

EFRAG Field Work Policy

Introduction

- 1 High quality financial reporting demands that accounting requirements are designed to provide relevant, reliable, understandable and comparable financial information, at an acceptable cost. Ensuring that new or revised financial reporting requirements are high quality includes evidencing or testing the following elements in practice:
 - (a) The needs for revised or new accounting requirements;
 - (b) Whether sufficient guidance is provided, so that judgement can be exercised and uncertainty as to how the standard is meant to be applied is avoided;
 - (c) Whether the requirements provide outcomes consistent with the objectives specified in the standard;
 - (d) other possible effects, upon certain circumstances;
 - (e) Whether implementation difficulties can be overcome at a reasonable cost;
 - (f) How much time is needed up to the mandatory application of the new requirements so that all preparers, auditors, regulators and users can be well prepared to manage and understand the resulting changes in financial reporting; and
 - (g) Whether practice after mandatory application satisfies financial information needs in accordance with the objectives set at the inception of the new or revised requirements.
- 2 This is why field work is required to achieve high quality financial reporting. The purpose of field work is to gather facts and evidence, relying on real-life examples and circumstances, drawn from all local jurisdictions in Europe. This comes in addition to getting an understanding of the economic reality that is considered and to forming a view as to whether proposed requirements would best depict it. The ultimate purpose is to help the IASB prepare accounting standards that will deliver high quality financial reporting, which, once adopted and implemented in the European Union, takes into account European specific circumstances and views. In EFRAG's view, it is therefore part of the fulfilment of EFRAG's mandate, and of the mandates of National Standard Setters in Europe, to contribute actively and proactively to the development of IFRS.
- 3 As is described later in this document, this can be done in a variety of ways and may serve different objectives, but it always requires the involvement of practitioners.
- 4 As EFRAG expects that National Standard Setters in Europe and EFRAG have similar mandates and objectives in the development of IFRS, EFRAG believes that

cooperation between EFRAG and National Standard Setters in carrying out field work involving European constituents in a “shared due process” mode contributes to more transparency, more consistency and more efficiency. Cooperation in European field work has been and is deemed to be yet another way of best pooling together European accounting standard resources to make European influence in the development of IFRS as strong and effective as possible.

- 5 It is, however, recognised that there can be rare circumstances preventing the desired level of cooperation described above, for instance in the event of a specific confidential request of the European Commission or a national government, or if EFRAG and National Standard Setters pursue different objectives. When this occurs, pooling resources and running shared due process may not be possible and a certain level of overlap should be accepted.
- 6 The next sections present:
 - (a) The main characteristics of field work; and
 - (b) The principles that, in EFRAG’s view, apply to European field work.

Main characteristics of field work

Field work is designed to gather evidence

- 7 Gathering evidence and facts requires the involvement of practitioners. This can be done in a variety of ways, which can be led separately and combined:
 - (a) **Surveys:** they are organised with a focus on desk research to gather data, information, and facts on a specific subject;
 - (b) **Field tests:** they include testing the application of proposed/pre-final/final requirements to existing contracts and transactions in order to assess the quality of the outcomes and/or the understandability of the requirements and/or the conditions of implementation. They can be based on shortcuts and approximations in case major system changes would be necessary; and
 - (c) **Workshops/interviews:** generally organised as a subsequent step to a survey or a field test, they allow for a supplementary step of in-depth analysis or to ensure the correct understanding of the results of a survey or field test.
- 8 The list above is not limitative, and each field work initiative should be designed to best respond to its set objective in the most efficient manner. Particular care must be taken to not over-burden constituents.
- 9 Field work can focus on one or more specific groups of practitioners (preparers, auditors, users and regulators). Surveys and field tests are designed based on a specific subset of practitioners.
- 10 The usual individual steps in the surveys/field tests include setting up a questionnaire, launching a public call for participants, and introducing the exercise to participants in individual meetings. Following the receipt of questionnaires, interview with participants can be held to deepen the analysis and understanding of some findings. In some cases, industry specific workshops can further support the process. Analysis of the findings is provided, and possible conclusions are submitted for approval. The process ends with the publication of a feedback

statement and, eventually, a letter to the IASB or the European Commission commenting on the findings, conclusions, and, if applicable, recommendations.

