



Australian Government

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ITC46 sub 1

Additional paper: Agenda paper 5.1.1  
AASB Meeting 23-24 February 2022 (M185)  
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01 February 2022

Australian Accounting Standards Board

Submitted online at: [Open for Comment \(aasb.gov.au\)](https://aasb.gov.au)

Our reference: ACNC SUB2022/2

### ACNC submission – ITC46 Agenda Consultation 2022-2026

The Australian Charities and Not-for-profits Commission (**ACNC**) welcomes the Australian Accounting Standards Board's (**AASB**) Invitation to Comment on its agenda for 2022-2026 (**ITC 46**).

#### About the ACNC and the charity sector

1. The ACNC is the federal charities regulator with the following statutory objects – to:
  - a. maintain, protect and enhance public trust and confidence in the Australian not-for-profit sector;
  - b. support and sustain a robust, vibrant, independent and innovative Australian not-for-profit sector; and
  - c. promote the reduction of unnecessary regulatory obligations on the Australian not-for-profit sector.
2. The ACNC regulates over 59,000 charities in Australia which are a sub-sector of the Not-for-profit (NFP) sector. The ACNC is careful to balance each of these objects and has considered them in responding to ITC 46.

#### Question 1 – Inactive projects

Section 2.3 and Table 2 summarise inactive projects on which the AASB is seeking stakeholder feedback. Are there any inactive projects you think should be retained in the AASB 2022–2026 work program? To help the Board consider the feedback, please provide reasons explaining your views and other relevant information, including feedback on the project's proposed scope(s).

#### Definition of fundraising

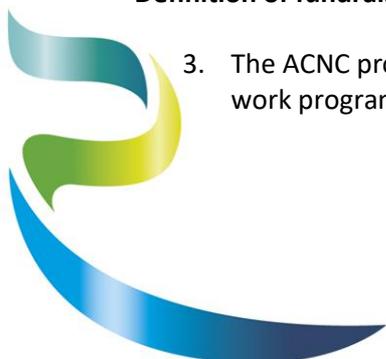
3. The ACNC propose that the Definition of fundraising should be retained in the AASB 2022–2026 work program. However, we would rank this as a lower priority in comparison to other AASB

GPO Box 5108 Melbourne VIC 3001  
Tel 13 ACNC Fax 1300 232 569

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projects, specifically the not-for-profit private sector financial reporting framework development, the conceptual framework for not-for-profit private sector entities, and service performance reporting.

4. Fundraising revenue is important for most charities. As noted in the 2019 Charities Report, donations received by charities rose to \$11.8 billion in the 2019 reporting year – an increase of \$1.3 billion from the previous year, with 67% of charities receiving donations. As a result, fundraising-related expenditure can often be a significant expense for many charities.
5. There is significant public interest in the disclosure of fundraising expenses and some charities are concerned about negative publicity regarding levels of fundraising expenditure, which can in turn result in charities applying accounting policies intended to minimise fundraising ‘ratios’.
6. In the absence of accounting standard guidance on this subject, there are inconsistent approaches used by charities. Some charities report expenses on the basis of local state/territory fundraising definitions, resulting in a lack of comparability and consistency in fundraising expense reporting.
7. The recent government announcement regarding a national fundraising framework is relevant to a standardised definition of fundraising and is good opportunity to engage with state/territory fundraising regulators about harmonising reporting requirements. Most of these regulators have already accepted the ACNC financial reporting framework as satisfying their own respective requirements for a fundraiser that is a registered charity (<https://www.acnc.gov.au/about/red-tape-reduction>).
8. This project could also leverage progress, at a global level, from the IFR4NPO consultation regarding fundraising costs, and may be an opportunity to look at modern fundraising methods and challenges, including the application of technology (e.g. cloud-based fundraising vs traditional methods).

#### **Remuneration reporting**

9. As a result of recent changes to the *Australian Charities and Not-for-profits Commission Regulation 2013* (Cth), all large charities, including charities preparing special purpose financial statements, will be required to report key management personnel (KMP) remuneration in accordance with AASB 124 or AASB 1060 for the 2022 reporting period onwards (covering 1 July 2021 to 30 June 2022 and later periods). We are currently preparing guidance and tools to support charities in adopting this new measure.
10. As a significant number of charities will be reporting KMP remuneration for the first time in the 2022 reporting period, we propose that the AASB continue to monitor developments in remuneration reporting for the charity sector, particularly for this new cohort of charities.



### Question 2 – Potential projects

Section 2.4 and Table 3 provide an overview of proposed external reporting projects that the AASB propose to add to the work program.

Do you agree that the AASB should add any of the proposed external reporting projects to the work program? Include any feedback as to the scope of the proposed external reporting projects.

Are there any other projects you think the AASB should include as part of its work program for 2022–2026? Specify the scope of these projects and take into consideration the AASB’s capacity for additional projects.

What priority would you give to each of the potential projects – high, medium or low? To help the Board consider the feedback, please provide reasons explaining your views and other relevant information.

### Service performance reporting – High Priority

11. Charities operate for charitable purposes and for the public benefit. In addition to financial reporting for performance and sustainability reasons, service performance reporting can provide useful information for charity stakeholders seeking to assess the progress and impact of charities in achieving their charitable purposes.
12. We consider that service performance reporting is of significant interest to charity stakeholders and can improve levels of trust and confidence in charities.
13. Charities already report information about their charitable programs to the ACNC and many charities choose to provide additional information about their activities, effectiveness and outcomes in their annual reports. However, the information voluntarily provided by charities is often inconsistent, so a framework for service performance reporting, for example along the lines of the New Zealand model, could result in more consistent and comparable information about service performance for charity stakeholders.
14. As service performance reporting should continue to be voluntary, the AASB should consider implementing a voluntary framework.

### Digital financial reporting – medium priority

15. Digital financial reporting for charities carries potential benefits, noting that many small charities not currently required to submit financial reports to the ACNC still choose to voluntarily submit their financial reports to demonstrate accountability and transparency.
16. The number of questions in the ACNC Annual Information Statements may also be reduced if financial information from a charity’s financial report can be captured digitally.



17. We also see a potential role for the ACNC's National Standard Chart of Accounts (NSCOA). Digital financial reporting is an opportunity to increase the uptake and use of the NSCOA.
18. We note some challenges for charities in adopting digital financial reporting, including: the additional cost for charities to implement compatible software; many charities are run by volunteers; and difficulties convincing software vendors to implement functionality for charities due to the size of the market and the lack of cash-based accounting software for charities that do not use accrual accounting.

#### **Sustainability reporting – low priority**

19. The ACNC supports the AASB's plan to gather feedback from stakeholders and we encourage the AASB to consult specifically with charity stakeholders. We note that there is considerable interest in the subject, but at this stage the nature and extent of the sustainability reporting information needs of charity stakeholders are unclear.
20. Taking into account the ACNC Act's third object, to promote the reduction of unnecessary regulatory obligations on the sector, the ACNC notes that many charities, particularly smaller charities, do not currently undertake reporting of this type, and so any additional reporting requirements would likely increase costs and administrative burden for those charities.
21. At this stage, further research and consultation with the sector is needed to determine whether such reporting by charities would be of sufficient interest to charity stakeholders and whether the benefits of this reporting would outweigh the costs.

#### **Question 3 – Research projects**

Section 3.3 proposes several research projects. Do you agree that the AASB should add any of the proposed research projects to the work program? Are there any other research projects you think the AASB should include as part of its work program for 2022–2026? Specify the scope of these projects and take into consideration the AASB's capacity for additional projects. What priority would you give to each of the potential projects – high, medium or low? To help the Board consider the feedback, please provide reasons explaining your views and other relevant information.

#### **Sustainability reporting – low priority**

22. As noted above, the ACNC suggests that the AASB undertake further research to better understand the sustainability reporting information needs of charity stakeholders and the related costs to charities (refer to ACNC ITC48 Submission [ACNCSUB2022-01]).

#### **Digital financial reporting – medium to high priority**

23. 99% of charities lodge their annual ACNC reporting electronically, Single Touch Payroll has been implemented, and state/territory regulators commonly use online portals to interact with



regulated entities. The ACNC encourages the AASB to investigate the feasibility of digital reporting for the not-for-profit sector as part of its research activities in this area.

#### **Service performance reporting – low priority**

24. We note that the AASB has already undertaken research on this topic but acknowledge that there are still challenges in determining users' needs and relevant cost factors which impact on assessing cost versus benefit. We encourage the AASB to undertake further research where needed and the ACNC will assist where we can with this work.

#### **Question 4 – Other comments**

Do you have other comments on the AASB's activities and work program?

25. The ACNC appreciates the resources that the AASB has previously released on a timely basis, such as staff FAQs, illustrative examples, and recently-published COVID guidance. Additional guidance on the topic of accounting treatment of digital currencies would be useful as there is increasing interest in this topic in the charity sector.

#### **Next steps**

If you have queries about this submission, please contact our Reporting team at [Reporting@acnc.gov.au](mailto:Reporting@acnc.gov.au).

**The Hon Dr Gary Johns**  
Commissioner  
Australian Charities and Not-for-profits Commission



Australian Banking  
Association

08 February 2022

By email: [standard@asb.gov.au](mailto:standard@asb.gov.au)

Dear AASB colleague,

## AASB ITC 46 AASB Agenda Consultation 2022-2026

Thank you for the opportunity to make this submission to the Australian Accounting Standards Board (AASB) consultation on its 2022-2026 agenda<sup>1</sup>. We provide response to the questions raised within the consultation paper below.

**Question: Do you agree that the AASB should add any of the proposed external reporting projects to the work program? Include any feedback as to the scope of the proposed external reporting project.**

The ABA agrees with the AASB's proposed inclusion of sustainability reporting in the work program of the AASB. We note the use of the term 'sustainability' is broad and suggest that the commencement point for this work is *ITC 48 Extended External Reporting on climate change*. The ABA suggests that the AASB specify 'climate sustainability' reporting as the scope of *ITC 48 Extended External Reporting*. Additionally, the ABA supports future expansion to other areas of sustainability reporting as noted in the response to the question below. The ABA refers the AASB to its submission on the consultation on ITC 48 for further detail.

**Question: Are there any other projects you think the AASB should include as part of its work program form 2022-2026? Specify the scope of these projects and take into consideration the AASB's capacity for additional project.**

The ABA strongly recommends inclusion of a project for the reporting of natural capital and/or biodiversity. We note the on-going development efforts of the Taskforce on Nature-related Financial Disclosures (TNFD) and the expectations on firms to report against the TNFD framework.

**Question: What priority would you give to each of the potential projects – high, medium, or low?**

The ABA rates the work on both climate sustainability reporting and reporting for natural capital/biodiversity as "high".

The ABA would be pleased to support the work of the AASB in Extended External Reporting for climate change and natural capital/biodiversity. Please do contact me if we could be of assistance.

Kind Regards

Emma Penzo  
Policy Director  
Emma.penzo@ausbanking.org.au

<sup>1</sup> <https://asb.gov.au/news/itc-46-aasb-agenda-consultation-2022-2026/>



13 February 2022

Australian Accounting Standards Board

**RE: AASB Agenda Consultation 2022–2026**

The Local Government Finance Professionals of Queensland (LGFP) represent financial and accounting professionals in Queensland Local Government. The Association provides a forum for members to discuss the various opportunities and challenges which arise in the local government finance industry and across local government generally.

The LGFP Committee have reviewed the AASB's proposed work program for the period 2022 – 2026 and provides the following comments:

*Inactive projects*

- **Are there any inactive projects you think should be retained in the AASB 2022–2026 work program?**

No.

*Potential projects*

- **Do you agree that the AASB should add any of the proposed external reporting projects to the work program? Include any feedback as to the scope of the proposed external reporting projects.**

Yes. The LGFP believes that the three proposed external reporting projects - Sustainability reporting, Service performance reporting and Digital financial reporting should be included in the work program. With regards to service performance reporting, understanding the link between levels of service and financial sustainability is a key issue for local government currently. The [Queensland Audit Office 2019 report](#) into the cost of local government services recommended that councils better understand the services they provide to their communities to ensure ongoing financial sustainability. Recommendations also included the Queensland Government supporting councils to develop a set of measures of effectiveness and efficiency to help them monitor the performance of their services.

- **Are there any other projects you think the AASB should include as part of its work program for 2022–2026? Specify the scope of these projects and take into consideration the AASB’s capacity for additional projects.**

The LGFP encourages the AASB to start to look at investing resources into the establishment of a standard to cover landfill rehabilitation obligations. This is a current issue local government is grappling with on a number of fronts, from consistency in recognition and calculation of liabilities through to implications on broader council sustainability.

The industry across Australia would benefit from some overarching guidance from the AASB (similar to the South Africa experience). The LGFP would be happy to discuss further if the AASB has appetite to progress this initiative.

- **What priority would you give to each of the potential projects – high, medium or low?**

Sustainability reporting – medium  
 Service performance reporting – high  
 Digital financial reporting - low

*Research projects*

- **Do you agree that the AASB should add any of the proposed research projects to the work program?**

The LGFP supports the following projects to be added to the AASB work program:

*Accounting Standards research projects:*

- Intangible assets: recognition and measurement

*External reporting research projects:*

- Sustainability reporting
- Service performance reporting

*Technology and reporting research projects*

- Digital financial reporting

- **Are there any other research projects you think the AASB should include as part of its work program for 2022–2026? Specify the scope of these projects and take into consideration the AASB’s capacity for additional projects.**

No.

- **What priority would you give to each of the potential projects – high, medium or low?**

Intangible assets: recognition and measurement - medium  
 Sustainability reporting - medium  
 Service performance reporting - high  
 Digital financial reporting - low

*Other comments*

- **Do you have other comments on the AASB's activities and work program?**

No.

Should you wish to discuss anything raised in this submission, please don't hesitate to contact our President, Michael Shave on [president@lgfp.org.au](mailto:president@lgfp.org.au) or ph. 0439 539 621.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M Shave', with a stylized flourish at the end.

Michael Shave  
**President**



Dr. Keith Kendall  
Chair  
Australian Accounting Standards Board  
PO Box 204  
Collins Street West VIC 8007

via submission portal: <https://www.aasb.gov.au/current-projects/open-for-comment>

15 February 2022

Dear Keith,

Re: Invitation to comment ITC 46 *AASB Agenda Consultation 2022-2026*.

We are pleased to respond to your invitation to comment on the Australian Accounting Standards Board (AASB)'s priorities for its domestic work program for the period 2022 to 2026 (ITC 46).

While we appreciate that the consultation is concerned with the AASB's future work program, we note that there are still a number of important projects on the current work program which will take some time to complete and hence need resources beyond 2022. Before starting new projects, we consider the AASB should focus its efforts in particular on the Not-for-Profit (NFP) Private Sector Financial Reporting Framework. There is an urgent need for a reporting framework that is simple, proportionate, consistent, transparent and cost effective for all NFP private sector entities in Australia and we recommend completion of this project be given a high priority.

## **Inactive projects**

### *Remuneration reporting*

We recommend keeping the Remuneration reporting project active, albeit with medium to low priority. The AASB staff paper *Review of Executive Remuneration Disclosure Requirements* published in September 2021 concluded that the level of detail that must be disclosed by for profit listed entities in Australia is more onerous than most of the other jurisdictions in the study. Our own research undertaken together with the G100 in 2017<sup>1</sup> similarly identified a number of redundant, overlapping requirements and demonstrated that there are opportunities to streamline these requirements for listed entities.

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<sup>1</sup> PwC and Group of 100 *Remuneration Reporting - Streamlined, May 2017*



Stakeholders continue struggling with these requirements and as a consequence remuneration reports take up a disproportionate amount of time to prepare and audit compared to the rest of the annual financial report. We would therefore welcome a thorough review of the requirements to ensure remuneration reports include the information actually needed by the users of those reports. However, we also acknowledge that the AASB will need support from Treasury for this project and therefore encourage the AASB to discuss the research results and the feedback from the agenda consultation with Treasury as a first step.

#### *NFP definition of fundraising*

We also see some merits in revisiting the need to clearly define what constitutes fundraising, possibly as part of the current NFP financial reporting framework project. NFP entities have different interpretations as to what constitutes fundraising and as a consequence there continues to be diversity in practice in particular in the context of reporting under state-based legislation. The issue is becoming even more prevalent with the increasing number of 'social enterprises' where the lines between fundraising and other activities undertaken by the entity may be blurred. The lack of a clear definition also affects the ability of stakeholders to assess and compare how effectively donated funds have been used and to make donating decisions.

