



Project:	Insurance Activities in the Public Sector	Meeting	AASB December 2022 (M192)
Topic:	Application date of AASB 17 <i>Insurance Contracts</i> for public sector entities	Agenda Item:	4.2
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		Project Priority:	Medium
		Decision-Making:	High
		Project Status:	Consider ballot draft amending Standards

Objectives of this paper

- The objectives of this paper are for the Board to:
 - consider** stakeholder's comments on the proposed application date of AASB 17 *Insurance Contracts* for public sector entities; and
 - decide** on the application date.

Background – The Board's previous decision

- The mandatory application date of the current version of AASB 17 is annual periods beginning on or after 1 January 2023. Private sector entities with July to June financial years will be applying AASB 17 for annual reporting periods beginning on 1 July 2023, with a comparative period beginning 1 July 2022.
- At its September 2021 meeting, the Board decided to defer the AASB 17 application date for public sector entities to annual periods beginning on or after 1 July 2025 with earlier application permitted. This was discussed in [Agenda Paper 11.1](#) for that meeting. Accordingly, both ED 319¹ and the [Fatal-Flaw Review \(FFR\) draft](#) of AASB 2022-Y *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector* included this proposed application date.
- The Board made that decision after considering paragraph 7.9.2 of the *AASB Due Process Framework for Setting Standards* (September 2019), which states (emphasis added):

When determining the effective date of Standards, the AASB seeks to ensure that stakeholders have adequate time to prepare for their implementation. Typically, the AASB will issue a Standard with **at least 2 years before its effective date (eg a year before the beginning of the comparative reporting period)** and generally permits entities to apply those requirements early should they wish to do so.
- The Board noted that, in accordance with the Due Process Framework, if the Standard making public-sector-specific modifications to AASB 17 (AASB 2022-Y) is issued in the original expected timing of September 2022, providing a window of at least one year before the beginning of the comparative reporting period would mean a mandatory application date of 1 July 2025 with a comparative year beginning 1 July 2024.

1 ED 319 [Insurance Contracts in the Public Sector](#)

- 6 As noted in the Cover Memo for this meeting (Agenda Paper 4.1), the Board is expected to approve AASB 2022-Y at its December 2022 meeting. Despite the delay in finalising the Standard by three months, staff note an application date of 1 July 2025 would provide public sector entities 18 months before the beginning of the comparative reporting period (year beginning 1 July 2024).
- 7 Throughout the outreach connected to ED 319 and the FFR draft of AASB 2022-Y, those stakeholders who commented on the application date expressed the view that, if AASB 2022-Y is issued by end of December 2022, they would be able to implement AASB 17 under the proposed mandatory application date of 1 July 2025. The submissions received on ED 319 and the FFR draft confirmed that stakeholder view.
- 8 However, in recent discussions a few stakeholders that manage a number of different arrangements that seem likely to fall within the scope of AASB 17 have expressed the view that they would benefit from a longer implementation period to assess the AASB 17 requirements across multiple arrangements. As a result, staff conducted additional outreach with key stakeholders on the AASB 17 application date.

Additional outreach regarding AASB 17 application date

- 9 In November 2022, staff contacted the following stakeholders to request further input on the AASB 17 application date:
 - (a) Australian members of the Public Sector Insurance Focus Group (a sub-group of the AASB 17 Transition Resource Group);
 - (b) members of the Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC); and
 - (c) members of the Australasian Council of Auditors-General (ACAG).
- 10 Staff asked those stakeholders, for the organisation/jurisdiction that they represent:
 - 1. whether there is a preference for the application date of AASB 17 to be for periods beginning on or after 1 July 2025 or for periods beginning on or after 1 July 2026 (with earlier application permitted under either date);
 - 2. the reasons for the preferred application date; and
 - 3. whether there would be significant concerns if the AASB 17 application date is changed to periods beginning on or after 1 July 2026 (with earlier application permitted).
- 11 Eight email responses were received from Australian stakeholders, which can be summarised as follows:

<i>Question 1</i>	<i>Question 2</i>	<i>Question 3</i>
Prefer 2025 – none	Not applicable	Not applicable
Prefer 2026 – two stakeholders	Would facilitate transition	Not applicable
No preference – six stakeholders	Either date would be feasible/manageable – three stakeholders No comment – five stakeholders	No concerns – six stakeholders

- 12 Some of the six stakeholders with no preference for 2025 or 2026 commented that, if the effective date is 2026, they could always choose to apply AASB 17 earlier, but would be unlikely to do so.

