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Project	<b>Post-Implementation Reviews</b>
Topic	<b>Consultation on the draft work plan for a post-implementation review</b>

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## **Introduction**

1. We are seeking advice on a draft general work plan for post-implementation reviews. Agenda paper 2A provides, as background, an overview of the IASB's post-implementation review processes.
2. We plan to seek feedback on the draft general work plan in the next few months from the IFRS Advisory Council, a group of national standard-setters' meeting, the IASB's Global Preparers Forum, and the IFRS Interpretations Committee meeting. We intend to bring the feedback received on the draft general work plan for a post-implementation review to a Board meeting in the second quarter of 2011. Both papers tabled at this meeting reflect the views of the authors and have yet to be considered by the Board. (The authors have been developing those views in part by discussing ideas with a small group of Board members.)
3. The draft general work plan will be included in a draft Framework that will provide the structure for future post-implementation reviews. Appendix A provides a summary of the draft Framework based on the draft general work plan in this paper. The draft Framework for post-implementation reviews includes the objectives, scope, timing, and assignment of responsibility for a post-implementation according to the *Due Process Handbook for the International Accounting Standards Board* paragraph 53 (set out in Agenda paper 2A).

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This paper has been prepared for discussion at a public meeting of the Analyst Representative Group of the IASB. The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IASB.

Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRS Interpretations Committee or the IASB can make such a determination.

The tentative decisions made by the IASB at its public meetings are reported in IASB *Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

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**Proposed general work plan**

4. The following is a proposed general work plan for a post-implementation review. We believe that the specific details for each of the items will need to be tailored according to the pronouncement being reviewed and that there should be flexibility to do so.

***Information gathering and outreach***

5. The following are expected to be the primary research sources to be considered during the initial phase of the post-implementation review:
  - (a) a study of annual reports of issuers;
  - (b) a review of regulators' statements about the implementation of the IFRS;
  - (c) an analysis of relevant public information (eg surveys conducted and reports issued by analysts and large accounting firms, and academic research);
  - (d) a review of issues not taken onto the IFRS Interpretations Committee's agenda;
  - (e) the basis for conclusions and dissenting opinions, if any, of the pronouncement being reviewed; and
  - (f) consultation with users, preparers, auditors, regulators, standard-setters and other interested parties.
6. We see benefits in liaising with local organisations, for example standard-setters, on the collection and analysis, of facts and views on how a pronouncement has been applied in practice in their jurisdictions (where appropriate). Local organisations are aware of the implementation issues in their jurisdictions and of any particular environmental factors that may affect how a pronouncement is applied. In addition, other interested parties may be more comfortable communicating their views to a local organisation, which is closer to them and with which they are more familiar with, instead of to the IASB.

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7. The sources identified above should be used:
  - (a) to review how a requirement, arising from a contentious issue in its development, is applied in practice, from the perspective of all those involved in the financial reporting supply chain (for example, preparers, auditors, users and regulators); and
  - (b) to identify any unexpected costs or implementation problems that have been encountered.

***Preliminary report on the post-implementation review***

8. The review and analysis described in paragraph 7 will be included in a preliminary report for the post-implementation review on the pronouncement.
9. The preliminary report will be published by the Board for public comment. After receiving and considering those comments, the report will be finalised and published. An agenda proposal will be developed or proposals for amendments will be recommended for inclusion in annual improvements (if applicable).

***Content of the report***

10. We believe that the report on the post-implementation review should:

*objective 1: review the important issues identified as contentious during the development of the pronouncement*

- (a) contain a discussion on the contentious issues raised and on how the Board addressed those issues in the development of the pronouncement;
- (b) describe how the pronouncement is being applied in practice in respect of the contentious issues, and compare these observations with the concerns that had been expressed at the time of developing the pronouncement; and
- (c) assess whether those original concerns remain valid.