Why should field work be performed?

- 11 The European Commission, EFRAG and National Standard Setters, in addition to many European stakeholders, have expressed for many years the need for the IASB to perform effect analyses of its potential revised or new requirements, throughout the standard-setting process.
- 12 This was, for instance, expressed in January 2011 in a discussion paper “Considering the effects of accounting standards”, issued by EFRAG in partnership with the UK FRC, which presented their recommendations on how the IASB should perform effect analyses. The request was reinforced in July 2012 when this discussion paper, based on overwhelming support from constituents, was converted into a position paper.
- 13 This recommendation was accepted by the Trustees of the IASB Foundation in their 2012 report on their Strategy Review: they stated that the IASB should work with relevant parties to develop an agreed methodology for effect analyses.
- 14 However, even when these new procedures are put into practice, EFRAG considers that, given its mandate to comment on IASB proposals and to provide independent technical advice to the European Commission in respect of endorsement of final IASB pronouncements, it is its duty towards the European Economic Area to conduct its own field work, since there might be specific European issues which need to be taken into account. Furthermore, to meet its objectives, it is necessary that EFRAG is able to form its own independent views.
- 15 EFRAG thinks that the same applies to National Standard Setters in respect of the roles in their jurisdictions and the identification of specific national issues.
- 16 EFRAG and National Standard Setters have endeavoured to coordinate their own field work with, if not integrated in, the IASB’s initiatives. EFRAG believes that where EFRAG and National Standard Setters share with the IASB similar objectives and duties in reaching out to constituents, it is in the European interest that EFRAG, National Standard Setters and the IASB share the benefits of field work for reasons of efficiency, transparency and mutual understanding.

When should field work be performed?

- 17 To be effective in ensuring that IFRS can be endorsed and implemented in the European Union, field work has to be conducted either in the course of the standard-setting process and/or on the basis of pre-final requirements, so that the IASB can eliminate in its finalisation process all inadequacies and difficulties identified. However, some extra field work can be required after publication, for example, when the IASB decides not to proceed with a Review Draft. Therefore field work can be necessary at any point in time of the due processes of EFRAG and of National Standard Setters:
 - (a) To gather input before an EFRAG PRC proactive work agenda decision is made or when EFRAG, jointly with interested National Standard Setters, participates in an IASB research project;
 - (b) To gather input for a comment letter or in advance of an exposure draft, if specific concerns arise while EFRAG and National Standard Setters are monitoring any IASB’s deliberations;

- (c) To take advantage of the publication by the IASB of a Review Draft and assess pre-final requirements prior to their publication;
 - (d) To assess new IFRS pronouncements in the course of the European endorsement process; or
 - (e) To prepare for, or participate in, an IASB effect analysis or post-implementation review.
- 18 Furthermore, field work can be used to obtain constituents' input on the cost and benefits of a (revised) standard. This activity is part of EFRAG's usual due process at the endorsement stage, at the request of the European Commission, and, EFRAG expects, of National Standard Setters providing input to their national governments and to EFRAG.

Principles applying to European field work

- 19 In EFRAG's view, three principles need to be observed if European field work is to be effective and bring to European stakeholders and the European Commission the assurance that it has been done independently.
- 20 Exceptions to these principles are not expected to be other than remote and would be considered and justified on a case-by-case basis.
- 21 EFRAG also considers these principles relevant if it participates in field work initiated by other organisations such as the IASB.