We agree that the other inactive projects listed in Table 2 can be removed from the AASB's work program.

### **Potential projects**

#### *Sustainability reporting*

As noted in our submission from 28 January 2022 on the draft Position Statement proposed to be adopted by the AASB in relation to Extended External Reporting (EER), we strongly support the establishment of the International Sustainability Standards Board (ISSB) to provide the foundation for consistent and global sustainability reporting.

However, as explained in that submission, in our view it is premature to assume that the AASB will be the right body to take on the standard setting in relation to sustainability reporting in Australia. There should be a comprehensive consultation around what is the most appropriate standard setting body, along with determining what enabling legislation is required.

The standard setting body - whether it is a new body, or an existing, potentially reshaped body such as the AASB - should take on the role of contributing to the development of globally accepted sustainability standards by the ISSB, which includes participating and providing input to the global discussion/debates. They should also have the legal authority to



endorse adoption of the standards in Australia as well as developing any additional local guidance and requirements as required.

### *Service performance reporting*

While we acknowledge that Research Report 14<sup>2</sup> provides international evidence that stakeholders would prefer service performance information (such as output-based or outcome-based effectiveness of the entity's operations) over financial statement information, we do not believe that this project should be added back to the standard-setting agenda at this point in time.

Instead, we encourage further research to identify what type of information Australian stakeholders of NFP private sector entities do require in addition to what is already currently being provided either through the financial statements or the additional information included in the Annual Information Statement that is separately lodged with the ACNC.

Further, as noted by the AASB in ITC 46 (page 14), service performance reporting and sustainability reporting are potentially closely related and there may be an opportunity to incorporate service performance reporting elements when adapting the global sustainability standards for not-for-profit private sector entities. Any work undertaken in relation to this project right now would likely have to be revisited in the light of the sustainability standards and it would therefore not appear to be a good use of resources if this project was picked up again in the short term.

### *Digital reporting*

We agree that there is a need for investment in digital reporting. Digitisation offers significant benefits in the medium term and other jurisdictions have already moved in this direction. However, before initiating a standard-setting project, we recommend undertaking further research to ensure the project will deliver the benefits sought by stakeholders. In particular, we recommend identifying:

- the key stakeholders (ie key users, drivers, supporters and beneficiaries of digital reporting), and
- what these stakeholders expect to get out of digital reporting (i.e. what data do they need, in what format, how are they going to use this data and what are the additional benefits that digital reporting can provide compared to the standard reporting process).

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<sup>2</sup> AASB Research Report 14: Literature Review: Service Performance Reporting for Not-for-profits - February 2020



We further note that unless there is strong push from large investors, which we have not seen to date, preparers will only start investing in this if there is also a Government mandate, e.g. a requirement from ASIC to lodge financial statements as tagged digital reports.

#### *Other suggestions*

As noted in our overall comments, we recommend that the board directs its limited resources to prioritise and finalise the NFP financial reporting framework project and provide further guidance on NFP specific issues such as grant accounting prior to investing in additional projects.

In this context we note that assessing whether an entity is an NFP under the current definition in various Australian Accounting Standards (e.g. AASB 102 *Inventories*) is also becoming increasingly more difficult because of the emergence of social enterprises. While we acknowledge that the project to revisit the definition of NFP has been discontinued, we encourage the AASB to consider whether application guidance in relation to this point may be warranted.

#### **Research projects**

We have no strong views in terms of the potential topics and their priorities, but refer to our comments above in relation to suggested research on service performance reporting and digital reporting.

In relation to the tax transparency disclosures, we have the following observations :

- The majority of the tax transparency disclosures from the Voluntary Tax Transparency Code (TTC) are commonly provided outside of the financial statements and accompanying notes. Some of those disclosures may ultimately be incorporated into ESG reporting.
- Any research in this area would need to consider the context in which this information is needed and who needs it. In other words, is it mainly the Government or a Tax Authority that would use this information or do other users also need this information? If yes - who are these users and why do they need the information?
- If the research is to be undertaken specifically in relation to the information disclosed in the financial statements, it would need to provide evidence that the primary users of the financial statements (i.e. particularly investors) need this information in the context of assessing the financial position and financial performance of the entity.



Should you need any further information, please feel free to contact Meina Rose on 0432 320 540 or me on the number below.

Yours sincerely,

A handwritten signature in black ink that reads 'Jan McCahey' in a cursive script.

Jan McCahey  
Partner

Mobile: 0407 928 635  
Email: [jan.mccahey@pwc.com](mailto:jan.mccahey@pwc.com)

17 February 2022

The Chair  
Australian Accounting Standards Board  
PO Box 204  
COLLINS STREET WEST VIC 8007

**via email:** [standard@asb.gov.au](mailto:standard@asb.gov.au)

Dear Keith

## **AASB Invitation to Comment ITC 46 AASB Agenda Consultation 2022–2026**

Deloitte is pleased to respond to Australian Accounting Standards Board ('AASB' or 'Board') Invitation to Comment ITC 46 AASB Agenda Consultation 2022–2026 (ITC 46).

We appreciate the opportunity to comment on the Board's 2022-2026 priorities to ensure it is focusing its limited resources appropriately to address the highest priority topics to its stakeholders.

Overall, we recommend the Board include the following projects to its work program as we believe progress on these projects will result in improved financial statements that are useful to users:

- Sustainability reporting
- Remuneration reporting
- Service performance reporting
- Digital financial reporting.

We also recommend the AASB consider adding the following potential projects to provide much needed clarity for stakeholders in these areas:

- Auditor remuneration disclosures
- Imputation (franking) credits, including the impacts of the revised research and development (R&D) tax offset regime
- Interpretation 1052 *Tax Consolidation Accounting*
- Specialised assets in the public sector.

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Our detailed responses to the AASB Request for Comment in ITC 46 are outlined in the Appendix.

Please contact me at +61 3 9671 7871 or [moverton@deloitte.com.au](mailto:moverton@deloitte.com.au) if you wish to discuss any of our comments.

Yours sincerely



**Moana Overton**  
Partner

**APPENDIX – DETAILED RESPONSES TO THE AASB REQUEST FOR COMMENTS IN ITC 46****1. Inactive projects****Are there any inactive projects you think should be retained in the AASB 2022–2026 work program?***For-profit sector projects*

We believe that the project on remuneration reporting should be retained in the AASB 2022–2026 work program with a medium priority. In progressing this project, we believe the scope needs to be focused on improving and streamlining remuneration reporting requirements to address the concerns relating to poor remuneration disclosures. However, we have concerns about the AASB's capacity in taking on this project independently and recommend that the AASB should work effectively with Treasury to ensure that project objectives are achieved on an efficient and timely basis.

We do not support retaining the project on crowd-sourced equity funding as we believe that the AASB has adequately dealt with this issue and it appears that the AASB has not received further stakeholder concerns on this matter.

*Not-for-profit ('NFP') sector projects*

While we appreciate that there is room for improved and simplified fundraising reporting in the NFP space due to the absence of a generally accepted Australia-wide definition of 'fundraising', we do not support the AASB retaining the project on the definition of fundraising.

As each state and territory have their own definition of fundraising, we have concerns on how a new standardised definition of fundraising developed by the AASB would be adopted in practice. We note that for a new standardised definition of fundraising to improve reporting, each state and territory would be required to amend its legislation for the new definition to take effect. Accordingly, unless each state and territory will amend its legislation to take into account a new standardised definition of fundraising, this will not achieve the project aim to address the lack of transparency and comparability of fundraising activities between NFP entities that operate in various jurisdictions.

We also note that as part of ACNC's work on reducing red tape for charities that engage in fundraising activities that are regulated by state and territory agencies, the ACNC has made progress on streamlined reporting arrangements on licensing requirements and annual reporting obligations. Given that the ACNC is currently harmonising ACNC regulatory requirements with the numerous state and territory laws that cover charities, we think the ACNC might be better placed to take on this project. If the AASB decides to retain this project on its agenda, we believe it is imperative that the AASB works closely with the ACNC to ensure that the project objectives are achieved.

In respect of the project on long term discount rates, we believe this project should not be retained as we understand the issue with the spot rate is not isolated to the public sector. While the nature and mechanics of defined benefit plans in the public sector may be different to other sectors, these differences do not, in our opinion warrant separate accounting standard-setting for the public sector.

*Other projects*

We do not support retaining the project on co-operatives and mutual entities as we believe that the AASB has adequately dealt with this issue via the FAQ issued in July 2018 and it appears that the AASB has not received further stakeholder concerns on this matter.

## 2. Potential projects

- a. Do you agree that the AASB should add any of the proposed external reporting projects to the work program? Include any feedback as to the scope of the proposed external reporting projects.**

### *Sustainability reporting*

We believe that the project on sustainability reporting should be added to the AASB 2022–2026 work program with a high priority.

We echo the views expressed in our submission to AASB Invitation to Comment ITC 48 *Extended External Reporting*.

We remain committed to the goal of global sustainability standards and will continue to support the new International Sustainability Standards Board with stakeholders around the world. We encourage the AASB to be an integral part of, and play an instrumental role in, the development of such global sustainability standards.

We further believe the AASB should dedicate resources to developing domestic sustainability reporting material for the not-for-profit sector as these entities may require supplemental guidance to the global standards which are developed for for-profit companies.

### *Service performance reporting*

Service performance reporting is a project of a high importance in the NFP space as many of the NFP private entities financial statement users would find service performance disclosures useful for accountability and decision making. Accordingly, we believe that the project on service performance reporting should be added to the AASB 2022–2026 work program with a medium priority.

Given the long timeframe as AASB started this project in 2009, we think it is imperative for the AASB to proceed with this project with the aim of making significant progress as soon as possible. If the AASB decides not to proceed with the project as a priority, organisations may develop their own framework which may result in a lack of comparability and may result in reduced support for the AASB project when it eventuates.

### *Digital financial reporting*

We fully support adding a project on digital financial reporting to the AASB 2022–2026 work program with a medium priority. We support the development of digital financial reporting practice in Australia. We believe this project would benefit from significant effort dedicated to establishing its scope to suit the Australian regulatory context.

- b. Are there any other projects you think the AASB should include as part of its work program for 2022–2026? Specify the scope of these projects and take into consideration the AASB's capacity for additional projects**

- c. What priority would you give to each of the potential projects – high, medium or low?**

### *Public sector projects*

We suggest that the AASB should consider including a project in respect of accounting for specialised assets in the public sector, such as cultural assets (e.g. collections, archive documents, memorabilia), heritage assets (e.g. artefacts with archaeological significance, buildings and structures with architectural significance), natural assets (e.g. trees, biodiversity, herbariums) specifically on the conservation efforts around these assets and impact of that on their replacement value. We note that there are accounting challenges around how these assets are in scope of AASB 116 *Property, Plant and Equipment* and certain application challenges of deriving fair value under AASB 13 *Fair Value Measurement*.

## *For-profit sector projects*

We suggest that the AASB should consider including the following projects to its work program to provide guidance to assist for-profit sector entities:

- **Auditor remuneration disclosures**

We note that the AASB is currently working on the audit engagement related disclosures project and we encourage the AASB to continue its efforts in completing this project to improve such disclosures. In progressing this project, we suggest the AASB should revisit the relevant Australian Accounting Standards considering its current work on auditor remuneration. We note that there is some confusion in practice where corporate entities are requesting further guidance on auditor remuneration disclosures, specifically on the appropriate period (e.g., financial year basis), the treatment of agreed fee adjustments in subsequent periods and whether disclosures should be made on an accrued or cash basis. We suggest the AASB consider adding this project on its agenda with a medium priority.

- **Imputation (franking) credits under revised research and development (R&D) tax offset regime**

AASB 1054 only specifically requires the disclosure of the amount of imputation credits available for use in subsequent reporting periods. Some entities have chosen to provide additional disclosures on franking credits showing the reconciliation from the actual franking account balance at the reporting date to the adjusted franking account balance using the guidance in AASB 1054.14, and also the impact of franking debits arising from declared dividends which have not been recognised as a liability in the financial statements. We believe that it would be beneficial for the AASB to consider providing guidance to entities to ensure they are making useful and relevant franking credit disclosures which permit users of the financial statements to gain a more comprehensive understanding of the possible frankability of future distributions.

In addition to improving franking credits disclosures in general, we suggest the AASB also consider providing specific guidance around disclosures of deferred franking debits under the revised R&D tax offset regime. Under the revised R&D tax offset regime, we note that in cases where the entity is in receipt of refundable R&D tax offsets, this gives rise to deferred franking debits that reduce future franking credits arising from the payment of income tax. This is because a franking credit will not arise as a result of income tax payments until the deferred franking debits are recovered. The impacts of accrued refundable R&D tax offset amounts should be considered when disclosing the amount of franking credits available. This may require additional narrative or other disclosure so that users understand the future impacts of the deferred franking debits on the level of franking credits available.

Given the above, we believe that the AASB should consider adding a project on improving franking credits disclosures to its work program with a medium priority. As imputation (franking) credits disclosures are converged with the New Zealand Accounting Standards Board (NZASB), we note the AASB may wish to consult with the NZASB in progressing this project.

- **Interpretation 1052 Tax Consolidation Accounting (Int 1052)**

Given Int 1052 was issued in June 2005, we believe it is timely to consider conducting a post-issuance review as some of the discussion may no longer be relevant in practice, especially as there have been updates made in recent years to AASB 112 *Income Taxes*. We note that Int 1052 covers discussion around the formation of a tax consolidated group which was in context for first-time tax consolidation when it was first issued. However, companies are now dealing with other complexities of a tax consolidation group such as issues arising during a takeover and the computation of deferred taxes associated with investments in subsidiaries, particularly when a subsidiary is leaving the tax consolidated group. Accordingly, we suggest the AASB consider adding this project on its agenda with a medium priority to provide stakeholders with much needed clarity and guidance.

### 3. Research projects

- a. **Do you agree that the AASB should add any of the proposed research projects to the work program?**
- b. **Are there any other research projects you think the AASB should include as part of its work program for 2022–2026? Specify the scope of these projects and take into consideration the AASB's capacity for additional projects**
- c. **What priority would you give to each of the potential projects – high, medium or low?**

#### *Accounting standards research – Encouraged disclosures*

We do not support adding this project to the work program as we believe encouraged disclosures are not considered a high priority by preparers in the preparation of financial reports accordingly other research projects should be prioritised. Furthermore, we have concerns that this project may be seen as inconsistent with the IASB's disclosure initiative projects.

#### *Accounting standards research – Intangible assets: recognition and measurement*

We are aware of many issues related to accounting for intangible assets in practice, and echo the views expressed in our global submission to the March 2021 IASB's third agenda consultation on its future work programme, supporting global standard-setting projects that would resolve some of the most common issues. We are uncertain from the description in ITC 46 of the proposed scope of a AASB project, and the interaction of that project with the IASB's work, and therefore while we consider resolving issues related to intangible assets a high priority, we make no further comment on how this should be dealt with in the AASB's work plan.

#### *External reporting research and emerging technology and reporting*

We echo the same views expressed in this letter above under the section on potential projects in question 2a regarding sustainability reporting, service performance reporting and digital financial reporting. Consistent with our views expressed above, we recommend the Board include these research projects to its agenda with sustainability reporting project with a high priority and service performance reporting and digital financial reporting projects with a medium priority.

#### *Enhancing standard-setting process*

We believe the research project on costs and benefits analysis is an administrative matter for the AASB to work through with the legislative authorities and accordingly we do not express a view on the appropriateness or priority of such a project.

### 4. Other comments

#### **Do you have other comments on the AASB's activities and work program?**

We have no further observations in addition to those already outlined elsewhere in this letter.

Australian  
Council for  
International  
Development

AASB Agenda  
Consultation  
2022-2026



ACFID appreciates the opportunity to comment on the Australian Accounting Standards Board domestic work program for the period 2022 to 2026. ACFID would be happy to provide additional clarity on any of the issues raised in our comments.

## About ACFID

The Australian Council for International Development (ACFID) is the peak body for Australian non-government organisations involved in international development and humanitarian action.

### OUR VISION

Our vision is of Australia acting with compassion and fairness for a just, sustainable, and equitable world.

### OUR SHARED PURPOSE

Our purpose is to lead, unite and support international development and humanitarian organisations to realise our vision.