Staff recommendation

- 13 Staff recommend that the AASB extends the effective date for the application of AASB 17 to public sector entities to annual periods beginning on or after 1 July 2026 on the basis that:
- (a) some stakeholders would welcome the additional time to transition to AASB 17; and
 - (b) there were no stakeholders expressing objections to the later effective date.
- 14 Staff also recommend that the Basis for Conclusions include narrative along the following lines. The suggested new text is underlined, the suggested deletions are struck-through and the footnote has been omitted.

Effective date of the Standard

- BC253 The mandatory application date of AASB 17/PBE IFRS 17 for entities other than public sector entities is periods beginning on or after 1 January 2023.
- BC254 The Boards noted that they typically provide at least a one-year gap between the time a new or revised Standard is issued and the beginning of the comparative reporting period to which it applies. This is designed to allow stakeholders to adequately prepare for any changes to processes for preparing and auditing financial statements.
- BC255 Accordingly, the AASB decided to propose that public sector entities falling within the scope of AASB 17 be required to apply it for annual reporting periods beginning on or after 1 July 2025 and the NZASB decided it would propose that public sector entities falling within the scope of PBE IFRS 17 apply it to annual periods beginning on or after 1 January 2025. The difference in date reflects different administrative procedures; however, the impact is the same under both proposed dates because public sector entities that typically have a July to June reporting periods and would first be required to apply AASB 17/PBE IFRS 17 for the period 1 July 2025 to 30 June 2026, with comparative information for the period 1 July 2024 to 30 June 2025.
- BC256 Consistent with existing practice, the Boards also decided to propose that entities would be permitted to apply AASB 17/PBE IFRS 17 earlier and, if an entity does apply the Standard early, it must disclose this fact.

Effective date of the Standard – AASB ED 319/NZASB ED 2022-3 feedback and Boards’ conclusions

- BC257 Most respondents to AASB ED 319/NZASB ED 2022-3 supported the proposed application date, provided the Boards meet the planned timetable of having an Amending Standard issued by the end of December 2022. Entities that had the greatest concerns about the proposed effective date(s) were either currently applying AASB 137 or were also facing other substantive regulatory changes in the near term.
- BC258 The Boards noted that, in responding to the Draft Standard of the amendments to AASB 17/PBE IFRS 17 issued in October 2022 for fatal flaw comment, some stakeholders expressed the view that the effective date should be extended for a further year. In order to gauge views on the effective date, the Boards conducted informal outreach with key constituents in November 2022 on whether the effective date should be extended for a year. While most respondents had no specific preference for either a 2025 or 2026 transition date, some stakeholders considered that the additional time would be of great value in facilitating the updating of information systems, in particular for arrangements falling within the scope of AASB 17/PBE IFRS 17 that currently classify their liabilities as provisions. In other cases, those stakeholders consider the additional year would facilitate the ability to engage with key users of their financial information on the changes to their financial statements from transitioning to AASB 17/PBE IFRS 17, including in terms of budgetary processes.
- BC2598 On balance, the AASB concluded ~~Boards considered~~ that the effective proposed application date should be annual reporting periods beginning on or after 1 July 2026 and the NZASB concluded it should be annual periods beginning on or after 1 January 2026. The Boards consider it is appropriate to extend the effective date ~~is suitable~~ on the basis that:

- (a) although the 2025 effective date would have provided approximately 18 months between the issue of the Amending Standard and in advance of the beginning of the comparative period to which AASB 17/PBE IFRS 17 would mandatorily apply, the transition effort will be much greater for some public sector entities than for others, depending on their current accounting; and
- (b) although a number of the public sector modifications made to AASB 17/PBE IFRS 17 are expected to help facilitate the transition process, some public sector entities may need the additional time to inform key users on the changes to their financial statements.

Question for Board members

- Q1 Do Board members agree with extending the effective date for the application of AASB 17 to public sector entities to annual periods beginning on or after 1 July 2026?
- Q2 Do Board members agree with the changes to the Basis for Conclusions suggested by staff? If not, what alternative changes would you suggest?