



10 Shelley Street
Sydney NSW 2000

P O Box H67
Australia Square 1215
Australia

ABN: 51 194 660 183
Telephone: +61 2 9335 7000
Facsimile: +61 2 9335 7001
DX: 1056 Sydney
www.kpmg.com.au

Kris Peach
Chair
Australian Accounting Standards Board
PO Box 204
Collins Street West VIC 8007

Our ref Submission - ITC34 AASB Agenda
Consultation 2017-19

7 March 2016

Dear Kris

Invitation to Comment (ITC) 34 - AASB Agenda Consultation 2017-2019

We are pleased to have the opportunity to comment on *ITC 34 - AASB Agenda Consultation 2017-2019*.

We support the AASB in its strategy to take a leadership role in shaping the Australian Reporting Framework and particularly in its efforts to cover the broader issues around external reporting not only financial reporting, especially as the global and domestic focus turns more towards Integrated Reporting <IR> and the increased linkage across all corporate reporting. This is emphasised by the current Disclosure Initiative project aimed at promoting clearer messaging in financial statements.

We suggest that engagement at this broader level could be achieved by supporting the IASB in its pursuit of involvement and relevance in the <IR> sphere. In our view domestically, <IR> principles of reporting holistically how an organisation performed against its strategic objectives and related strategies could be applied in the context of *Exposure Draft (ED) 270 – Reporting Service Performance Information*. We support the continued work relating to ED 270.

Consistent with the above, we support the proposed collaboration of the AASB with other regulators (such as Treasury and Australian Taxation Office) to enhance the consistency and application of pronouncements that impact wider corporate reporting. However, we caution that any projects undertaken in collaboration with other regulators engage with all appropriate stakeholders to clearly identify what users view as requiring change, and linkages to other areas of corporate reporting, prior to any changes being proposed. We see this as especially important where any project on remuneration reporting to be undertaken.

We also support continued engagement with the not-for-profit sector, both public and private, in providing practical guidance relating to fair value measurement given the challenges and divergent application we continue to see in this area.

Our responses to the questions in the ITC are included in the Appendix to this letter.

We would be pleased to discuss our comments with members of the AASB or its staff. If you wish to do so, please contact Julie Locke on (02) 6248 1190, or myself on (02) 9455 9120.

Yours sincerely



Kim Heng
Partner

Appendix

1 What topics, including external reporting topics, do you think should be added to the AASB work program (research and standard-setting)? Please outline the reasons why you think the project(s) should be addressed by the AASB.

1.1 Fair value guidance in the not-for-profit sector

We have seen entities in the not-for-profit sector experience significant challenges applying *AASB 13 Fair Value*, in particular in the public sector context where most entities are required to recognise non-current assets at fair value. We are aware of divergent interpretations of AASB 13 by valuers and engineers. These challenges have been highlighted in the recent AASB projects relating to service concession arrangements and the proposals to remove DRC in favour of CRC.

We are of the view that more work on this topic is required and that simply issuing guidance in isolation may not resolve the existing challenges. Instead, a broader piece of work involving stakeholders such as the engineering and valuation professions, and including education would be required in order to ensure clarity of understanding and promote consistency of application.

1.2 Contributions by owners

We acknowledge that this topic was covered in the recent exposure draft relating to *Exposure Draft (ED) 260 – Income of Not-for-profit entities*. In our submission on ED 260, we recommended that given the current reliance and the significant transactions undertaken using the existing guidance, we suggest that any changes to this guidance should be subject to a separate project with appropriate consultation.

A more detailed assessment of the concerns and limitations of the current guidance is warranted. There is diversity of application in practice, and the transactions affect for-profit and not-for-profit public sector entities, as well as not-for-profit private sector entities.

1.3 Remuneration reporting

This topic has enjoyed a period of relative stability with general understanding by users of the principles of measurement, both by existing accounting standards and alternate market methods. We do agree, however, that the remuneration report could benefit from a simplification of disclosures as it has in many instances become a lengthy compliance report. However, we would not advocate any proposed changes until an analysis of what users' actual needs around remuneration reporting are has been established.

Consultation with appropriate stakeholders to clearly identify what users view as requiring change, and their linkages to other areas of corporate reporting, would in our view be crucial to achieving a successful outcome. We recognise that collaboration with many stakeholders and other regulators will be required, however, believe the skills brought by the AASB staff and Board to this process will increase the likelihood of a consistent and workable outcome being achieved.

2 What priority should be ascribed to the project(s)? Please outline the reasons why you think the project(s) should be prioritised in this manner by the AASB.

Project	Priority	Reasoning for priority
Fair value in the not-for-profit sector	High	Current diversity in interpretation in applying AASB 13. Clarity of understanding and promotion of consistency of application to enhance comparability.
Contributions by owners	Medium	Still an area of diversity in practice and between public and private sector not-for-profit entities. Promotion of consistency and transaction neutrality.
Remuneration reporting	Low	Level of understanding and disclosure is established in this area. Only impacts companies that are listed disclosing entities.

3 Are there any topics on the current AASB work program that you think should be removed from the work program? Please outline the reasons why you think the project(s) should be removed.

There are no topics currently on the published AASB work program that we believe should be removed.