### ABOUT ACFID

Founded in 1965, ACFID currently has 130 members and 22 affiliates operating in more than 90 developing countries. The total revenue raised by ACFID's members amounted to \$1.86 billion (2018-19) — \$701 million of which was raised by 1.26 million individual donors. ACFID's members range between large Australian

multisectoral organisations that are linked to international federations of non-government organisations (NGOs), agencies with specialised thematic expertise, and smaller community-based groups, with a mix of secular and faith-based organisations.

ACFID's members comply with ACFID's Code of Conduct, a voluntary, self-regulatory sector code of good practice that aims to improve international development and humanitarian action outcomes and increase stakeholder trust by enhancing the transparency, accountability and effectiveness of signatory organisations. Covering 9 Quality Principles, 33 Commitments and 92 Compliance Indicators, the Code sets good standards for program effectiveness, fundraising, governance and financial reporting. Compliance includes annual reporting and checks, accompanied by an independent complaints-handling process.

## ACFID Response to Questions

As a general comment our members are under constant pressure to minimise the cost of compliance with regulation and standards. Members raise funds from the Australian community, including from government. Donors, in turn, expect those funds to be used efficiently and effectively to achieve the charitable purposes of each of our members. Generally, donors have an expectation that donations are applied directly to development and humanitarian programs. It follows that members are under constant pressure to minimise the costs of administration, accountability, fundraising, marketing and overheads. Members run a 'tight ship' concerning accounting and compliance staff and have little capacity to take on new demands. In particular, our smaller sized members often rely on volunteers to undertake administrative and accounting functions, or may have one, two, or less, staff members covering all management, administrative and compliance functions. The comments below are made with this background.

**Question 1. Are there any inactive projects on which you think should be retained in the AASB 2022-26 work program?**

We have no comment to make on the for-profit sector projects as they are not applicable to our members.

We also have no comment on the 'Long term discount rates' project which applies to public sector entities and is also not applicable to our members.

Concerning the 'Definition of fundraising' project, at face value, we think that there is some merit in harmonising the

requirements of the different State, Territory and Commonwealth regulators, particularly if it results in clarity, consistency and a reduction in compliance costs. We note that the Australian Charities and Not for Profits Commission has been working with State and Territory regulators to try and harmonise their requirements concerning fundraising law and regulation. We understand they have made some progress, although we are not sure if this extends to a common definition of fundraising.

We also point out that the ACFID Code of Conduct, for the purposes of transparency and consistent financial disclosure, includes [definitions](#) of fundraising, and the components of fundraising including donations and gifts, bequests and legacies, grants and fundraising from commercial activities. The Code also includes definitions of fundraising costs. If the definition of fundraising is included in your work program, we would be happy to work with you on the project.

**Question 2(a) Do you agree that the AASB should add any of the proposed external reporting projects to the work program?**

The ACFID Code of Conduct requires members to publish an [annual report](#) that meets a minimum standard of disclosure. While this would not be expected to meet the standards of sustainability reporting, it does place requirements on members concerning non-financial reporting.

The ACFID Code also includes a range of non-mandatory Good Practice Indicators. These are aspirational activities to help members improve their practice and asks members to include, in annual reports, information on:

- stakeholder relationships
- clear and measurable goals,
- outcomes, source and sustainability of funding
- risk management,
- adaptation to challenges
- environment sustainability.

While not covering the full gamut of sustainability reporting required by some of the large for-profit sector organisations, we believe that these are something our sector can work towards without overtaxing their resources and capabilities.

Our members do not have the resources to meet current private sector sustainability reporting requirements, such as those imposed by the *National Greenhouse and Energy Reporting Act 2007* on the top 500 companies. We therefore think there would need to be sector differentiation concerning any requirements.

On balance, we are generally supportive of sustainability reporting being on the AASB program of work. If so, we would be keen to work with you to ensure that we capture key elements in a way that will not impose additional burdens on our members.

Our views on service performance reporting are similar. This would seem to be consistent with the direction of ACFID Code of Conduct reporting requirements but would need to be balanced with compliance burden considerations.

We believe there is merit in including the digital finance reporting project in the

forward work program, particularly if it helps streamline reporting to regulators and provides relief from compliance costs. We would think that from the perspective of our sector, the Australian Charities and Not for Profits Commission, Department of Foreign Affairs and Trade, Australian Taxation Office and State and Territory fundraising and charity regulators would be key stakeholders. Of course, there may also be opportunities for ACFID to also streamline reporting requirements for members. However, there may be limitations as smaller organisations may not have access to appropriate technology and expertise which should be considered in the development of any standard here.

**Question 2(b) Are there any other projects you think the AASB should include as part of this work program for 2022-2026?**

We have nothing additional to add.

**Question 2(c) What priority would you give to each of the potential projects – high, medium or low?**

Sustainability reporting and service performance reporting should have medium priority. Digital performance reporting is lower priority.

**Question 3(a) Do you agree that the AASB should add any of the proposed research projects to the work program?**

We consider that there is merit in adding sustainability reporting, service performance reporting and digital financial reporting to the research program. As mentioned above, sustainability reporting and service performance reporting is broadly consistent with mandatory and non-mandatory requirements in the ACFID Code of Conduct and what is considered to be good practice in our memberships.

In particular, research into the needs of, implementation by and impact on the not-for-profit sector would help define the value of these initiatives and help define their scope. The experience of other jurisdictions may provide some useful insights and help identify any pitfalls and unintended consequences. As mentioned above, these are likely to be sensitive matters in our sector and research will be critical in achieving appropriate balances between the value of the standards and any additional compliance costs imposed. It may also help identify segments of the sector where such standards may be inappropriate, unworkable, or where there may need to be some differentiation.

**Question 3(b) Are there any other research projects you think the AASB should include as part of its work program for 2022-2026?**

We have nothing to add.

**Question 3(c) What priority would you give to each of the potential projects – high, medium or low?**

Sustainability reporting and service performance reporting should be given high priority to design, test options and test appetite and demand for non-financial reporting, before committing to developing a standard. Digital financial reporting should be rated as medium.

Contact

Paul Brunton

Standards and Code Advisor

Ph (02) 8123 2234

[pbrunton@acfid.asn.au](mailto:pbrunton@acfid.asn.au)

[Code@acfid.asn.au](mailto:Code@acfid.asn.au)



AUSTRALIAN  
COUNCIL  
FOR  
INTERNATIONAL  
DEVELOPMENT



**Cover photo:** Sumaiya Akter, age 12, attends a school funded by UNHCR in Kutupalong Refugee Camp. It is difficult for many Rohingya girls to obtain an education due to requirements to help parents with work at home, social pressures against educating girls, early marriage and general lack of access to higher education. Photo: Roger Arnold/UNHCR

 <https://acfid.asn.au>

 [main@acfid.asn.au](mailto:main@acfid.asn.au)

 +61 2 6285 1816

 @ACFID

 /ACFID



Level 36, Tower Two  
Collins Square  
727 Collins Street  
Melbourne Vic 3008

ABN: 51 194 660 183  
Telephone: +61 3 9288 5555  
Facsimile: +61 3 9288 6666  
DX: 30824 Melbourne  
www.kpmg.com.au

GPO Box 2291U  
Melbourne Vic 3000  
Australia

Dr Keith Kendall  
Australian Accounting Standards Board  
PO Box 204  
Collins Street West VIC 8007

Our ref Submission - ITC 46 - AASB  
agenda consultation 2022-2026

Contact Patricia Stebbens +61 9288 6261

17 February 2022

Dear Keith

### **Invitation to Comment (ITC) 46 - AASB Agenda Consultation 2022-2026**

We are pleased to have the opportunity to comment on *ITC 46 – AASB Agenda Consultation 2022-2026*.

In our view, the following projects should be a priority for the Board over 2022 to 2026:

- 1 The AASB's current domestic projects, particularly those relating to the not-for-profit and public sectors, including planned post-implementation reviews
- 2 Sustainability reporting
- 3 Intangible assets
- 4 Long term discount rates in the not-for-profit public sector – this project could be a relatively quick fix for the Board. Refer to our comments on Question 1 in the Appendix to this letter
- 5 Interim reporting by superannuation entities

#### ***Not-for-profit sector***

We support continued focus on developing the financial reporting framework for the not-for-profit and public sectors. We believe this area should continue to be an ongoing area of priority of the AASB given it is strongly influenced by the needs of users in the domestic market. In addition, the not-for-profit sector is not the focus of international standard setters.

#### ***Sustainability reporting***

We recognise that global and local events in recent years, such as the COVID-19 pandemic and climate change, are shifting the focus from the familiar financial reporting matters to topics that are extending the demand for external reporting to keep up with the rapidly changing world.



We believe that sustainability reporting should be given priority focus within the AASB's agenda. We see sustainability reporting as a significant challenge for businesses and the reporting community in the short to medium term, heightened by the events of COP 26 and the announcement of the International Sustainability Standards Board (ISSB).

We believe that globally consistent sustainability reporting disclosures are imperative to the success of this initiative. As such, we strongly recommend the AASB uses the ISSB standards for sustainability reporting, similar to the setting of accounting and external reporting standards where the AASB sets standards that maintain IFRS compliance. We encourage the AASB to engage early with the subject matter and obtain local stakeholder feedback as soon as possible. We believe there is a greater scope for the AASB to influence the global standards the earlier feedback and observations are provided to the ISSB.

This is consistent with our support of the AASB's proposed position set out in ITC 48 *Extended External Reporting* for entities to voluntarily adopt the Taskforce on Climate-related Financial Disclosures (TCFD) framework when disclosing the impacts of climate-related risks and opportunities. However, we see this endorsement as a temporary domestic measure with the longer-term objective of adopting a set of global standards on sustainability reporting. Given the announcement of the ISSB, the ISSB is best equipped to develop the standards on this topic for adoption internationally.

Given the specialised nature of this topic, we recommend that the AASB ensure it has access to qualified specialists to enable it to research and respond to the rapid changes anticipated to develop in this area. As has already been seen, international developments and progress has been swift and significant. Resources and the projects undertaken will need to be efficiently and effectively targeted to areas where they are relevant to Australia, and where Australia can have an impact to the international standard setting process.

Furthermore, there is a strong linkage between remuneration reporting, service performance reporting in the not-for-profit sectors and tax transparency disclosures to the sustainability reporting framework. For example, organisations are beginning to incorporate climate considerations into executives' remuneration incentive programs. Service performance reporting and tax transparency disclosures lean themselves into social reporting within the sustainability reporting framework. We believe an active project on sustainability reporting will inevitably require research to enable further development in these three areas to meet the changing requirements of a modern user of corporate reporting.

### ***Intangible assets***

We support the review of IAS 38 *Intangible Assets* by the International Accounting Standards Board (IASB Board) and consider that the AASB should prioritise relevant research so that it can influence and inform the global project.

IAS 38 was one of the few standards highlighted by many stakeholders as no longer fit for purpose in response to the IASB Board's *Third Agenda Consultation*. There are an increasing number of questions both in the global and domestic markets about how to deal with new-age intangible assets and given the advancement of digitalisation, new forms of assets and transactions are being created which IAS 38 did not envisage when it was developed, for example cryptocurrencies and initial coin offerings.



***Interim reporting – superannuation entities***

As certain superannuation entities are imminently required to report on a half-yearly basis, urgent attention will need to be given to provide appropriate guidance on the matter. Neither AASB 134 *Interim Financial Reporting* nor AASB 1056 *Superannuation Entities* is fit for this purpose. Further context and details are included in Question 2(b) in the Appendix to this letter.

We have set out our detailed comments on the agenda priorities and responses to the specific questions in the ITC 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 (03) 9288 6261.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Pat Stebbens', with a long horizontal flourish extending to the right.

Patricia Stebbens  
*Partner*



## Appendix

### Question 1 – Inactive projects:

#### Are there any inactive projects you think should be retained in the AASB 2022–2026 work program?

The following projects should be retained in the 2022-2026 work programs.

##### ***Long term discount rates***

We have seen entities in the not-for-profit public sector experience challenges when using market yields on government bonds as the spot discount rate for their post-employment benefit obligations as well as other similar provisions. We have received feedback that these discount rates are too volatile and are not reflective of how these entities manage their obligations. In some instances, these entities are creating two sets of accounts; one that uses spot discount rates and complies with accounting standards for financial statement reporting purposes, and another that uses an actuarial defined long-term forecast rate that is used for internal reporting and management of their obligations.

Consultation with stakeholders and further assessment of the impact of the volatility of spot discount rates in the public sector for defined benefits and other long-term provisions would be beneficial in addressing identified concerns. We believe this is a key area of focus given the extent of defined benefits and other long-term provisions within the public sector.

##### ***Remuneration reporting***

Remuneration reporting has enjoyed a period of relative stability with general understanding by users. We do believe, however, that the remuneration report could benefit from simplification of disclosures as it has in many instances become a lengthy compliance report. Consultation with relevant stakeholders to clearly identify the needs of users, and consideration of the linkages to other areas of corporate reporting, such as sustainability reporting, would be key in achieving more meaningful remuneration reporting by organisations.

With the focus on social and governance reporting within the sustainability framework, this review should occur simultaneously with the consideration of the needs of users that will enable them to better understand the strategy, objectives and outcome of the organisation. This includes the not-for-profit and public sectors. Although the not-for-profit and public sectors are not currently affected by remuneration reporting requirements to the same extent as listed corporates, any project should extend to these sectors as they represent large sectors with significant allocation of resources and accordingly users could gain valuable insight into the objectives of the organisation from remuneration reporting.

We recognise this project will require collaboration with many stakeholders and other regulators and will be resource intensive. However, we believe given the importance of this project, the skills brought by the AASB staff and Board are best placed to develop this project and to ensure a successful outcome.



**Question 2 – Potential projects:**

- (a) **Do you agree that the AASB should add any of the proposed external reporting projects to the work program? Include any feedback as to the scope of the proposed external reporting projects.**

***Sustainability reporting***

We believe that sustainability reporting should be given priority focus within the AASB's agenda for the reasons noted in our covering letter.

***Service performance reporting***

Linked to sustainability reporting, we support the AASB revisiting service performance reporting for not-for-profit entities. We believe that this ties in with the focus on social responsibility within an effective sustainability reporting framework.

We acknowledge the work performed by the AASB on service performance reporting and the mixed views to progress this project to-date, particularly with calls from not-for-profit entities to reduce 'red tape'. However, we recommend the AASB consult with users of this information within the not-for-profit sector, as well as preparers, to ascertain what further work and where standard disclosures would be most useful. Communicating which entities would be in-scope of any service performance reporting, and whether there would a tiered level of disclosures – similar to the Australian financial reporting framework – would assist in both the level of engagement and acceptance of progressing this project.

- (b) **Are there any other projects you think the AASB should include as part of its work program for 2022–2026? Specify the scope of these projects and take into consideration the AASB's capacity for additional projects.**

We believe the AASB should include the following additional project as part of its work program.

***Half-year interim reporting for superannuation entities***

Treasury released proposed draft legislation, *Treasury Laws Amendment (Financial Reporting and Auditing Requirements for Registrable Superannuation Entities) Bill 2021*, for consultation in August 2021 that would see certain superannuation funds prepare half-year interim financial reporting for the first time. Currently, there is no specific guidance on the format and disclosures for half-year reports in AASB 1056 *Superannuation entities*, and AASB 134 *Interim Financial Reporting* is not fit for purpose for superannuation entities. We recommend the AASB consider releasing guidance for such reporting.



(c) What priority would you give to each of the potential projects – high, medium or low?

Project	Priority	Reasoning for priority
Sustainability reporting	High	Significant area of focus on a global scale for all stakeholders. ISSB is set to develop reporting disclosures imminently and there will be a limited window of opportunity to provide meaningful input relating to the Australian market.
Half-year interim reporting for superannuation entities	High	Legislation released in exposure draft with expectation of enactment in the near future. Neither AASB 134 nor AASB 1056 is fit for purpose for guidance for interim reporting by superannuation entities.
Service performance reporting	Medium	Linked to the social responsibility aspect of a sustainability framework. We acknowledge that a large part of initial developments in sustainability reporting may focus on environmental disclosures, however we expect the social aspect of this framework will closely follow.
Digital financial reporting	Low	Considering the shifting of focus to topics that are extending the demand for external reporting to keep up with the rapidly changing world as noted above, and given the AASB only has a limited amount of resources, we believe this potential project should have a low priority.

