



Project:	Post-implementation Review	Meeting:	M199
Topic:	Decision-making process	Agenda Item:	3.1
		Date:	25 September 2023
Contact(s):	Kim Carney kcarney@asb.gov.au Eric Lee elee@asb.gov.au	Project Priority:	Medium
		Decision-Making:	Low
		Project Status:	Initial consideration of stakeholder feedback

Objective of this paper

- 1 The objective of this paper is to provide Board members with a framework to support an objective and consistent decision-making process when:
 - (a) considering stakeholders' feedback and evidence gathered from a post-implementation review (PIR); and
 - (b) deciding how to respond to that feedback, including any next steps.

This paper is carried over from the AASB September 2023 meeting agenda item 8.1 amended for editorial references without any substantial modifications.

Structure

- 2 This paper is structured as follows:
 - (a) Background (paragraphs 3-9)
 - (b) Approach to determine next steps (paragraphs 10-18)
 - (c) Appendix A: Possible responses to PIRs

Background

- 3 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.¹
- 4 Consistent with the Office of Impact Analysis² (OIA) [Regulatory Impact Analysis Guide For Ministers' Meetings And National Standard Setting Bodies](#) (June 2023), the following seven questions are expected to be addressed in a PIR:
- 1) the problem the pronouncement was meant to solve;
 - 2) why action was needed;
 - 3) what policy options were considered;
 - 4) what the likely impacts of the pronouncement were;
 - 5) which stakeholders were consulted during the PIR process;
 - 6) whether the pronouncement delivered a net benefit; and
 - 7) how well the pronouncement was implemented, including any lessons learned from the implementation process.
- 5 In its September 2021 meeting, the Board considered the following topics as part of a PIR framework addressed in [Agenda Paper 14.1.0](#) to support the consistent execution of the domestic PIRs that were due to commence:
- (a) What is a PIR?
 - (b) Why is PIR required, and when is PIR required?
 - (c) How is a PIR performed?
- 6 The Board discussed these matters because although the [AASB Due Process Framework for Setting Standards](#) (due process framework) set out high-level steps the AASB must follow in relation to a PIR and the principles are supplemented by post-implementation evidence-informed activities outlined in the [AASB Evidence-Informed Standard-Setting Framework](#) (SSF), much clarity was needed. For example, Paragraph 7.15.1 of the due process framework states that a PIR *normally* begins after the new requirements have been applied for two years. However, as noted in the September 2021 meeting, for most regulatory PIRs, the OBPR (now OIA) requires the PIR to be completed within five years of implementation. As such, the Board discussed a more detailed process that could be applied.
- 7 Consistent with the due process framework, in its September 2021 meeting, the Board agreed the following steps are generally be undertaken for performing a PIR:

¹ Adapted from the [Post-implementation Reviews Guidance Note](#), page 1

² On the 18th of November 2022, the Office of Best Practice Regulation (OBPR) was renamed to the Office of Impact Analysis.

Step 1: review any relevant research, including that by AASB staff, academics, and other source of evidence;

Step 2: collation of any issues notified to the AASB prior to the PIR commencing;

Step 3: consultation seeking feedback from stakeholders;

Step 4: consideration of feedback; and

Step 5: publication of the findings of the PIR and next steps.

- 8 To date, the Board has issued four PIR Invitations to Comment (ITC)³ seeking stakeholder feedback on various domestic Australian Accounting Standards. These PIRs will be soon moving into Step 4 and 5 of the PIR process.
- 9 To assist the Board in undertaking Steps 4 and 5, this staff paper suggests the following framework to consider so that a consistent approach could be applied (see paragraphs 10-18).

Approach to determine next steps

- 10 The following steps are considered when determining the appropriate responses after taking feedback and evidence gathered into consideration as part of the PIR process:
- (a) Step 1 – Consider feedback and evidence gathered to determine whether action is needed. If no action is needed, the Board will conclude the PIR and issue a final feedback statement; however, if action is needed, the Board will consider the appropriate response (Step 2).
 - (b) Step 2 – Determine the appropriate response(s).