First principle: Every field work initiative requires the explicit definition of its objective before preparations can start

- 22 Field work can be run to achieve different objectives, described in the introduction. It is important, from the start of an activity, to be specific about the objective of a particular field work initiative.
- 23 The objective may be based on a proposal made by EFRAG or by one or more National Standard Setters. Shared due process can be implemented when all participants share the same objective, as each initiative is designed to serve a particular objective, i.e. come up with a particular set of findings. Missing agreement on the objective, no agreement can obviously be reached at a more detailed level of preparation of the exercise material.
- 24 When field work is carried out at the request of the European Commission, the objective is set in the request. EFRAG may decline a request of the European Commission, if it considers that it does not have the proper skills or resources to meet the objective. The decision is made by the EFRAG Chairman after further consultations with the European Commission and after having received advice from the EFRAG Technical Director.
- 25 Where there is agreement on the objective, cooperation in the development of the supporting material - timetable and other practical details - is taking place so that every party involved is content that the joint work will meet the defined objectives in an efficient and timely manner.
- 26 Agreement on the objective includes agreement on timing so as to bring the evidence and its assessments timely in the IASB standard-setting process. Coordination efforts must remain compatible with the appropriate effectiveness in timing.

Second principle: Time is of essence

- 27 Whenever European field work is carried out as part of the role of EFRAG and National Standard Setters in the IASB due process (including field tests run on the basis of Review Drafts), time is of essence. To make European influence effective and ensure that proper action can be requested from the IASB at the appropriate time without unnecessarily disrupting the IASB workplan, EFRAG and participating National Standard Setters should be in a position to make their assessments, either within the IASB deadlines or, if the purpose is to bring input to the IASB in the course of their deliberations, before they issue a consultation document or reach final conclusions.

Third principle: Participating staff must have access, on a confidential basis, to all detailed evidence and report independently

- 28 In order to reach independent conclusions, analysing findings must not be influenced in any fashion by any form of vested interest. This requires that the staff of EFRAG and participating National Standard Setters must have access to all detailed evidence gathered during field work on an equal basis from the jurisdiction they are responsible for and develop their conclusions and recommendations in full independence. Only evidence accessible to staff can be taken into account in developing these conclusions and recommendations.
- 29 Notwithstanding the above, appropriate coordination is required to avoid duplication of work. Review processes may help achieve efficient cooperation whilst satisfying the need for independent assessment.
- 30 To ensure confidentiality of the data gathered during the field work, a data protection and confidentiality policy is adopted, applicable to all staff from EFRAG and National Standard Setters involved in the exercise. This policy is based on European law,¹ and included in the annex.

¹ Directive 95/46/EC of the European Parliament and of the Council on 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data.

Annex Data protection and confidentiality policy on field work

- 1 This document describes the data protection and confidentiality policy of EFRAG in respect of field work. It has been derived from European legislation.²
- 2 The objective of the field work and the identity of participating National Standard Setters should be communicated to the information providers in advance.
- 3 The information collected in the field work can only be used in relation to the objective of the exercise.
- 4 When participating in the field work, the information provider gives its implicit consent on the access to and the use and processing of the information. Any restriction should be requested explicitly.
- 5 EFRAG and National Standard Setters should implement appropriate technical and organisational measures to protect the information against accidental or unlawful destruction or accidental loss, alteration, unauthorised disclosure or access. Such measures shall ensure a level of security appropriate to the risks represented by the processing and the nature of the information to be protected.
- 6 The information should be destroyed no later than three years after it has been collected.
- 7 The access to information is restricted to staff members of EFRAG and participating National Standard Setters who have been assigned to the specific field work exercise.
- 8 The collected information will remain confidential. Information used in any reports will be presented on such a way that no individual company or person can be identified. However, the list of information providers in the field work will be made public, unless they explicitly requested anonymity.
- 9 The output of the field work will be shared between EFRAG and participating National Standard Setters, and - where applicable - the IASB. Reports on the findings of a field work exercise are made public, under the conditions explained in paragraph 8 above.

² Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data. Although this directive focuses on data of personal individuals, and is therefore not applicable to the kind of information that EFRAG gathers in its field work activities, EFRAG considers the approach of the directive and the adopted principles to be a good starting point for its own policy.