**Question 3 – Research projects:**

(a) Do you agree that the AASB should add any of the proposed research projects to the work program?

***Intangible assets: recognition and measurement***

We support the review of this standard internationally and urge the AASB to conduct relevant research so that it can actively participate in these developments, ensuring that the needs of the Australian markets are included for consideration in the global project.

***AASB 112 Income Taxes and tax transparency disclosures***

We support further research regarding tax disclosures in Australia. As outlined above, we expect tax transparency will form part of the sustainability reporting journey. With greater prominence given to tax transparency by the Australian Taxation Office (ATO) in recent years, we recommend the AASB engage with the ATO and the Board of Taxation to understand their intentions and areas of focus in relation to tax transparency before recommencing any research in this area, as key issues may already be on their project agendas. Any research project should be focused on areas relevant to the remit of the AASB and not generic or duplicative to projects of other stakeholders.



**Sustainability reporting and Service Performance reporting**

We support research into sustainability and service performance reporting for reasons as outlined above in Question 2 above.

- (b) Are there any other research projects you think the AASB should include as part of its work program for 2022–2026? Specify the scope of these projects and take into consideration the AASB’s capacity for additional projects.

There are no additional research projects we believe the AASB should include as part of its work program.

- (c) What priority would you give to each of the potential projects – high, medium or low?

Area of Research	Priority	Reasoning for priority
Intangible asset: recognition and measurement	High	IAS 38/AASB 138 is no longer fit for purpose with an increasing number of questions arising about how to deal with new-age intangible assets and digitalisation which need to be urgently addressed.
Sustainability reporting	High	Refer comments in Question 2(c) above.
Service performance reporting	Medium	Linked to the social responsibility aspect of a sustainability framework. Refer comments in Question 2(c) above.
AASB 112 <i>Income Taxes</i> and tax transparency disclosures	Medium	
Digital financial reporting	Low	Refer comments in Question 2(c) above.
Encouraged disclosures	Low	Although this research would contribute to the IASB Board’s <i>Disclosure Initiative project</i> , given the number of high priority projects, we consider resources should be focused on these high priority projects.

**Question 4 – Other comments:**

**Do you have other comments on the AASB’s activities and work program?**

We have no further comments on the AASB’s activities and work program.



Dr Keith Kendall  
 Chair, Australian Accounting Standards Board  
 PO Box 204  
 Collins St West  
 VIC 8007, Australia

7 February 2022

Dear Dr Kendall,

### **Invitation to Comment – ITC 46 AASB Agenda Consultation 2022–2026**

We are pleased to respond to the invitation to comment on the agenda consultation of the AASB published on 7 October 2021. Our comments are directed at Service Performance Reporting (SPR)-related matters in ITC 46, informed by our research on the potential standardisation of SPR for Not-For-Profits (NFPs) in Australia. In addition to our direct research on SPR, we also have wide-ranging research experience in both the NFP sector and standard-setting, publishing articles in a variety of leading accounting journals such as *Accounting, Organizations and Society*, *Harvard Business Review*, *Nonprofit and Voluntary Sector Quarterly*, and *Voluntas*. While the members of this research team are employed in the Department of Accounting at Monash University, the views expressed in this letter do not necessarily reflect the position of the department or the university.

Our research on the potential standardisation of SPR for Not-For-Profits (NFPs) in Australia analysed the development of ED 270 *Reporting Service Performance Information*, drawing on publicly available documents and 66 interviews with a broad range of stakeholders in Australia. The preliminary findings of our research were presented at the 2019 AASB Research Forum in Melbourne (Hall et al., 2019), and we have since developed a Working Paper that was cited at the November 2021 meeting of the AASB in regards to the *Not-for-Profit Private Sector Financial Reporting Framework* (Hall et al., 2021). Our research points to the value of basing future SPR standard-setting decisions on a more robust evidence base that includes analysis of international experiences with SPR and deeper engagement with stakeholders – in particular, NFPs and donors – many of which were not directly involved in or consulted during the development of ED 270.

We recommend undertaking a research project to inform the development of an SPR standard and, in particular, to determine the scope of an SPR standard. To address some of the problems raised with ED 270, the research would focus on understanding the information needs of SPR users and identifying what is feasible for NFPs to prepare, taking into the account the diversity of NFPs – some of which have limited capacities for external reporting.

In developing a more robust evidence base, we suggest the AASB consider: (1) recent international experiences; and (2) deeper engagement with NFPs and donors.

#### 1. Further research on international SPR experiences

- In comparison with ED 270, our study suggests that the relevant standard in New Zealand (PBE FRS 48) effective from 1 January 2022 – which comprises high-level principles – has the potential to be more workable because it provides NFPs with flexibility to ‘tell their own story’, rather than being required to report on measures of efficiency and effectiveness.

- Future research on SPR should include a study of the implementation of PBE FRS 48. In addition to analysing publicly available material, the research would benefit from direct engagement with a variety of NFPs and users of SPR in New Zealand following its implementation.

## 2. Deeper engagement with private NFPs and donor communities on SPR

- AASB Research Report 14 *Literature Review: Service Performance Reporting for Not-for-Profits* concludes that stakeholders prefer standardised service performance information, particularly quantitative output-based or outcome-based measures of effectiveness. Based on our own deep knowledge and assessment of the international research evidence, coupled with our direct research on SPR in Australia, we believe such a conclusion is quite premature and should not form the starting point for developing any new standard on SPR in Australia.
- Our direct research with stakeholders in Australia indicates that many of the detailed assumptions and prescriptions in ED 270 were problematic, including the use of quantitative measures of effectiveness. How different stakeholders would react when presented with a more flexible standard or guidance on SPR is not well understood. Research is needed that involves direct dialogue with representatives of large NFPs, small-medium size NFPs, and public sector organisations, along with a variety of donors (e.g. philanthropists, grant makers, everyday donors). Discerning the views of smaller NFPs and the potential users of this information would be particularly important due to their limited participation in previous consultations on SPR. In this vein, more needs to be done to encourage stakeholders to participate in consultation exercises who are typically not involved in accounting standard setting within the current due process framework. In particular, more could be done to specify how the relevant stakeholders (especially the users of SPR information) are identified and engaged in standard setting initiatives.
- Insights from deeper engagement with private NFPs and donor communities would help inform the AASB as to whether a new SPR standard is needed, whether the standard should be mandatory or voluntary, and crucially, how the content of any subsequent exposure draft might be designed in such a way as to be more workable and useful to users and preparers alike.

We urge the AASB to consider these issues in its deliberations on future standard-setting activities for SPR in Australia. We are happy to discuss any of these points in more detail.

Yours sincerely,



Professor Matthew Hall  
Dr Damien Lambert  
Dr Richard Pucci  
Dr Paul J. Thambar



Treasury

Contact: Peter Gibson  
Telephone: (02) 6215 3551  
NSW TSY Ref: fA895939

Dr Keith Kendall  
Chair, Australian Accounting Standards Board  
PO Box 204  
COLLINS STREET WEST, VIC, 8007  
Email: [kkendall@asb.gov.au](mailto:kkendall@asb.gov.au)

Dear Dr Kendall

### **AASB Agenda Consultation – Invitation to Comment 46**

The purpose of this letter is to respond to the invitation to comment on the AASB Agenda Consultation. HoTARAC has focussed on projects where the AASB has the capacity to undertake Australian-specific work.

#### *Existing Projects*

HoTARAC notes that the AASB does not intend to consult about existing active projects, on the basis that these will be completed as planned. Not all of these are necessarily on the currently published work plan, and we referred to Paragraph 12 of the April 2021 AASB Board Paper for the full list.

In particular, HoTARAC requests that the post-implementation review (PIR) of AASB 1059 *Service Concession Arrangements* be expedited, as this standard continues to cause implementation difficulties in jurisdictions. It could be expedited by giving it priority in the series of PIRs planned for the next three years.

#### *Inactive Projects*

HoTARAC strongly holds the view that long term discount issues should remain on the agenda as a high priority. The nature of public sector liabilities, particularly defined-benefit superannuation, means that minor changes in discount rates have accounting impacts that potentially dominate the financial statements to the extent that other important issues of financial position and financial performance are masked.

This issue was accepted onto the current AASB agenda following the previous agenda consultation. We understand that it was made inactive, because the IASB also had an issue on discount rates. However, the IASB project did not consider the specific issue of concern to HoTARAC.

HoTARAC also believes that remuneration reporting, for the public sector, should remain on the agenda, due to diversity in reporting between jurisdictions.

## *New Projects*

The list of HoTARAC priorities includes new projects. HoTARAC has developed priority lists for both major projects and narrow scope projects, noting that categorisation as major or narrow scope will depend on the final project scope.

- These comprehensive lists have been submitted, to enable the Board to consider whether some possible projects could be integrated with similar projects proposed by other stakeholders.
- Nevertheless, the lists are presented in order of descending priority, so the first item in each list is the highest HoTARAC priority.
- Narrow scope projects have been submitted separately because resource constraints may make it possible for the Board to incorporate one or more narrow scope projects into its work plan, when it is unable to incorporate a major project.

We note that the Board seeks feedback on three specific projects:

- Sustainability reporting.
- Service performance reporting.
- Digital reporting

HoTARAC believes the first two of these are important in the long-term, and should appear on the work program. In our view digital reporting should be led by the regulators responsible for lodgements, such as ASIC, with the AASB restricting its involvement to matters where accounting standards do not facilitate digital reporting, and vice-versa.

## *The HoTARAC priorities*

The following are the HoTARAC priorities for AASB projects over the period 2022-26:

### **Major/Complete Projects**

1. Discount rates for long-term employee benefits and superannuation.
2. Systematic review of public sector disclosures (e.g., disclosures for Tiers 1 and 2).
3. Outstanding issues on AASB 16 *Leases* that are particularly relevant to the public sector, to the extent not caught in the post implementation review (e.g., variable lease payments; centrally procured software; sub-leases within government groups, right-of-use asset impairment).
4. Review of harmonisation differences in recognition and measurement with Government Finance Statistics. We understand that this was a recommendation from the recent post-implementation review of AASB 1049.
5. Service Performance reporting.
6. AASB 9 *Financial Instruments* – termination for convenience clauses and other Australian specific matters.
7. Concepts of 'control' - a review to ensure the concepts of control are consistent across the standards.
8. Application to Australian Standards of the IPSASB revised property, plant and equipment standard.
9. Remuneration Reporting.

## Narrow Scope Projects

1. AASB 124 *Related Party Disclosures* - review of application for the public sector, e.g. the current effectiveness of disclosures in the Public Sector. This could be included in a post-implementation review of AASB 124.
2. Expected credit loss (ECL) issues - receivables that are perceived to be risk-free e.g. between government; ECL requirements for statutory receivables; instruments within corporate groups (the latter has also been identified as a potential project by the IASB).
3. More guidance on issues of concern to the public sector - accounting for centrally-procured software; aspects of application of the revenue standards, particularly AASB 15 *Revenue from Contracts with Customers*.
4. Harmonising requirements where there are separate provisions for legislated and contractual arrangements (provisions, statutory receivables, financial guarantees).
5. Application of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* in the public sector.
6. AASB 102 *Inventories* – valuation and recognition by for-profit public-sector entities where inventory is transferred at no cost from other public sector entities.
7. AASB 1058/AASB 16 – review existing relief associated with having to fair-value below-market leases, following IPSASB consideration of leasing issues.
8. Narrow scope amendments to Interpretation 1038 to more closely align with actual public sector practice, e.g. application to investments of the state in public corporations.
9. Remove the requirement for a statement of changes in equity in public sector financial statements where it is unnecessary or redundant - which is most of the time in the public sector.
10. Accounting treatment for machinery of government changes, including impacts at an individual entity level compared to the consolidated level. This spans AASB 1004, AASB 3, Combinations under Common control and the accounting for revaluation surpluses under AASB 116 when associated assets are transferred.

We note that it may be possible to combine narrow scope projects requiring minimal resources as a single “omnibus public-sector” project.

Further details of each proposed project are in the Appendix.

HoTARAC would welcome further discussion on the agenda consultation. Please contact Peter Gibson in the first instance on (02) 6215-3551 or [peter.gibson@finance.gov.au](mailto:peter.gibson@finance.gov.au) .

Yours sincerely

Stewart Walters  
Chair, Heads of Treasuries Accounting and Reporting Advisory Committee  
XX January 2022

## Appendix – Descriptions of projects

1. Discount rates for long-term employee benefits and superannuation.

Use of the “spot rate” to measure long term employee benefit liabilities continues to result in financial statements that are not easy to interpret. While this issue potentially also applies to the private sector, it is more pronounced in the public sector. Alternatives to the “spot rate” for the public sector should be considered, such as using average rates, or rates related to expected returns.

2. Systematic review of public sector disclosures (e.g. disclosures for Tiers 1 and 2).

Disclosures required of public sector entities continue to be regarded as onerous and/or not relevant to users. This could be remedied by reviewing application of disclosures to the public sector. This could be undertaken over time if it would require extensive resources. It may result in Aus paragraphs being added to the disclosure sections of standards.

3. Outstanding issues on AASB 16 *Leases* that are particularly relevant to the public sector, to the extent not caught in the post implementation review

Examples include variable lease payments; leases of centrally “procured” software; existence and accounting for sub-leases within government groups, right-of-use asset impairment. All these items are more prevalent in the public sector than in the private sector, and have been subject to diverse interpretations. The project might include guidance in AASB 16.

4. Review of harmonisation differences in recognition and measurement between accounting standards and Government Finance Statistics.

We understand this was a recommendation from the recent post-implementation review of AASB 1049. Harmonisation differences are perceived to have increased in recent years, and the project would consider options to reduce the differences. The project would identify differences standard-by-standard, and develop options for addressing them if possible.

5. Service Performance reporting.

A re-focus of the current inactive project. The proposals previously rejected by constituents should be subject to a review, taking into account public sector accountabilities in each jurisdiction. It may be necessary to have slightly different models for the public and private not-for-profit sectors. The project outcome would be a standard. This project may need to be integrated with any climate-related reporting requirements for the public sector.

6. AASB 9 *Financial Instruments* – termination for convenience clauses and other Australian specific matters.

There are a range of items included in the HoTARAC response to the post-implementation review of AASB 9. These are either specific to the public sector or much more prevalent in the public sector than the private sector. The project outcome may be additional guidance or education material. We understand that the AASB has agreed to additional educational material to support accounting for termination for convenience clauses.

7. Concepts of ‘control’ - a review to ensure the concepts of control are consistent across the standards.

Control over assets and control of subsidiaries are different concepts but could be made more consistent.

8. Application to Australian Standards of the IPSASB revised property, plant and equipment standard.

This project would review the final version of the IPSASB standard, to determine if there is any guidance or other public-sector specific material that could be used as additional guidance for AASB 116 *Property, Plant and Equipment*.

9. Remuneration Reporting.

Remuneration reporting practice in the public sector is inconsistent across jurisdictions, leading not only to diversity of interpretation of the elements of remuneration, but also inconsistent disclosures. The latter is partly due to the very abbreviated remuneration reporting requirements in AASB 124, meaning that government jurisdictions have each developed their own practices. This is a different issue to that for the private sector, where the remuneration reporting requirements are consistent at a principles level under the Corporations Act, but are widely considered as not achieving their desired purpose of explaining the link between performance and remuneration.

### **Narrow Scope Projects**

1. AASB 124 *Related Party Disclosures* - review of application for the public sector, e.g. the current effectiveness of disclosures in the Public Sector.

This could be included in a post-implementation review of AASB 124. Entities in most HoTARAC jurisdictions have very rarely reported any related party transactions other than remuneration of KMPs, which could mean that the standard is not working as intended, or it is superfluous for the public sector.

2. Expected credit loss (ECL) issues - receivables that are perceived to be risk-free e.g. between government; ECL requirements for statutory receivables; instruments within corporate groups (the latter has also been identified as a potential project by the IASB).

There are a range of issues such as those mentioned above that have greater prevalence in the public sector. The project output would be public sector guidance.

3. More guidance on issues of concern to the public sector - accounting for centrally-procured software; aspects of application of the revenue standards, particularly AASB 15 *Revenue from Contracts with Customers*.

This could be commenced by reviewing whether the recent decisions on the narrow scope review of AASB 1058/15, and recent IFRIC agenda decisions have addressed the issues. If there are remaining issues, project output could be guidance in AASB 16 and additional guidance in AASB 15.