Step 1: Consider feedback and evidence gathered to determine whether action is needed

- 11 To consider whether action is needed, staff suggest considering whether feedback and evidence gathered indicate the following:
- (a) there are fundamental concerns about the overall effectiveness and efficiency of a pronouncement in meeting its original or intended objectives;
 - (b) there is a significant issue(s) or problem(s) that may require the Board to address. For example, there are significant differences in application, or new or emerging transactions have increased in prevalence that were not contemplated when the pronouncement was developed; or
 - (c) the ongoing costs of applying some or all of the requirements of a pronouncement outweigh the benefits.
- 12 If the answer to either (a), (b), or (c) is 'yes', the following factors (including but not limited to) would be considered before deciding whether any action is required:

3 ITC 49 *Post-implementation Review of AASB 1059 Service Concession Arrangements: Grantors*, ITC 50 *Post-implementation Review – Income of Not-for-Profit Entities*, ITC 51 *Post-implementation Review of Not-for-Profit Topics – Control, Structured Entities, Related Party Disclosures and Basis of Preparation of Special Purpose Financial Statements* and ITC 54 *Post-implementation Review of AASB 1056 Superannuation Entities and Interpretation 1019 The Superannuation Contributions Surcharge*.

- (a) the problem has, or is expected to have, a material effect on those affected;
 - (b) the prevalence of the problem and its magnitude in the Australian economy;
 - (c) if the issue can be resolved within the confines of the Standards in a reasonable timeframe;
 - (d) the interaction of the problem with other current or future projects; and
 - (e) the overall costs and benefits of resolving the problem.
- 13 It is important to note that stakeholders may raise significant issues outside the scope of a PIR. These issues should be dealt with separately.
- 14 If the Board considers that action is required, the Board will determine the appropriate response (see Step 2 below). However, if the Board determines that action is *not* required, the PIR will be concluded via issuing a feedback statement documenting the Board’s decision.

Step 2: Determine the appropriate response(s)

- 15 [Appendix A](#) provides an overview of the various appropriate responses and due process that the Board can undertake, which includes:
- (a) refer the matter to the IFRS Interpretations Committee seeking clarification about how the IASB intended an IFRS Standard to be applied;⁴
 - (b) issue an Interpretation that clarifies how the Board intended a domestic pronouncement to be applied;⁵
 - (c) amend a pronouncement. This could involve clarifying existing requirements by adding new requirements, implementation guidance, or illustrative examples;⁶
 - (d) issue educational materials or similar guidance. This could include material such as AASB staff FAQs, “key facts” documents and webinars run by AASB staff. This material would not have the status of a Standard or Interpretation and cannot add or change requirements in the mandatory pronouncements. However, it may be useful in addressing differences in the application without the need for an Interpretation;⁷
 - (e) add the matter to the AASB research pipeline and perform further research to inform decision-making in line with the principles of the SSF. For example, additional research may be required to better understand an issue’s significance or prevalence, whether disrupting current practice is warranted, or whether further action could resolve a particular issue; or
 - (f) take other action(s) to appropriately respond to the specific facts and circumstances.
- 16 There are many factors to consider when determining which response is appropriate. [Appendix A](#) provides some examples of circumstances to help the Board consider and determine appropriate responses. For example, if the issue identified is widespread but it is not necessary to change or

4 See paragraphs 8.3.1 and 8.3.2 of the due process framework

5 See paragraphs 8.4.1 to 8.4.4 of the due process framework

6 See paragraphs 7.11.1 and 7.11.2 of the due process framework

7 See paragraphs 9.3.1 to 9.3.4 of the due process framework

amend an existing pronouncement to address the issue, the Board may want to consider developing and issuing an Interpretation.

- 17 In some circumstances, the Board may also want to consider one or more responses if appropriate, such as issuing an Interpretation and education materials. And, on other occasions, an interim solution may be appropriate while amending the pronouncements, such as issuing education materials to resolve urgent issues. In summary, the Board is expected to use judgement to decide on the appropriate responses based on facts and circumstances.
- 18 After an appropriate response is determined, a feedback statement that includes the AASB's responses and next steps will be issued.

Question to Board members

Q1: Do Board members have any questions or comments on the suggested approach?

