the PIR questions noted in paragraph 24 above should apply equally to PIRs required by regulation and those PIRs that are not.
28. Further, whilst each PIR will be tailored to the requirements of a particular pronouncement, staff expects the general approach to a PIR will be the same (i.e., define the scope of the PIR and establish a timeline that reflects the depth of analysis planned).

Documenting the problem, why action was needed and the policy options considered (PIR questions 1–3)

29. This information is factual and is obtained from the relevant RIS document (where applicable) and the Basis for Conclusions accompanying a pronouncement. Before commencing a PIR, it is important to understand the problem a pronouncement was intended to address, including why action was needed, to assess how a pronouncement has performed. It is also important to understand this information to develop a suggested timeline/work program for the performance of the PIR.

Documenting the impact, stakeholder consultation, whether a net benefit resulted and implementation learnings (PIR questions 4–7)

30. To support consistent application of the steps outlined in the due process framework, staff has provided additional information about what each step may entail and why it is important to the overall PIR process:
- (a) **review any relevant research by:**
 - (i) **Academics:** the review of academic research may help support conclusions about how a pronouncement has performed. However, there may be some circumstances in which academic research is limited (e.g., pronouncements affecting only the NPF or public sector). However, staff expects that engaging with the AASB’s Academic Advisory Panel (AAP) will

¹³ Paragraph 7.15.2 of the due process framework.

identify any existing research. It will also provide opportunities to engage with the academic community where research does not exist but may be beneficial.

Academic research may include undertaking literature reviews, performing desktop research or interviewing stakeholders. The most appropriate form of research will be determined based on the requirements of each PIR.

Engagement with the AAP and academic community should commence as early as possible in the PIR process. This is because academic research often takes considerable time.

- (ii) **AASB staff:** see discussion below under 'initial feedback.'
- (b) **collation of any issues notified to the AASB:** the AASB may become aware of issues during the implementation phase of new requirements. For example, stakeholders may raise technical matters with the AASB during implementation. This may include unexpected or unintended consequences or emerging issues that were not contemplated during the development of a pronouncement that the AASB should consider. Conversely, stakeholders might have made the AASB aware of possible or contentious issues during the development of a pronouncement.
- (c) **consultation seeking feedback from stakeholders:**
 - (i) **initial feedback:** this may include engaging with regulators, professional bodies, project advisory panel members, user advisory committee members, preparers and practitioners. However, whether these initial consultations are warranted is a matter of judgement and may depend on the subject matter being considered. Further, the extent of any initial consultations may also depend on the extent of information already available to the AASB about the implementation of a pronouncement (e.g., to what extent is the AASB already aware of issues with a pronouncement and do stakeholders have further feedback on issues raised during the development of a pronouncement).

In some situations, initial feedback may be necessary if a more targeted public consultation document is appropriate (i.e., a consultation document that would seek feedback on specific matters of interest). This may be appropriate where the matters addressed by a pronouncement are diverse, and there is merit in focussing stakeholder feedback on matters the AASB considers to be of the highest importance.

Conversely, there may be situations where a more general public consultation document may be more appropriate (i.e., a consultation document that does not specifically identify topics for public comment and relies upon stakeholders making the AASB aware of issues). This may be appropriate where the matters addressed by a pronouncement are narrow in scope.

- (ii) **issue a public consultation document:** the consultation document should provide background information, set the scope of the PIR (e.g., outline any specific matters for feedback such as any costs/cost savings associated with implementation, specific application issues, specific suggested improvements) and include a summary of any findings or matters of importance identified so far (where relevant).

A consultation document typically has a minimum comment period of 120 days in line with the due process framework.¹⁴

The AASB may conduct general outreach such as roundtables, webinars, and other outreach events to support the public consultation document. The AASB may also conduct targeted outreach with key stakeholders.

¹⁴ Paragraph 6.6(a) of the due process framework

(d) **consideration of feedback:** To support the AASB’s consideration of feedback received during the PIR process and decision making regarding any possible next steps, the SSF outlines the following evidence-informed activities that are relevant to a PIR:

- (i) gathering and collating relevant information and data, rigorously and comprehensively analysing prior evidence and new data to derive meaning and understanding, presenting the evidence clearly and succinctly to stakeholders;
- (ii) assessing the extent to which a new or amended standard is achieving the expected benefits and any unintended consequences, preferably with explanatory evidence;
- (iii) identifying and analysing implementation issues through follow-up engagement and/or evaluating the costs and benefits of addressing the issues using appropriate evidence-gathering methods (possibly collaborating with the academic community); and
- (iv) assessing the need for and design of new supporting implementation tools (e.g., guidance, FAQs) informed by evidence gathered.¹⁵

There might be circumstances where after considering all feedback received during the PIR process, the AASB considers that additional information is needed before deciding on any next steps. Where this is the case, additional measures will be taken to supplement the existing information to enable the AASB to make informed decisions and conclude the PIR process.

(e) **publication of PIR findings and next steps:** The AASB considers all feedback received and prepares a feedback statement after the formal consultation process. The feedback statement documents the AASB’s responses to the seven PIR questions, including any next steps.

After considering feedback received, the AASB may decide that no action is required, that additional educational material is needed, or that standard-setting is required.

Where additional educational material or standard-setting is warranted, this would be addressed as part of a separate project of the AASB.

NEXT STEPS AND TIMELINE

31. Agenda paper 14.2 sets out the domestic Standards that require a PIR, including a draft work plan for the forthcoming PIRs and further questions for AASB members.

QUESTIONS TO AASB MEMBERS

1. Do AASB members have any comments on the proposed PIR process?