4. Harmonising requirements where there are separate provisions for legislated and contractual arrangements (provisions, statutory receivables, financial guarantees).

Contractual financial assets and liabilities are within the scope of AASB 9 *Financial Instruments*. Non-contractual liabilities are within the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. There are differences in the recognition and measurement rules under the respective standards, even for different arrangements with similar terms and conditions.

5. Application of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* in the public sector.

Application of the definition of provisions is particularly difficult, taking into account more constructive obligations than for the private sector, and more measurement uncertainty. The results can be financial statements that are of limited benefit to users, where there are material provisions. This issue could be addressed initially by considering application of the revised conceptual framework to not-for-profits, an existing AASB project, and potentially involving research and further work on the standard itself.

6. AASB 102 *Inventories* – valuation and recognition by for-profit public-sector entities where inventory is transferred at no cost from other public sector entities.

This is not addressed by AASB 102. It is a situation usually unique to the public sector. The project outcome would be guidance, or amendment to AASB 102.

7. AASB 1058/AASB 16 – review existing relief associated with having to fair-value below-market leases.

HoTARAC notes that the AASB intends to consider this issue once the IPSASB has completed its project on public-sector specific leasing issues. This could be included as part of major project number 3.

8. Narrow scope amendments to Interpretation 1038 to more closely align with actual public sector practice, e.g. application to investments of the state in PNFCs/PFCs.

Modern public sector practice includes frequent changes to allocations of funds, a situation not envisaged by the wording or application of the existing interpretation. The project outcome would be relatively minor changes to the wording of the interpretation.

9. Remove the requirement for a statement of changes in equity in public sector financial statements where it is unnecessary or redundant - which is most of the time in the public sector.

The public sector does not usually have changes in equity other than those included in the balance sheet, statement of cash flows, and the statement of profit and loss and comprehensive income. Further, public sector entities do not often have different classes of equity for which detailed allocation of transactions is important. The project outcome would be an Aus paragraph in AASB 101.

10. Accounting treatment for machinery of government changes, including impacts at an individual entity level compared to the consolidated level. This spans AASB 1004, AASB 3, Combinations under Common control and the accounting for revaluation surpluses under AASB 116 when associated assets are transferred.

There are a range of issues that are particularly prevalent or applicable to public sector entities when there is an administrative restructure, as defined in AASB 1004. Further, restructures are particularly prevalent in some governments. Some of the issues are not unique in principle for the public sector, but may have greater practical diversity in the public sector. The project would initially focus on defining these issues more closely and researching current practice.



18 February 2022

Dr Keith Kendall  
Chair  
Australian Accounting Standards Board  
PO Box 204  
Collins Street West VICTORIA 8007

Dear Dr Kendall

**Invitation to Comment (ITC) 46 AASB Agenda Consultation 2022-2026**

Thank you for the opportunity to comment on ITC 46 AASB *Agenda Consultation 2022-2026* and input into the Australian Accounting Standards Board (AASB)'s work program.

IPA's members predominately service small business or work in the small business and small and medium enterprise (SME) sectors. Our members have limited resources to allocate to the understanding and implementation of new or revised financial reporting requirements. Whilst this limited resources also applies to other sectors, it is more pronounced for the SME sectors.

IPA is of the view that the benefits of any new or revised reporting requirements must outweigh the cost of their compliance. This is particularly important in the increasingly complex reporting landscape, which includes both reporting of financial and non-financial information. IPA notes the AASB undertakes a costs/benefits analysis in standard-setting and applies this in prioritising projects in its work program (as set out in ITC 46). To assist the AASB in better achieving this, and reducing the unnecessary burden on entities, especially SMEs, we offer the following general comments:

- It is imperative that the issued accounting pronouncements (including reporting frameworks, guidance and standards) are robust, unambiguous and can be applied to changing circumstances. That is, the pronouncements must be sufficiently "future proof" so that entities can account for changes in transactions and circumstances without the need for the AASB to amend existing and/or issue new guidance and/or standards. For example, in the "inactive project" of "Definition of fundraising" – it is unclear, prima facie, why income arising from fundraising cannot be accounted for under the existing accounting standards on revenue and income and that a specific definition for fundraising is necessary.
- The development of accounting pronouncements must be timely and in-line with international developments where possible. This is so that Australia can remain at the fore front of standard-setting and reporting. This in turn permits Australian entities to be competitive in its commerce and trade, as markets are likely to place a price for entities that do not report information on a timely and/or adequate basis compared to similar entities in other countries that do. An example of this is the area of sustainability reporting. IPA in its submission to ITC 48 *Extended External Reporting* agrees with the AASB's preliminary

support for the Taskforce on Climate-related Financial Disclosures. This is on the basis that the approach provides a way forward to the AASB to address the immediate needs of stakeholders, and affording the AASB the time to develop a formal position and framework for extended external reporting that accords with the AASB's standard-setting process. However, given the pace and amount of work being undertaken internationally, it may be perceived that the AASB is behind in addressing what the market and AASB's constituents view as an important area. Similarly, the service performance reporting project has been on the AASB's "potential projects" list for recommencing. This contrasts with the New Zealand External Reporting Board's issue of a service performance reporting standard in 2017.

Our response to the specific questions in the draft Position Statement are in Attachment 1.

If you have any queries with respect to our comments or require further information, please contact me at [vicki.stylianou@publicaccountants.org.au](mailto:vicki.stylianou@publicaccountants.org.au) or on mobile 0419 942 733.

Yours sincerely



Vicki Stylianou  
Group Executive, Advocacy & Policy  
Institute of Public Accountants

### **About the IPA**

The IPA is one of the professional accounting bodies in Australia with over 47,000 members and students across 80 countries. Approximately three-quarters of our members either work in or are advisers to the small business and SME sectors. Since merging with the Institute of Financial Accountants UK, the IPA Group has become the largest SME and SMP focused accounting body in the world.

## ATTACHMENT 1 – IPA’s response to specific questions to ITC 46

### Question 1 – Inactive projects

**Section 2.3 and Table 2 summarise inactive projects on which the AASB is seeking stakeholder feedback. Are there any inactive projects you think should be retained in the AASB 2022–2026 work program? To help the Board consider the feedback, please provide reasons explaining your views and other relevant information, including feedback on the project’s proposed scope(s).**

IPA has confined its response to this question for projects that are relevant to SMEs.

**Remuneration reporting** – IPA supports the project and ranks it as low to medium in priority. IPA is a strong advocate for reducing red tape, streamlining of processes and reporting that decreases an entity’s cost of compliance. We therefore support the tenor of the project to reduce the complexity in remuneration reporting, including removing overlapping information disclosed in different parts of the financial reports. However, remuneration reporting is a sensitive area where the requirement for reporting stems from numerous regulatory bodies. Consequently, it is important the AASB undertake the necessary consultation with the relevant stakeholders and regulators so that the final accounting pronouncement achieves its intended purpose.

**Crowd-sourced equity funding** – IPA does not support the project. Based on the brief AASB’s “remarks” for the project, IPA does not have sufficient information to support the project.

**Definition of funding** – IPA does not support the project. As stated in our covering letter, IPA is unclear, prima facie, why income arising from fundraising cannot be accounted for under the existing accounting standards on revenue and income and that a specific definition for fundraising is necessary.

**Co-operatives and mutual entities** – IPA does not support the project in its current form. The scope of the project states that:

- The AASB is to “consider developing a guidance note for co-operatives and mutual enterprises (CMEs) setting out desired standards of reporting and initiate a project to identify appropriate principles and measures for reporting on the activities that CMEs have undertaken to achieve their purpose” and
- “the Board, at the May 2017 meeting, decided to develop guidance for CMEs to encourage the consistent application of Australian Accounting Standards and to improve users’ understanding of the financial statements”.

Whilst IPA supports the AASB developing guidance to assist entities for the above purposes, we are unclear as to why this guidance should only be for CMEs.

## Question 2 – Potential projects

Section 2.4 and Table 3 provide an overview of proposed external reporting projects that the AASB propose to add to the work program.

- (a) Do you agree that the AASB should add any of the proposed external reporting projects to the work program? Include any feedback as to the scope of the proposed external reporting projects.
- (b) Are there any other projects you think the AASB should include as part of its work program for 2022–2026? Specify the scope of these projects and take into consideration the AASB’s capacity for additional projects.
- (c) What priority would you give to each of the potential projects – high, medium or low?

To help the Board consider the feedback, please provide reasons explaining your views and other relevant information.

### Sustainability reporting

#### Service performance reporting

IPA agrees that the sustainable reporting and service performance reporting projects should be added to the AASB’s work program as high priority projects for the reasons stated in our covering letter and submission to ITC 48.

#### Digital financial reporting

IPA is of the view that, given the advances in technology, there is a role for digital financial reporting to aid the better analyses for decision making. However, digital financial reporting is an area that has been in development for a number of decades, and yet there are no definitive Australian guidance/standards in this area. Consequently, whilst we support the project in principle, analyses of the reasons for lack of impetus and what has changed that would enable the project, if undertaken, achieve its intended purposes.

## Question 3 – Research projects

Section 3.3 proposes several research projects.

- (a) Do you agree that the AASB should add any of the proposed research projects to the work program?
- (b) Are there any other research projects you think the AASB should include as part of its work program for 2022–2026? Specify the scope of these projects and take into consideration the AASB’s capacity for additional projects.
- (c) What priority would you give to each of the potential projects – high, medium or low?

To help the Board consider the feedback, please provide reasons explaining your views and other relevant information.

IPA considers the research projects on:

- **Sustainability reporting, service performance reporting and digital financial reporting** should be added to the work program as high priority projects. As the research projects would support the standard-setting projects in these areas.
- **Costs and benefits analysis** of policy making should be added to the work program as a medium priority project, as such analysis is an integral part of the standard-setting process. The review into how the costs and benefits analysis can be undertaken more effectively and efficiently would be beneficial to the standard-setting process.

- **Intangible assets: recognition and measurement** should be added to the work program as a medium priority project, as this will inform the AASB as to whether disclosures of unrecognised intangible assets would be useful to users.
- **Encourages disclosures and AASB 112 *Income Taxes* and tax transparency disclosures** are useful in providing evidence to support the AASB in deciding its standard-setting work. However, they are no urgency for their research. Accordingly, IPA is of the view that these should be low priority research projects.

#### **Question 4 – Other comments**

##### **Do you have other comments on the AASB's activities and work program?**

IPA have no other comments on the AASB's activities and work program.



18 February 2022

Dr Keith Kendall  
Chair  
Australian Accounting Standards Board  
PO Box 204  
Collins Street West  
Victoria 8007  
AUSTRALIA

Via website: [www.aasb.gov.au/current-projects/open-for-comment](http://www.aasb.gov.au/current-projects/open-for-comment)

Dear Keith

## Invitation to Comment 46: AASB Agenda Consultation 2022—2026

Chartered Accountants Australia and New Zealand (CA ANZ) welcomes the opportunity to respond to the Australian Accounting Standards Board's (AASB) Invitation to Comment 46: Agenda Consultation 2022—2026 ("the ITC").

We support the work the AASB is doing and appreciate the opportunity to contribute views on future projects and the AASB work plan for the 2022—2026 period. In formulating our response, we have considered the views of Chartered Accountants and other key stakeholders, including through the [2021 Chartered Accountants IFRS Survey](#), canvassing more than 750 Chartered Accountants and industry professionals, including financial statement preparers, auditors, directors, and users of financial statements. We have also conducted targeted outreach activities and consultation through roundtables and regular local forums.

In assessing the AASB's work program, it is critical to our stakeholders that the AASB is able to complete its existing projects in a timely manner before commencing new projects. We also believe that, in determining the priorities and allocation of its resources, the overriding factor for the AASB should be to focus on the timely development and maintenance of a principles-based comprehensive set of high-quality financial reporting standards for the Australian market. We therefore recommend that the NFP framework reform, the AASB's fair value project and the post-implementation review of AASB 1058 continue to be prioritised, with resources allocated such that these projects can be completed in the shortest possible timeframe before considering how new projects, based on this consultation, can be accommodated.

We also note that agility, including on resourcing, will be critical to be able to respond to evolving impacts of COVID-19 and other macro issues such as climate change.

**Appendix A** contains our detailed responses to the specific questions raised in the ITC and **Appendix B** provides more information about CA ANZ. If you have any questions about our submission, please contact Zowie Pateman at [Zowie.Pateman@charteredaccountantsanz.com](mailto:Zowie.Pateman@charteredaccountantsanz.com).

Yours sincerely

**Amir Ghandar FCA**  
Leader, Reporting and Assurance

**Simon Grant FCA**  
Group Executive, Advocacy and  
Professional Standing

## Appendix A

### Responses to specific questions

#### Question 1 – Inactive projects

**Are there any inactive projects you think should be retained in the AASB 2022–2026 work program?**

##### Remuneration reporting

Transparency in executive remuneration for listed companies is important and we support efforts to make the disclosures as streamlined and effective for users as possible. While these disclosures should be comprehensive, there is a requirement for clear, concise and effective communication that results in a single coherent report. We believe executive remuneration disclosure requirements should also include the long-term value proposition – extending the discussion of the relationship between the remuneration policy, and corporate and executive performance, to value creation.

The main source of executive remuneration disclosure requirements is the *Corporations Act 2001* (s300A - Annual directors' report – specific information to be provided by listed companies) and the *Corporations Regulations 2001* (s2M.3.03) as opposed to the AASB accounting standards. In our view, because the AASB can have an influential role in advocating to Treasury for simpler statutory remuneration reporting requirements, this project should be retained on the work program.

##### Crowd-sourced equity funding

The Australian Financial Reporting Framework project is likely to begin tackling many of the key issues here, in addition to the post-implementation review of these reforms. However, given the legislative framework for crowd-sourced equity funding is relatively new, we would support retaining this project on the work program to monitor and ensure that the issues are fully resolved in this process.

##### Definition of fundraising

While we agree that the lack of a universal statutory definition of “fundraising” is an issue, we do not believe that the best way to resolve it falls within the AASB’s remit, but rather demands a consistent legislative approach across all the States/Territories. This is sometimes raised in relation to addressing user needs for greater accountability and transparency around the use of fundraising revenue but in our view, this needs to be more comprehensively addressed through the proposed project on service performance reporting.

##### Long term discount rates

We acknowledge there are still concerns about the impact of applying long term discount rates based on government bond yields for defined benefit liability measurement, especially in times of volatile interest rates. While this is less of an issue currently whilst the interest rates are relatively low and stable, these challenges are likely to re-emerge when this is no longer the case. On this basis we believe this project should be retained on the work program and an appropriate solution sought, although other projects are of more pressing priority at present.

##### Cooperatives and mutual entities

We believe the Australian Financial Reporting Framework project and its post-implementation review, along with the Co-operatives National Law, is likely to resolve the key issues here.

## Question 2 – Potential projects

- (a) Do you agree that the AASB should add any of the proposed external reporting projects to the work program? Include any feedback as to the scope of the proposed external reporting projects.
- (b) Are there any other projects you think the AASB should include as part of its work program for 2022–2026? Specify the scope of these projects and take into consideration the AASB’s capacity for additional projects.
- (c) What priority would you give to each of the potential projects – high, medium or low?

### 2a) Proposed external reporting projects

#### Sustainability reporting (high priority)

As a starting point, we note the structure that the International Financial Reporting Standards (IFRS) Foundation has adopted for the formation of the International Sustainability Standards Board (ISSB). The ISSB has been formed by virtue of a change to the IFRS Foundation’s Constitution, and it sits alongside the International Accounting Standards Board (IASB). It is our view that this not only ensures the impartiality of the ISSB but ensures that expertise and resources are allocated appropriately.

We agree that, as a first step, the AASB would be best placed to act in a caretaker capacity for considering an appropriate local structure and dedicated interpretation of the envisaged international sustainability standards for the Australian landscape. The caveat however being that in the medium to longer-term, we recommend the Financial Reporting Council (FRC) consider mirroring the international structure adopted by the IFRS Foundation and establish a separate Australian Sustainability Standards Board. Australia has typically been a taker of international standards and this structure would best enable the domestic issuance of sustainability standards, whether voluntary or mandatory.

There are multiple considerations for the Australian corporate reporting environment of incorporating sustainability standards. For example, the skills and capabilities needed for the FRC and AASB members and from a governance perspective, we recommend the current skills matrix is updated to reflect this.