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*objective 2: consider any unexpected costs or implementation problems encountered.*

- (d) contain a description of any unexpected costs or implementation problems that have been identified; and

*summary of findings*

- (e) include an indication of the Board's preliminary assessment of how it should respond to each issue reviewed, as appropriate. For example, the report should indicate whether the issue may be considered for inclusion on the Board's agenda or referred to the annual improvements project.

***Length of a post-implementation review***

- 11. The review of IFRS 8 will be the Board's first post-implementation review. At this stage, it is difficult to estimate the time (and resources) needed to complete the project, particularly because part of the initial phase is to study various information sources, and the extent of those sources is not yet known. There is also likely to be a learning phase for the first post-implementation review. After the learning phase is over, we believe that it would be beneficial to complete a post-implementation review within approximately twelve months from the commencement of the project in order to produce a report on a timely basis.

**Question 1**

What involvement should analysts have in a post-implementation review? If you agree that they should be involved, how do you think we can best involve analysts in a post-implementation review?

**Question 2**

What are your views on the draft general work plan for a post-implementation review (discussed in paragraphs 4-10)? In providing your views, we would particularly appreciate learning about your experiences with the performance of post-implementation reviews.

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**Appendix A: Draft framework for post-implementation reviews****Introduction**

- A1. A post-implementation review, as set out in the *Due Process Handbook for the International Accounting Standards Board* (amended October 2008):
- (a) is part of the IASB project's life cycle and is carried out for each new IFRS or major amendment;<sup>1</sup> and
  - (b) is normally carried out two years after the new requirements become mandatory and have been implemented. However, the following circumstances may prompt an earlier review:
    - (i) changes in the financial reporting environment or in the regulatory requirements, or both; or
    - (ii) comments received about the quality of a specific IFRS.

**Objectives**

- A2. As set out in the *Due Process Handbook for the International Accounting Standards Board* (amended October 2008), a post-implementation review's objective is:
- (a) to reassess the important issues identified as contentious during the development of the pronouncement; and
  - (b) to consider any unexpected costs or implementation problems that have been encountered.

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<sup>1</sup> Post-implementation reviews for two projects will be starting when sufficient implementation time has elapsed. They are:

- (a) IFRS 8 *Operating Segments*, to start in 2011; and
- (b) Business Combinations Phase II (revised IFRS 3 and amended IAS 27), to start in 2012.

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**General work plan**

A3. The general work plan for a post-implementation review is as follows:

- (a) Publish information about the post-implementation review on the IASB's website.
- (b) Identify significant contentious issues that arose in the development of the pronouncement (and, where available, identify what the Board expected on application of the requirement) from analysing the relevant effects analysis, feedback statement, basis for conclusions and dissenting opinions, if any, (as appropriate).
- (c) Information is gathered through:
  - (i) analysing relevant published reports, surveys and research;
  - (ii) consultation with users, preparers, auditors, regulators, standard-setters and other interested parties;
  - (iii) when relevant, consulting working groups, the IFRS Advisory Council and the IFRS Interpretations Committee; and
  - (iv) requesting the help of local organisations (for example standard-setters) in identifying those issues in their jurisdictions.
- (d) Using the information gathered:
  - (i) when a contentious issue had arisen in the development of a pronouncement;
    - (a) review how the requirements of the pronouncement relating to that issue are applied in practice, from the perspective of all those involved in the financial reporting supply chain (for example, preparers, auditors, users and regulators);
    - (b) assess the results of this review to determine whether the original concerns remain valid; and

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- (ii) identify whether any unexpected costs or implementation problems were encountered; and
- (e) Develop a preliminary report on the results of the review. The preliminary findings will be discussed during a Board meeting, or meetings.
- (f) Publish the preliminary report on the results of the review and formally invite comments on the report for an appropriate comment period.
- (g) Finalise and issue the report after considering the comments received on the preliminary report during Board meetings.
- (h) In finalising the report, the Board will consider what further work is required, for example whether an agenda proposal should be developed in response to the matters identified, or whether some of the matters arising from the review should be referred to the IFRS Interpretations Committee for consideration as part of annual improvements

