

EFRAG Field Work Policy: Financial Reporting

Objective

This policy sets out how field work is undertaken as part of the EFRAG due process including the involvement of other organisations such as National Standard Setters.

Introduction

- 1 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;
 - (g) In the case of post-implementation reviews, whether practice after mandatory application satisfies financial information needs in accordance with the objectives set at the inception of the new or revised requirements; and
 - (h) How the requirements contribute to the European public good.
- 2 The purpose of field work is to gather facts and evidence, relying on real-life examples and circumstances, drawn from 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 IFRS Standards that will deliver high quality financial reporting, taking into account European specific circumstances and views.
- 3 As is described later in this policy, there are a variety of ways to undertake field work and different approaches may serve different objectives. However, field work 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 Standards, EFRAG believes that cooperation between EFRAG and National Standard Setters in carrying out some of EFRAG's field work involving European constituents contributes to greater transparency, greater consistency and greater efficiency. It is, however, recognised that there may be circumstances preventing the desired level of cooperation, for instance in the event of a specific confidential request of the European Commission
- 5 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

- 6 Gathering evidence and facts requires the involvement of practitioners. This can be done in a variety of ways, which can be undertaken separately and combined where appropriate. Field work includes, but is not limited to:
 - (a) **Surveys:** are organised with a focus on structured written input to gather data, information, and facts on a specific subject;
 - (b) **Field tests:** 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. Field tests can be based on case studies, shortcuts and approximations in case major system changes would be necessary; and
 - (c) **Workshops/interviews:** may be independent of other field work or may be organised as a subsequent step to a survey or a field test. In the latter case, workshops/interviews allow for a supplementary step of in-depth analysis or to ensure the correct understanding of the results of a survey or field test.
- 7 Each field work initiative should be designed to best respond to its set objective in the most efficient manner available. Particular care must be taken to not over-burden constituents.
- 8 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.
- 9 The usual steps in undertaking surveys/field tests include setting up a questionnaire and launching a public call for participants. In some cases, questionnaires can be discussed with participants in individual meetings. Following the receipt of questionnaires, interviews 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 in accordance with EFRAG's approval processes. The process ends with the publication of a feedback statement and may be included in, a letter to the IASB or the European Commission commenting on the findings, conclusions, and, if applicable, recommendations.

Why should field work be performed?

- 10 EFRAG considers that, given its mandate to comment on IASB proposals and issued standards from a European perspective and to provide independent advice to the European Commission in respect of endorsement of final IASB pronouncements, it is its duty 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.

When should field work be performed?

- 11 To be effective in ensuring that IFRS Standards are suitable for adoption in Europe, field work has to be conducted in the course of the standard-setting process so that the IASB can address inadequacies and difficulties identified. Field work can be necessary at any point of the due processes of EFRAG:
 - (a) To gather input at different stages of EFRAG research projects possibly jointly with interested National Standard Setters; To gather input for a comment letter or in advance of an exposure draft, if specific concerns arise while monitoring any IASB's deliberations;
 - (b) To assess new IFRS pronouncements in the course of the European endorsement process (impact analysis) in particular in the European public good assessment; or
 - (c) To prepare for, or participate in, an IASB post-implementation review.

Principles applying to European field work

- 12 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.
- 13 Exceptions to these principles would be considered and justified on a case-by-case basis.
- 14 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

- 15 Field work can be run to achieve the 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.
- 16 The objective may be based on a proposal made by EFRAG or jointly with one or more National Standard Setters. Also National Standard Setters may propose field work that can be undertaken jointly with EFRAG and possibly with other National Standard Setters.
- 17 When field work is carried out at the request of the European Commission, the objective is set in the request for advice.
- 18 Where there is agreement on the objective, cooperation in the development of the supporting material - timetable and other practical details – ensures that every party involved is satisfied that the joint work will meet the defined objectives in an efficient and timely manner.

- 19 Agreement on the objective includes agreement on timing so as to enable the evidence and its assessments to be available in a timely manner that is consistent with the purpose of the field work . Coordination efforts must remain compatible with the appropriate effectiveness in timing.

Second principle: Time is of essence

- 20 Whenever European field work is carried out as part of the activities of EFRAG possibly with cooperation with the National Standard Setters in the IASB due process, 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

- 21 To reach independent conclusions, analysing findings must not be influenced by any form of vested interest. This requires that all detailed evidence gathered during field work from each jurisdiction is available to both the staff of EFRAG and, in the case of cooperation, the staff of the National Standard Setter of that local jurisdiction. Only evidence accessible to staff can be taken into account in developing these conclusions and recommendations.
- 22 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.
- 23 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 Regulation 2016/679 on General Data Protection.

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 will be maintained as long as needed for the project and internal research purposes.
- 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 Regulation 2016/679 on General Data Protection. Although this regulation 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 regulation and the adopted principles to be a good starting point for its own policy. EFRAG's general [privacy policy](#) is available at EFRAG's website.