Additionally, we note the wording of both the *Corporations Act 2001*<sup>1</sup> and the *Australian Securities and Investments Commission (ASIC) Act 2001*<sup>2</sup> currently only refer to accounting standards, they do not explicitly cover sustainability standards. Therefore, amendments will be needed to the legal framework that the AASB operates within.

We support a ‘climate first’ approach to sustainability reporting but consider that this should form the first step of a broader roadmap (which could include the development of an overarching conceptual framework for corporate reporting) that covers the full range of environmental, social, and governance (ESG) criteria that are material to enterprise value creation. Nature/biodiversity is another area that is evolving at pace. The Australian Government has indicated its support for the Taskforce on Nature-related Financial Disclosures (TNFD).<sup>3</sup> A beta version of the TNFD Framework for nature-related risks is expected to be released in early 2022.<sup>4</sup>

<sup>1</sup>*Australian Securities and Investments Commission (ASIC) Act 2001*. Sections 224(a), (aa)(i), 225(1)(a), (1)(e), (2)(e), (2)(f), (2)(g), (2)(h)(i), 227(1)(a) and (1)(b)

<sup>2</sup>*Corporations Act 2001*. Sections 5, 9, 227(4) and 334

<sup>3</sup> <https://minister.ave.gov.au/ley/media-releases/australia-joins-global-moves-value-natural-capital>

<sup>4</sup> <https://tnfd.global/news/nov-dec-newsletter/>

### Service performance reporting (medium priority)

In our view, the need for service performance reporting is becoming increasingly prevalent. External stakeholders of NFPs have wide-ranging information needs that financial statements alone are unable to meet. Non-financial information is important for accountability and decision making, as well as “telling the story” of how value is created by the entity.

In Australia, although many public sector entities are required to report service performance information under applicable laws and regulations and those set by funders, there is no existing reporting standard for such reporting. The ACNC requires some non-financial information to be reported annually and has recently mandated the inclusion of certain information about charity programs.<sup>5</sup> On this basis we agree the AASB should add this project to its work program.

We are aware that at the February 2021 meeting the AASB tentatively decided not to include any service performance reporting proposals in the NFP reporting framework consultation document. We appreciate the AASB recognises that service performance reporting is important but feels that framework issues need to be prioritised which is a decision we support given the importance of framework reform.

### Digital financial reporting (high priority)

The use of technology in financial reporting is becoming more prevalent and has well documented benefits. While the IFRS Taxonomy has not been adopted mandatorily in Australia, we support steps toward mainstreaming digital financial reporting up to and including mandatory adoption. We believe XBRL-based digital reporting is a primary way of addressing the complexity of disclosures. Digital reporting is a first step in enabling users to access financial reporting disclosures in a way that is customised to their needs and capacity, as opposed to ‘one size fits all’ financial statements.

90% of respondents to the 2021 Chartered Accountants IFRS Survey indicated that the IASB should maintain or increase its current level of focus for digital financial reporting, to which it currently allocates approximately 5% of its resources. Feedback we received suggested more work is required to improve the availability of and stakeholders’ accessibility to quality data.

Therefore, we would support the AASB increasing its focus on facilitating digital financial reporting practice in Australia. The focus on digital financial reporting should comprise the consideration of alternative methods to enhance and expand adoption of digital financial reporting.

## 2b) Other external reporting projects

### Going concern

The AASB staff paper presents a case for the IASB to address the disparity between the auditing and accounting standards requirements in relation to going concern.<sup>6</sup> We acknowledge this is not an Australian (or New Zealand) specific issue, therefore our preference is for this to be an international standard setting project. However we do believe a timely response is required and we supported the New Zealand Accounting Standards Board (NZASB) going ahead of the IASB and aligning the disclosure requirements in the accounting standards with those in the auditing standards in this regard. In the interest of trans-Tasman harmonisation we would also support the AASB taking this on as a domestic project in the interim.

<sup>5</sup> <https://www.acnc.gov.au/media/news/enhancements-charity-register-benefit-donors-and-charities>

<sup>6</sup> Going Concern Disclosures: A Case for International Standard Setting, AASB Staff Paper, October 2021 [https://aasb.gov.au/media/u5nqrquw/sp\\_goingconcerndisclosures\\_10-21.pdf](https://aasb.gov.au/media/u5nqrquw/sp_goingconcerndisclosures_10-21.pdf)

### Question 3 – Research projects

- (a) Do you agree that the AASB should add any of the proposed research projects to the work program?
- (b) Are there any other research projects you think the AASB should include as part of its work program for 2022–2026? Specify the scope of these projects and take into consideration the AASB’s capacity for additional projects.
- (c) What priority would you give to each of the potential projects – high, medium or low?

#### 3a) Proposed research projects

We support the AASB undertaking research to gather empirical evidence that identifies the information needs of Australian users to inform the future direction of current and new AASB and IASB projects.

#### Encouraged disclosures (low priority)

In our submission to the IASB on ED/2021/3: *Disclosure Requirements in IFRS Standards – A Pilot Approach* we supported the retention of specific disclosure requirements as opposed to the introduction of specific disclosure objectives and items of information.<sup>7</sup> However, we do consider that a “standards-level review of disclosures” project is needed to review the existing standards to identify excessive or redundant requirements and inconsistent language. By way of example, we also noted there are several standards where disclosures are “encouraged” (e.g., IAS 7 *Statement of Cash Flows*, paragraph 50 and IAS 41 *Agriculture*, paragraph 43). Therefore, the AASB should allocate some resources to ensure that it can support the IASB in its work on this project by providing the Australian domestic perspective.

#### AASB 112 Income Taxes and tax transparency disclosures (low priority)

The disclosure requirements under AASB 112 and the voluntary disclosures of the Voluntary Tax Transparency Code developed by the Board of Taxation are complex, therefore we would support research into whether these disclosure requirements are meeting user needs. We would also support the AASB revisiting AASB 12 and its draft guidance on the Voluntary Tax Transparency Code recommendations.

#### Intangible assets: recognition and measurement (high priority)

72% of respondents to the 2021 Chartered Accountants IFRS Survey indicated that intangibles should be a medium to high priority project. The feedback we received suggests that IAS 38 is outdated and no longer reflects what is being demanded by the modern business environment. New forms of intangibles have developed and evolved over time because of new technologies and business models that were not considered when IAS 38 was originally issued. Recognition of certain internally generated intangible assets are not currently permitted under IAS 38 and there are no disclosure requirements for these unrecognised internally generated intangible assets, even though they are often significant to a business.

Furthermore, our research findings on the recognition of intangibles, goodwill and associated impairment in financial reports from 2010 to 2020 in Australia and worldwide emphasises the importance of revisiting the accounting requirements for goodwill and intangibles.<sup>8</sup> We have therefore recommended the IASB undertakes a comprehensive review of IAS 38 *Intangible Assets* to ensure it remains relevant in meeting user needs. We also recommended the IASB’s project should address requirements for the recognition and measurement of internally generated intangible assets. Therefore, the AASB should allocate resources to ensure that it can support the IASB in its work on this project by providing the Australian domestic perspective.

<sup>7</sup> <https://www.charteredaccountantsanz.com/news-and-analysis/advocacy/policy-submissions/joint-submission-on-iasbs-new-disclosure-approach>

<sup>8</sup> <https://www.charteredaccountantsanz.com/member-services/technical/reporting/reporting-in-focus/how-long-is-the-piece-of-string>

**Sustainability reporting (high priority)**  
**Service performance reporting (medium priority)**  
**Digital financial reporting (high priority)**

Given the importance of these projects as priority standard setting projects (see our response to Question 2(a)), we support the inclusion of supporting research for these projects in the AASB's research agenda. We also support the AASB liaising with other policy makers on other disclosures beyond the scope of AAS based financial reporting. This is critical to ensure that the objectives of different disclosure regimes are consistently developed to meet their intended objectives.

**Costs and benefits analysis (medium priority)**

We concur that cost/benefit analysis is an integral part of the standard-setting process. Research to help standard setters understand how to develop and undertake adequate and effective cost/benefit analysis is critical to effective standards setting.

**3b) Other research projects**

The progression of some current projects, including the Australian Financial Reporting Framework project, and the addition of future projects to the AASB work agenda would be better informed by obtaining empirical evidence that identifies the range of information needs of Australian users across multiple sectors.

In this context, we would also encourage the AASB to undertake research projects to support the post-implementation reviews of AASB 2020-2 (especially around scope and cost/benefit), AASB 1060 (e.g., whether it is meeting user needs), and the NFP appendices to AASB 10 and 12.

**Question 4 – Other comments**

**Do you have other comments on the AASB's activities and work program?**

**Current external reporting projects**

- #1 NFP private sector financial reporting framework**
- #4 Conceptual framework for NFP private sector and public sector**
- #5 Public sector financial reporting framework**

In terms of allocating the AASB's limited resources appropriately to address the highest priority topics to its stakeholders – we believe the highest priority should be given to the Australian Financial Reporting Framework project as it is likely to have an impact on a range of entities that includes large and small corporates, private and public sector not-for-profit entities. We acknowledge the AASB's commitment to completing current standard-setting projects but emphasise the importance of completing the Australian Financial Reporting Framework project in a timely manner.

**#2 Fair value measurement**

Reaching completion on this project is important for stakeholders as there is no immediate solution coming from the IPSASB for a myriad of accounting issues, so we support the AASB progressing this domestically in the interim.

### #3 Insurance activities in the public sector

While this project has limited applicability, the entities that it applies to are individually significant and are an important part of the Australian economy.

### #6 Assessment of IPSAS

We support the AASB's strategy to maintain a significant level of interaction with the IPSASB. However, now that there is no Australian representative on the IPSASB, it will be important for the AASB to interact with the IPSASB through alternative mechanisms to ensure that Australia has appropriate and adequate opportunities to contribute to and influence the development of IPSAS.

### #7 Audit engagement related disclosures

In Australia, certain entities must disclose fees paid to their external audit firm (including any network firm) separately for 'audit' and 'non-audit' services. However, this can lead to the assumption that all the 'non-audit' services are consulting, advisory or other types of services that could compromise independence. In our submission to the Parliamentary Inquiry into the Regulation of Auditing in Australia we expressed our support of efforts to clarify such fee disclosures in financial reports to improve transparency by amending these requirements to provide a more meaningful disclosure of fees (i.e., audit, assurance, audit related, and non-audit related services). In its report the committee recommended the introduction of defined categories and associated fee disclosure requirements in relation to audit and non-audit services (recommendation 3).<sup>9</sup>

While we support this work occurring nationally, this is not an Australian (or New Zealand) specific issue, an international standard setting project would promote greater consistency. Therefore, in our submission to the IASB on its Third Agenda Consultation we encouraged it to add this small project to its work plan as a high priority.<sup>10</sup>

### #8 AASB 1058

There are significant implementation issues with this standard and so the forthcoming post-implementation review is an important project.

#### Current research projects

##### Intangibles (disclosures)

See our comments above for Intangible assets: recognition and measurement.

##### Leases

The 2021 Chartered Accountants IFRS Survey showed the overall impact of adopting the big three new accounting standards has grown since 2020, with IFRS 16 *Leases* is having the most significant impact (39%). In our submission to the IASB on its Third Agenda Consultation we recommended the IASB allocate most of its resources under 'Developing new IFRS Standards and major amendments to IFRS Standards' to the post-implementation reviews of IFRS 9, 15 and particularly IFRS 16.<sup>11</sup> We therefore recommend that the AASB also allocate appropriate research resources to enable the provision of an informed domestic response to these post-implementation reviews.

<sup>9</sup>[https://www.aph.gov.au/Parliamentary\\_Business/Committees/Joint/Corporations\\_and\\_Financial\\_Services/RegulationofAuditing/Report](https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Corporations_and_Financial_Services/RegulationofAuditing/Report)

<sup>10</sup><https://www.charteredaccountantsanz.com/news-and-analysis/advocacy/policy-submissions/submission-on-iasbs-request-for-information-third-agenda-consultation>

<sup>11</sup><https://www.charteredaccountantsanz.com/news-and-analysis/advocacy/policy-submissions/submission-on-iasbs-request-for-information-third-agenda-consultation>

## Digital assets

Digital assets are challenging traditional financial reporting boundaries. 74% of respondents to the 2021 Chartered Accountants IFRS Survey indicated that cryptocurrencies and related transactions should be a medium to high priority project. The following reiterates the comments we made in our submission to EFRAG on its *Discussion Paper – Accounting for crypto-assets/liabilities: Holder and issuer perspective*<sup>12</sup>.

As the development of crypto-assets/liabilities is still at an early stage, we believe that the IASB should continue to monitor holders' and issuers' use of crypto-assets/liabilities. Whilst we consider the IASB should amend and/or clarify existing IFRS Standards in the short to medium term, we believe that developing a new standard with explicit requirements for the accounting for crypto-assets/liabilities may be the best way to address crypto-assets/liabilities related accounting matters in the long term.

The IFRS Interpretations Committee (IFRS IC) agenda decision; [Holdings of Cryptocurrencies](#), does not address crypto-assets other than cryptocurrencies, which represent only one subset of crypto-assets. Further, the varying functional uses and diverse economic characteristics of crypto-assets make it difficult to come up with a single accounting treatment that is appropriate for all crypto-assets in all circumstances. It remains unclear how other types of crypto-assets such as stablecoins, Central Bank Digital Currencies (CBDCs) and tokens should be reported. Therefore, we believe that there is an important need to address the accounting for crypto-assets/liabilities, other than cryptocurrencies discussed in the IFRS IC agenda decision.

In light of all the above, our submission to the IASB agenda consultation recommended that the IASB monitor and research the ongoing developments in the crypto ecosystem to enable the IASB to determine the most suitable accounting treatment of crypto-assets/liabilities in the long term. It will therefore also be important for the AASB to perform monitoring and research that will enable the provision of an informed domestic response to any IASB enquiries.

## Understandability of accounting standards

Businesses and organisations, along with accounting standards are becoming progressively more complex and difficult to understand and apply. 68% of respondents to the 2021 Chartered Accountants IFRS Survey indicated that the IASB should increase its current level of focus for Improving the understandability and accessibility of the standards. Feedback we received recommends the IASB increase efforts toward reducing unnecessary complexity and ensuring the IFRS Standards are more clearly articulated with a consistent terminology and structure. Feedback also indicated the IASB should focus more on support activities to improve the accessibility and consistent application of IFRS Standards. It will therefore also be important for the AASB to perform monitoring and research that will enable the provision of an informed domestic response to any IASB enquiries.

<sup>12</sup><https://www.charteredaccountantsanz.com/news-and-analysis/advocacy/policy-submissions/submission-on-accounting-for-crypto-assets-liabilities>

## Appendix B

### About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand (CA ANZ) represents 131,673 financial professionals, supporting them to make a difference to the businesses, organisations and communities in which they work and live. Chartered Accountants are known as Difference Makers. The depth and breadth of their expertise helps them to see the big picture and chart the best course of action.

CA ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. We also monitor Chartered Accountants who offer services directly to the public.

Our flagship CA Program, the pathway to becoming a Chartered Accountant, combines rigorous education with mentored practical experience. Ongoing professional development helps members shape business decisions and remain relevant in a changing world.

We actively engage with governments, regulators and standard-setters on behalf of members and the profession to advocate boldly in the public good. Our thought leadership promotes prosperity in Australia and New Zealand.

Our support of the profession extends to affiliations with international accounting organisations. We are a member of the International Federation of Accountants and are connected globally through Chartered Accountants Worldwide and the Global Accounting Alliance. Chartered Accountants Worldwide brings together members of 15 chartered accounting institutes to create a community of more than 1.8 million Chartered Accountants and students in more than 190 countries. CA ANZ is a founding member of the Global Accounting Alliance which is made up of 10 leading accounting bodies that together promote quality services, share information and collaborate on important international issues.

We have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents more than 870,000 current and next generation accounting professionals across 179 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications.

We employ more than 500 talented people across Australia, New Zealand, Singapore, Malaysia, Hong Kong and the United Kingdom.

**To:** Australian Accounting Standards Board  
**Comment Letter:** ITC 46

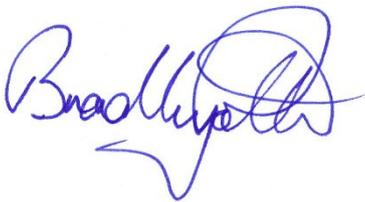
To whom it may concern

Thank you for the opportunity to offer comment on ITC 46 *AASB Agenda Consultation 2022-2026*.