Appendix A: Possible responses to PIRs

Possible response(s)	Examples of circumstance(s)	Process
Refer the matter to the IFRS Interpretations Committee	When a domestic standard gives rise to an issue that pertains to IFRS guidance, the Board will direct the matter to the IFRS Interpretations Committee. This is done when there is a necessity for interpretative guidance on accounting issues that are likely to result in different or unacceptable treatments in the absence of authoritative IFRS guidance.	<p>A letter that is reviewed and approved by the Board, a subcommittee, or the Chair will be submitted to the IFRS Interpretations Committee (Interpretations Committee). If the Interpretation Committee does not resolve the matter, the Board will consider further action (see below).</p> <p>The Interpretations Committee process can be found on its website: IFRS - How we help support consistent application of IFRS Accounting Standards</p>
Issue an Interpretation	<p>The Board adds an interpretation issue to its agenda when:</p> <p>(a) the issue is widespread, and there is diversity in practice;</p> <p>(b) it is not necessary to change or amend an existing pronouncement to address the issue; and</p>	<p>The due process for an Interpretation is the same as for a Standard, except that the consultation document is a Draft Interpretation and the timeframes are typically shorter.</p> <p>As described above, before issuing a domestic Interpretation of an IFRS Standard, the AASB refers the issue to the Interpretations Committee. (Paragraph 8.3.1 of the AASB Due Process Framework for Setting Standards)</p>

Possible response(s)	Examples of circumstance(s)	Process
	<p>(c) the issue can be resolved efficiently within the confines of the existing pronouncements (including the Conceptual Framework). (Paragraph 8.4.2 of the due process framework)</p>	<p>If the Interpretations Committee declines to address the issue and the agenda decision does not provide adequate guidance, the AASB proceeds with a domestic Interpretation if and only if:</p> <p>(a) the issue relates to Australian-specific legislation or circumstances; and</p> <p>(b) the issue is widespread, with diversity in practice. (Paragraph 8.3.2 of the due process framework)</p> <p>A Draft Interpretation is issued for public comments. The comment period of domestic interpretation is generally 60 days; if narrow in scope and urgent, no less than 30 days. (Paragraph 6.5 of the due process framework)</p>
<p>Amend a pronouncement</p>	<p>The Board amends a pronouncement when there is a problem identified with the existing requirements.</p> <p>The problem may require either a narrow-scope project for maintenance and consistent application (i.e. minor amendments) or a major amendment.</p>	<p>An Exposure Draft (ED) that contains a draft amendment to a Standard is exposed for public comment. The comment period of the ED is generally 90 days; if narrow in scope and urgent, no less than 30 days. (Paragraph 6.5 of the due process framework)</p> <p>A domestic ED is issued only after the AASB votes to issue the ED. However, the Chair or a sub-committee of the AASB may be delegated authority to approve the ED. (Paragraph 7.4.4 of the due process framework)</p>

Possible response(s)	Examples of circumstance(s)	Process
		<p>Domestic pronouncements are finalised in the same manner as IFRS-based Standards. However, domestic pronouncements are typically subject to both pre-ballot and ballot draft voting rounds. (Paragraph 7.6.6 of the due process framework) Where there is some change from the ED but not enough to warrant re-exposure, a ‘fatal-flaw review’ version of a pronouncement may also be issued for a short period for public comment as a final opportunity to identify any further unintended consequences of the proposals, prior to voting by the Board. (Paragraph 7.6.7 of the due process framework)</p> <p>As the Standards are generally legislative instruments, annual improvements and editorials must be made through another legislative instrument, i.e. amending Standards. Some proposed amendments to pronouncements are sufficiently minor or narrow in scope that they can be packaged together in one ED or pronouncement, even though the amendments are unrelated. Such amendments may be called annual improvements. Such amendments are limited to changes to clarify wording or to correct minor unintended consequences, oversights or conflicts between existing requirements. (Paragraph 10.1.1 of the due process framework)</p>
<p>Issue education materials or similar</p>	<p>The Board provides education for various reasons, including the need to enhance stakeholders' understanding of amended pronouncements or</p>	<p>The AASB or its staff may publish educational material related to pronouncements on the website, including webcasts, podcasts, articles, presentations for conferences, training materials and Staff Frequently Asked Questions. These</p>

Possible response(s)	Examples of circumstance(s)	Process
	existing requirements that do not require further action.	<p>materials do not have authoritative status and cannot add or change requirements in the pronouncements. (Paragraph 9.3.2 of the due process framework)</p> <p>Educational materials are subject to review as follows:</p> <p>(a) if the material interprets pronouncements – the AASB Board reviews the material prior to finalisation;</p> <p>(b) illustrative examples – the AASB Chair and at least one other Board member; and</p> <p>(c) in any other case – the AASB Chair. (Paragraph 9.3.5 of the due process framework)</p>
Add the matter to the AASB research pipeline and perform further research to inform decision-making	The Board adds a matter to the AASB research pipeline to gather sufficient evidence to make decisions.	The AASB Evidence-Informed Standard-Setting Framework provides the principles and process for implementing evidence-informed standard-setting, including literature review. It leads to the gathering of evidence and embedding it in AASB projects