We confine our comments to Question 2 “Potential Projects” and Question 3 “Research Projects”. In each case, we have taken the liberty to respond to the questions, while also adding some additional background information argument. We hope these comments are helpful.

If you require further information about this submission, please do not hesitate to contact us via the information below.

Yours sincerely,



A/Prof. Brad Potter

University of Melbourne



Prof. Naomi Soderstrom, FASSA

University of Melbourne

Contact: E: [ea-hod-accounting@unimelb.edu.au](mailto:ea-hod-accounting@unimelb.edu.au); T: +61 3 8344 7704

## Question 2:

### **Do you agree that the AASB should add any of the proposed external reporting projects to the work program?**

We strongly believe that the AASB add Sustainability Reporting to its work program and that this should be considered a high priority project. We acknowledge that there is presently considerable debate about whether this is the right time, and/or whether any Board decisions are best delayed in lieu of greater/clearer international consensus. On this point, if the Board were to wait for consensus, then progress would grind to a halt (Winston Churchill comes to mind here ... “Perfection is the enemy of progress...”). If we wait for consensus, we will miss an opportunity for action in the short term and an opportunity to provide input on the final form of international reporting requirements. There is increasing research evidence that users of company reports want information about a company’s sustainability footprint, which is true for Australia as well as internationally. Further, we have seen for many decades that consensus on major financial reporting issues is incredibly elusive.

Somewhat peripheral to the specific question posted in ITC 46 is the related issue of scoping. Key for the Board will be to carefully consider the scope of any reporting requirements. We entirely agree with the climate to be the first focus, while enabling scope for broader sustainability guidance over time. Further, it is crucial for the Board to clarify the location of climate disclosures it will focus on, such as in the financial statements versus in a separate sustainability report. There are many arguments about the relevance of sustainability reporting frameworks such as the GRI for external providers of capital. We agree with the broader relevance of these frameworks for a variety of stakeholders, but given its role, urge that the Board focus clearly on sustainability disclosures in financial statements. The broader the remit claimed by the AASB, the more difficult and slow progress will likely be. At the same time, there is an established standard setting approach and infrastructure (including a conceptual framework) in place for financial reporting, so carefully scoping the position of the Board in relation to a role in sustainability will set the foundation for the Board’s role and the utilisation of that mechanism in the medium to longer term.

Further, success of accounting standard setters such as the AASB to shape sustainability reporting is dependent on such efforts being viewed as entirely consistent with and a normal and obvious part of the standard setters’ core function. As such, sustainability reporting should normalise the disclosures as part of the periodic reporting function for the entity.

Related to this, with the exception of representational faithfulness, we agree that it is important to align qualitative requirements for any sustainability reporting guidance that might be offered with the qualitative characteristics of financial reporting. We acknowledge that the notion of representational faithfulness is embedded both in the conceptual frameworks and accounting standards by major accounting standard-setters globally. Despite this, the concept of representational faithfulness remains somewhat elusive in theory, practice, and research. As a result, it remains largely non aspirational. This becomes particularly problematic as we try to define appropriate characteristics of sustainability-related disclosures. As defined in accounting

#### **Department of Accounting**

Faculty of Business and Economics

The University of Melbourne, Level 7, 198 Berkeley St, Victoria 3010 Australia

T: +61 3 8344 4989 E: [hod-accounting@unimelb.edu.au](mailto:hod-accounting@unimelb.edu.au)

W: <http://www.accounting.unimelb.edu.au>

conceptual frameworks, representational faithfulness clearly de-emphasizes the existence of an independent truth and accuracy and does not require any empirical correspondence with the actual phenomenon being reported. Rather, what is important under the definitions is the ability of the report preparers to provide sufficient information to enable the user to understand the phenomenon being reported. Further, a faithful representation need not be accurate in all respects but more modestly, requires that no obvious errors have occurred in describing and reporting the transactions and events in question. By codifying non-aspirational definitions of key characteristics of financial information such as representational faithfulness, we naturally restrict our incentive and ability to strive for improvements in reporting practice. This is particularly fraught, given the pace at which climate science (measurement) continues to advance. As we begin our journey in shaping sustainability disclosures, we urge the AASB to be more aspirational in leading preparers of reports on a journey of continuous improvement in recognition and disclosure of sustainability information.

We also encourage the Board to consider carefully the assumption that the concept of materiality in financial reporting is consistent and known and will therefore map readily into sustainability reporting. We are well aware of the pervasiveness of the concept of materiality in financial reporting, but we also note that it is problematic due to vagueness of its content and fundamental flaws in its definition. These issues have led to significant and enduring variations in financial reporting practice. In light of this, applying the concept to sustainability reporting as currently defined will not significantly enhance the comparability of what is reported.

### Question 3

#### **Do you agree that the AASB should add any of the proposed research projects to the work program?**

We strongly agree that Sustainability reporting should be added to the research program of the AASB. This is an established field of research internationally, and as such, many aspects of the literature could be useful in shaping the AASB activities in this area. We do however, offer two specific suggestions. First, there is a clear need for greater empirical evidence on current reporting practice in sustainability. There are many high-level and high-quality publications produced by many organisations that provide an overview of reporting over time. These publications, along with specific empirical analysis targeted to the Board's needs could be used to directly inform the Board on key decisions. This is consistent with the evidence-based approach adopted by the AASB. Second, while stakeholder consultation could be a useful part of any research conducted, this would need to be scoped, and targeted very carefully. The well documented limitations of these approaches include a lack of broader generalisability of the findings. Further, respondents typically advocate for more, broader information rather than information which is lower in volume or more narrow in scope. The broader the information advocated by respondents, the weaker is the argument for the AASB to play a prominent role in delivering on the information 'required'.

#### **Department of Accounting**

Faculty of Business and Economics

The University of Melbourne, Level 7, 198 Berkeley St, Victoria 3010 Australia

T: +61 3 8344 4989 E: [hod-accounting@unimelb.edu.au](mailto:hod-accounting@unimelb.edu.au)

W: <http://www.accounting.unimelb.edu.au>



18 February 2022

Dr Keith Kendall  
Chair  
Australian Accounting Standards Board  
PO Box 204  
Collins St West Victoria 8007  
AUSTRALIA

Dear Dr Kendall

**Invitation to Comment (ITC 46) AASB Agenda Consultation 2022-2026**

The Australasian Council of Auditors-General (ACAG) welcomes the opportunity to contribute to the future domestic work program of the AASB. Please find attached the ACAG response to the *AASB Agenda Consultation 2022-2026* (ITC 46).

ACAG supports the AASB's current and proposed work program of standards-level projects and research projects as they are critical areas of attention for public sector financial reporting. However, ACAG encourages the AASB, as part of its consultation process for new projects and standards to consider opportunities to simplify financial reporting requirements, wherever possible. ACAG would also support this being explicitly considered as part of the AASB Due Process Framework for Setting Standards.

ACAG's specific comments on the 2022-2026 work program are based on our experiences as the auditor of public sector financial reports of not-for-profit and for-profit entities.

The views expressed in this submission represent those of all Australian members of ACAG.

The opportunity to comment is appreciated and I trust you will find the attached comments useful.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Margaret Crawford', written in a cursive style.

Margaret Crawford

**Chair  
ACAG Financial Reporting and Accounting Committee**

## QUESTIONS FOR RESPONDENTS

### Question 1 – Inactive projects

#### ***Are there any inactive projects you think should be retained in the AASB 2022–2026 work program?***

ACAG is of the view that it is not necessary to retain the inactive projects listed in Table 2 of ITC 46 in the 2022-2026 work program.

ACAG believe it would be more beneficial for the AASB's resources to be applied to the current domestic projects noted in Table 1 and the proposed external reporting projects listed in Table 3 (which we have commented on specifically under Question 2).

Specific comments on each project are outlined in the table below.

Project	Comments
<b>Remuneration reporting</b>	<p>The recent AASB Staff Paper 'Review of Executive Remuneration Disclosure Requirements' indicated that Australia 'sits at the top end of the disclosure requirements' when compared to other jurisdictions and that further review would likely be focussed on streamlining reporting requirements and cutting 'red-tape' in Australia.</p> <p>ACAG, in its comments on the AASB Agenda Consultation 2017-2019, suggested that a Post Implementation Review (PIR) of AASB 124 'Related Party Disclosures' be performed. ACAG notes that a PIR on AASB 124 is forthcoming and is supportive of this, particularly regarding its application to not-for-profit public sector financial reports.</p> <p>ACAG has not encountered any significant issues in applying the AASB 124 requirements for remuneration reporting in the public sector and believes the PIR on AASB 124 is sufficient. On this basis, ACAG does not believe applying further AASB resources to this project should be a priority at this time.</p>
<b>Crowd-sourced equity funding</b>	<p>ACAG supports removing this project from the work program on the basis that it has been considered as part of the development of the Australian Financial Reporting project and ACAG has not encountered any significant accounting issues regarding crowd-sourced equity funding.</p>
<b>Definition of fundraising</b>	<p>ACAG is of the view that 'fundraising' would be better defined by the ACNC. One of the ACNC's objects is to reduce red tape. This includes harmonising ACNC regulatory requirements with the numerous state and territory laws that cover charities. Consistency in the application of the definition could also be sought through consultation with the ACNC as part of the AASB's 'Not-for-Profit Private Sector Financial Reporting Framework', 'Public Sector Financial Reporting Framework' and 'Service Performance Reporting' projects.</p>
<b>Long term discount rates</b>	<p>ACAG supported the Board's decision in May 2017 to conduct preliminary research on the impact of the volatility of spot rates on defined benefit liabilities of the public sector.</p> <p>A positive observation by ACAG is that the use of market yields on government bonds promotes a consistent approach to discounting post-employment benefit obligations. ACAG still acknowledges that the use of a spot discount rate can create volatility in the profit and loss statements for public sector entities.</p> <p>When considering the AASB's current resource capacity and the limited number of accounting issues ACAG has encountered with the application of this approach (aside from the volatility issues noted), ACAG does not believe retaining this project on the work program would be an effective use of the AASB's resources at this time. The limited progress of the project to-date is also evidence of this fact.</p>

## Question 2 – Potential Projects

**(a) Do you agree that the AASB should add any of the proposed external reporting projects to the work program? Include any feedback as to the scope of the proposed external reporting projects.**

ACAG agrees that all three of the proposed projects have merit and should be included in the work program. Feedback on the scope of the proposed projects is provided in the table below.

Project	Feedback
<b>Sustainability reporting</b>	<p>ACAG agrees there is a growing demand for global harmonisation and better disclosure in this area of reporting. This project will be important to ensure the AASB can influence key developments and achieve consistency in sustainability reporting, particularly with any input into any new standards proposed by the International Sustainability Standards Board.</p> <p>ACAG supports the AASB's intent to proactively gather feedback from stakeholders on the matter as it develops. This will ensure the AASB's input into international standard-setting projects is well-informed and can mitigate issues upon implementation of any new standards and guidance developed.</p>
<b>Service performance reporting (SPR)</b>	<p>ACAG supports this project as:</p> <ul style="list-style-type: none"> <li>• there is a growing demand for this type of reporting, and</li> <li>• it can lead to more relevant and understandable information about the entity's financial and non-financial performance, promote greater consistency in NFP reporting and help better discharge accountability obligations.</li> </ul> <p>In the public sector context, performance information and measures are an important accountability mechanism. This information can be used by stakeholders to understand how efficient and effective an agency has been in delivering its legislative objectives. The Commonwealth and some state jurisdictions have established performance frameworks, and some have also established assurance requirements over this information. However, this is not the case in all jurisdictions and concerns have been raised in the past around the quality and consistency of how agencies report their performance in annual reports or other accountability documents. ACAG believes having a standard would promote greater consistency and comparability across state and territory governments, and the Commonwealth government.</p> <p>Several issues were raised on Exposure Draft 270 <i>Reporting Service Performance Information</i> including:</p> <ul style="list-style-type: none"> <li>• whether service performance reporting should be mandatory, and if so, when. If a standard was not mandatory, it may lead to inconsistent application and reporting.</li> <li>• whether there is a need for service performance information at a consolidated level in the public sector</li> <li>• the need to establish a user-friendly, principles-based, framework that is not rigid and too prescriptive. This will be important to better enable users from non-accounting backgrounds to also be able to comply with the standard</li> </ul>



Project	Feedback
	<ul style="list-style-type: none"> <li>the equally important need for those principles to be clear on outcome measures to enable a baseline level of disclosure that can be consistently applied by all preparers.</li> </ul> <p>Additional areas ACAG believes the project could focus on include, but are not limited to:</p> <ul style="list-style-type: none"> <li>understanding the information needs of users of this information</li> <li>understanding the current state of performance reporting, including divergent practices</li> <li>researching current performance frameworks adopted in the public and private sectors</li> <li>researching approaches and standards that support the collection and/or development of reliable, accurate and complete information on which performance information and measures are based.</li> </ul> <p>Reporting of performance-based information should closely align to an entity’s objectives so that the information is relevant and should be transparent and unbiased. A performance reporting framework should support these principles.</p> <p>ACAG suggests when developing the scope for this project, these issues are considered and addressed to mitigate any issues upon future implementation. ACAG also agrees with the AASB’s view that service performance reporting and sustainability reporting are potentially closely related projects and suggest that the scoping of each be designed to complement one another. Scoping should also be designed with a view of achieving consistency in reporting across states and territories.</p> <p>ACAG also suggest that the AASB consider the reviews conducted by Australian Auditors-General of performance reporting in the public sector as the AASB Literature Review focused on academic publications and had little material covering the public sector.</p>
<p><b>Digital financial reporting (DFR)</b></p>	<p>ACAG supports this project as it will be important for the AASB to be actively involved with the Australian Government in implementing the recommendation by the Parliamentary Joint Committee (PJC) to make DFR standard practice in Australia.</p> <p>Whilst the recommendation was to make DFR standard practice through legislation, it will be important for the AASB to establish frameworks that enable consistency in how DFR is prepared and presented in Australia.</p> <p>ACAG would highlight that the use of DFR in the public sector has not been considered and would suggest this be included within the scope of the project. There are several benefits from the use of DFR that are transferrable to the public sector such as increasing transparency, leading to improvements in financial statement quality. It would also be important to understand to what extent benefits outweigh the costs to produce DFR in the public sector and their ability to embrace digital reporting. For example, DFR would be beneficial for whole-of-government reporting where increased transparency and increased comparability of financial information between states and territories would be useful for users. However, the costs may exceed the benefits for smaller agencies within government which may justify the continued manual production of their financial reports.</p>



**(b) Are there any other projects you think the AASB should include as part of its work program for 2022–2026? Specify the scope of these projects and take into consideration the AASB’s capacity for additional projects.**

ACAG supports the AASB’s current and proposed work program of standard-setting projects as they are important and relevant areas of attention for public sector financial reporting.

ACAG does not recommend the inclusion of any additional projects to the proposed AASB work program as the current and proposed projects are adequate and cater for a range of constituents such as for-profit entities, not-for-profit entities and public sector entities.

**(c) What priority would you give to each of the potential projects – high, medium or low?**

Project	Priority	Reasons
<b>Sustainability reporting</b>	High	With the establishment of the International Sustainability Standards Board, it is likely that progress in developing standards on sustainability reporting will accelerate significantly in the coming years. It will be important for the AASB to be involved in this process to ensure future standards developed consider Australian specific issues.
<b>Service performance reporting</b>	High	ACAG supports the AASB’s view that service performance reporting and sustainability reporting could be closely related projects. It makes sense that these projects be given equal priority to enable parallel scoping that would facilitate benefits to be realised and leveraged from both.
<b>Digital financial reporting</b>	Medium	ACAG believes digital financial reporting may take longer to implement in Australia than sustainability and service performance reporting due to the practical issues of implementation. For example, preparers may need more time to implement new systems and procedures to produce DFR. If the Australian Government makes DFR standard practice through legislation, this could also take time to enact. On this basis, treating the DFR research project as a medium priority, longer-term project may be more appropriate.

### Question 3 – Research projects

**(a) Do you agree that the AASB should add any of the proposed research projects to the work program?**

ACAG is of the view that research projects related to the proposed standard-setting projects in section 2 of ITC 46 should be added to the work program. These are complex and evolving areas of reporting that will require research to inform the standard setting process. The reasons for this are included in our comments on Question 2 (a).

**(b) Are there any other research projects you think the AASB should include as part of its work program for 2022–2026? Specify the scope of these projects and take into consideration the AASB’s capacity for additional projects.**

ACAG supports the AASB’s current and proposed work program of research projects as they are important and relevant areas of attention for public sector financial reporting.

ACAG does not recommend the inclusion of any additional projects to the proposed AASB work program as the current and proposed projects are adequate and cater for a range of constituents such as for-profit entities, not-for-profit entities and public sector entities.

**(c) What priority would you give to each of the potential projects – high, medium or low?**

Project	Priority	Reasons
<b>Encouraged disclosures</b>	Low	While ACAG believes there is merit in this research project, other research projects are a higher priority at this time. ACAG also notes that these types of disclosures will be reviewed by the IASB in its Disclosure Initiative standard-level project.
<b>AASB 112 Income Taxes and tax transparency disclosures</b>	Low	While ACAG believes there is merit in this research project, other research projects are a higher priority at this time.
<b>Intangible assets: recognition and measurement</b>	Low	While ACAG believes there is merit in this research project, other research projects are a higher priority at this time.
<b>Sustainability reporting</b>	High	Efficiencies can be obtained by prioritising research in both sustainability reporting and service performance reporting concurrently with the standard-setting projects. Sustainability reporting and service performance reporting are novel and evolving areas of interest and continued, targeted research in these areas will be crucial to inform the standard-setting process.
<b>Service performance reporting</b>	High	
<b>Digital financial reporting</b>	High	The Parliamentary Joint Committee’s recommendation for the Australian Government to make digital financial reporting standard practice in Australia will create an urgency for a standard/framework. Therefore, research on this topic will be a high priority to inform the legislative and standard-setting process.
<b>Costs and benefits analysis</b>	Low	While ACAG believes there is merit in this research project, other research projects are a higher priority at this time.

#### Question 4 – Other comments

##### ***Do you have other comments on the AASB's activities and work program?***

ACAG welcomes the inclusion of the public sector financial reporting framework project on the work plan. A contemporary and simplified public sector financial reporting framework will assist with realigning financial reporting requirements to the current needs of users of financial reports at all levels of government. ACAG believes this project warrants a high priority on the work plan given its significance to the sector.

ACAG also notes and welcomes the high priority projects in Appendix C of ITC 46, including fair value measurement for public sector entities and implementation issues related to AASB 1058 and AASB 1059.

Appendix D of ITC 46 lists the forthcoming post-implementation reviews (PIRs). ACAG agrees with the inclusion of the post-implementation reviews of domestic standards and interpretations listed in Appendix D on the AASB's work plan.

While all of the PIRs are important, ACAG believes that some of the PIRs are of higher priority to the public sector than others.

The table below outlines the PIRs that ACAG believes are higher priority for the public sector.

Standard/Interpretation	Reasons
<b>AASB 1059 Service Concession Arrangements: Grantors</b>	<p>The majority of jurisdictions, except Victoria (which early adopted AASB 1059) applied AASB 1059 for the first time from 1 January 2020. Whilst AASB 1059 has only been effective for a short period of time, the public sector has encountered practical challenges and issues in its application.</p> <p>Service concession arrangements are often unique and complex and can vary from agreement to agreement. ACAG has identified some practical application issues associated with implementation of AASB 1059.</p> <p>ACAG would welcome the opportunity to provide feedback to the AASB on implementation issues.</p>
<b>AASB 1058 Income of Not-for-Profit Entities and AASB 15 Revenue from Contracts with Customers: Appendix F Australian Implementation Guidance for Not-for-Profit Entities</b>	<p>The public sector has encountered practical challenges and issues in its application of AASB 15 and AASB 1058, particularly in relation to the assessment of the existence of sufficiently specific performance obligations.</p> <p>ACAG would welcome the opportunity to provide feedback to the AASB on implementation issues.</p>
<b>AASB 1050 Administered Items</b>	<p>The AASB carried forward the differentiation in accounting treatment of administered items of government departments from AAS 29 <i>Financial Reporting by Government Departments</i>, which was only meant to be a short-term measure. There is a need to reconsider:</p> <ul style="list-style-type: none"> <li>the scope of AASB 1050 as this does not reflect contemporary government structures where agencies other than departments manage administered items on behalf of the government, for example in NSW, Treasury mandates the application of AASB 1050 to all general government sector entities.</li> <li>giving the disclosure of administered items more prominence in the financial statements, including whether other disclosure requirements in accounting standards should be disclosed for administered items.</li> </ul>

Standard/Interpretation	Reasons
	<p>It would also be beneficial to include guidance on:</p> <ul style="list-style-type: none"> <li>• key criteria for “controlled” or “administered”, including how these terms link to an entity’s potential role as merely an “agent” responsible for administering items on behalf of the government</li> <li>• the disclosure requirements when more than one agency may administer the item.</li> </ul>

Hello AASB

Please find attached the Australian Bureau of Statistics submission to ITC 46. These were prepared by Standards and Statistical Infrastructure Section and the Finance and Wealth Branch of ABS, and we have consulted with internal stakeholders about the AASBs ITC 46 Agenda Consultation for 2022-26.

Please note: ABS Suggested Projects from a public sector perspective as identified by our Finance and Wealth Branch are included in the ABS Suggested Projects section of the document. Finance and Wealth Branch have also contributed to the Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) public sector's ITC 46 submission which will be separately submitted to AASB.

In the tables below, we have noted which of AASBs inactive, potential and research projects are of interest or importance to the ABS and the reasons why. We have also made some suggestions about other research projects the ABS believes should be added to AASBs forward work program.

Our comments and suggestions have incorporated your questions, such as

**Inactive projects**

- Are there any inactive projects you think should be retained in the AASB 2022–2026 work program?

**Potential projects**

- Do you agree that the AASB should add any of the proposed external reporting projects to the work program? Include any feedback as to the scope of the proposed external reporting projects.
- Are there any other projects you think the AASB should include as part of its work program for 2022–2026? Specify the scope of these projects and take into consideration the AASB's capacity for additional projects.
- What priority would you give to each of the potential projects – high, medium or low?

**Research projects**

- Do you agree that the AASB should add any of the proposed research projects to the work program?
- Are there any other research projects you think the AASB should include as part of its work program for 2022–2026? Specify the scope of these projects and take into consideration the AASB's capacity for additional projects.
- What priority would you give to each of the potential projects – high, medium or low? Other comments

**Other comments**

- Do you have other comments on the AASB's activities and work program.

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- Comments on Inactive Projects
- Comments on Potential Projects
- Comments on Research Projects
- ABS Suggested Projects

Comments on Inactive Projects	ABS Comments
For Profit Sector projects	
<ul style="list-style-type: none"> <li>• Remuneration reporting</li> </ul>	<p><b>Low Priority Project for ABS.</b></p> <p>ABS has no stake or interest in retaining this project in the AASB 2022-26 work program as this project should have minimal impact on the ABS Statistical Program.</p> <p>Employee Earnings and Hours (EEH) collect information on Senior Executive Remuneration under ANZSCO 1111 (Chief Executives and Managing directors) through surveys and potentially administrative data, but less likely to use information reported through financial statements and annual reports.</p> <p>There may be impacts on data confrontation of compensation of employees estimates in the National Accounts from any change to the proposed associated disclosure on executive remuneration, but this would only provide a partial indicator for data confrontation at best.</p>
<ul style="list-style-type: none"> <li>• Crowd-sourced equity funding (CSEF)</li> </ul>	<p><b>Low Priority Project for ABS.</b></p> <p>This project should have minimal impact on the ABS Statistical Program as SSI is not aware of any known statistical surveys that would collect or publish information on how an entity gets funding. As this project focuses on changes to regulatory framework and reporting of CSEF, especially to support small business in fund raising opportunities, it should have little consequence to ABS statistical operations as small business are unlikely to be widely surveyed in our economic survey collections.</p>
Not For Profit Sector Projects	
<ul style="list-style-type: none"> <li>• Definition of Fundraising</li> </ul>	<p><b>Medium Priority Project for ABS</b></p> <p><b>ABS recommend retaining this project in the AASB 2022-26 work program.</b></p> <p>Having a standardised definition of fundraising across all Australian jurisdictions would be supported by ABS, as it would improve the current transfer estimates and support future Non-Profit Institutions (NPI) satellite account.</p> <p>Equally important is that this and other forms of donations are identified in financial statements. and are well-distinguished from payments for services.</p>
Other Projects	
<ul style="list-style-type: none"> <li>• Cooperatives and mutual entities (CMEs)</li> </ul>	<p><b>Low Priority Project for ABS.</b></p> <p>ABS has no stake or interest in retaining this project in the AASB 2022-26 work program</p> <p>This project looks more into providing additional guidance to Cooperatives and Mutual Entities in how they should be reporting and disclosing information in their financial statements and how they report on their activities to achieve their objectives. The project is also aimed to improve understanding of the financial statements of CMEs.</p> <p>There should be limited impact on any data received by the ABS due to the guidance note issued by AASB and therefore is not a priority item for the ABS.</p>

Comments on Potential Projects	ABS Comments
Sustainability reporting	<p data-bbox="734 145 2145 209"><b>High Priority Project for ABS</b> <b>Ties in with SNA 2008 discussions at the International Statistical fora and Australian Climate Service.</b></p> <p data-bbox="734 252 2145 355">As part of the System of National Accounts 2008 (SNA 2008) review process, the Inter-Secretariat Working Group on National Accounts (ISWGNA) of UN Statistical Commission has identified the theme of "well-being and sustainability" and added it to the SNA Research Agenda. The revised SNA is expected to be published in 2025.</p> <p data-bbox="734 399 2145 502">The research agenda emphasises the need to develop a guidance note in providing clearer links between broader issues of well-being and sustainability and develop an overarching accounting framework, in which statistics on economic, societal, and environmental issues are integrated (not necessarily monetised).</p> <p data-bbox="734 545 2145 609">For details on SNA research agenda on "Well-being and Sustainability" please refer to the following document <a href="#">Detailed RA Issues.pdf (un.org)</a></p> <p data-bbox="734 633 2145 944">Discussion on Climate change is currently very topical both nationally and internationally and the policy needs around the topic is significant. ABS is also working collaboratively with the Australian Climate Service on a project to deliver improved understanding of socio-economic exposure, impact and vulnerability to natural hazards and climate risks. Survey areas in ABS that are involved in collating Environmental-economic accounts have noted this as a high priority project. There are currently a range of international efforts to harmonise standards in this space, and the accounting standards through the International Sustainability Standards Board is a positive development to harmonise business reporting requirements with ABS's statistical needs. The International Public Sector Accounting Standards Board (IPSASB) is consulting on the inclusion of natural capital assets on government's balance sheet so hopefully these initiatives are linked.</p> <p data-bbox="734 984 2145 1088">Given the existing and growing demand for useful and robust disclosures relating to Climate related statistics, the AASB project on sustainability reporting has the potential to address any data gaps associated with ABS's Environmental Account Statistics and measuring the impact of climate change.</p> <p data-bbox="734 1128 2145 1192">The key issue for national accounts which has a strong relevance to sustainability reporting would be the treatment of depletion of natural resources and whether this should become a production cost.</p>

Service Performance Reporting	<p><b>Low Priority Project for ABS</b></p> <p>This project will affect both private and public sector NFP. As the ABS survey program does not currently capture how entities are performing in meeting their expectations, this project would not be of interest to ABS. However, we recognise that any service performance information reported, especially quantitative information, on output/volumes produced by the entity including inputs used to produce those outputs to some extent may be useful for data confrontation purpose for Not-For-Profit sector.</p>
Digital Financial Reporting	<p><b>Medium Priority Project for ABS</b></p> <p>As the remit of this project is to standardise the use of digital financial reporting, the general impact on current ABS survey data collection would be minimal.</p> <p>However, ABS has a general interest in the project as, to reduce provider burden, the ABS is investigating different data sources such as use of administrative data from accounting software. Digital Financial reporting requirements may lead to modifications of existing accounting software as used by a business to generate financial statements. Therefore, this project may have some impact on administrative data usage.</p>

Comments on Research Projects	ABS Comments
Potential accounting standards research projects	
<ul style="list-style-type: none"> <li>Encouraged disclosures</li> </ul>	<p><b>Low Priority Project for ABS</b></p> <p>Project aims to look at encouraged information disclosures on financial statements. Although disclosure will not alter or affect how data is received by the ABS or have an impact our data collection, additional disclosure in financial statements are useful sources for data confrontation in macro-economic statistics.</p>
<ul style="list-style-type: none"> <li>AASB 112 Income Taxes and tax transparency disclosures</li> </ul>	<p><b>Low Priority Project for ABS</b></p> <p>Project looks at the usefulness of tax disclosure statements as required under AASB 112. Although this project will not affect the data received by the ABS or the compilation of statistical information, any tax disclosure will be beneficial in confronting tax estimates collected by our economic survey collections.</p>
<ul style="list-style-type: none"> <li>Intangible Assets: recognition and measurement</li> </ul>	<p><b>High Priority Project for ABS</b></p> <p>This is a priority project for ABS as there are measurement challenges associated with intangible assets such as need for timely data source for valuing intellectual property products. There is currently no requirement to break down intangible assets into lower-level categories in financial statements making comparison across entities very difficult. Having publicly available disclosure on intangibles along with various assumptions and measurement methods for intangible assets in business accounting would assist in accurately reflecting their impact on Australian economy.</p> <p>When completing the AASB intangible asset survey, ABS also noted the asymmetry issue in the treatment of intangible assets between AASB and the System of National Accounts (SNA). The internally generated intangible asset rules of AASB 138 relating to research and development results in a majority of this investment being captured as an expense whereas in the ABS, it is captured as capital expenditure.</p> <p>The scope of intangible assets is also under review as part of the SNA 2008 review to include data in the production and asset boundaries.</p> <p>A key gap is capturing estimates related to databases. The exhaustiveness of software and databases (as financial reporting requirements) are much more conservative than the System of National Accounts 2008 (SNA) and the likely recognition of data in the future. Another issue is the line between non-produced intangible assets (e.g., goodwill, trademarks, permits and licences, etc) and produced intangible assets (e.g., intellectual property products, computer software, artistic originals, Research and Development) which flow into different components of national accounts estimate. For example, transactions related to only produced intangible assets are in scope of Gross Fixed Capital Formation (GFCF).</p> <p>As a result, ABS wish to be involved in standard setting projects associated with Intangible assets.</p>
Potential External reporting research.	

<ul style="list-style-type: none"> <li>• Sustainability reporting</li> </ul>	<p><b>High Priority Project for ABS</b></p> <p>As this project would support the proposed potential standard-setting project related to sustainable reporting as discussed earlier in this ITC.</p> <p>This project is a high priority for ABS. As discussed earlier, "well-being and sustainability" is identified as a priority on SNAs research agenda as part of 2008 SNA review. Please refer to the section on potential projects for more information/details for considering this project as a high-priority project for ABS.</p>
<ul style="list-style-type: none"> <li>• Service performance reporting</li> </ul>	<p><b>Low Priority Project for ABS</b></p> <p>This potential project would build off work already done by the AASB, namely the AASB Research Report 14: Literature review  <a href="http://aasb.gov.au">Research Paper No. 14 (aasb.gov.au)</a></p> <p>As this project would feed into any subsequent AASB standard setting projects, "Service Performance Reporting" as discussed earlier in this ITC, it is a low priority project for ABS.</p>
<p>Potential emerging technology and reporting research projects</p>	
<ul style="list-style-type: none"> <li>• Digital financial reporting</li> </ul>	<p><b>Medium Priority Project for ABS</b></p> <p>This research project would be done in conjunction with the proposed Digital Financial Reporting project. This research would investigate a literature review along with other research activities to support any proposed standard setting around digital financial reporting.</p> <p>As previously noted, the ABS is investigating the wider use of administrative data from Accounting Software to reduce provider burden. Digital Financial reporting requirements may lead to modifications of existing accounting software as used by a business to generate financial statements. Therefore, this project may have some impact on administrative data usage and is of interest to the ABS.</p>
<p>Potential research projects about enhancing standard-setting process</p>	
<ul style="list-style-type: none"> <li>• Costs and benefits analysis</li> </ul>	<p><b>Low Priority Project for ABS</b></p> <p>This research would undertake a literature review on how best to develop models for undertaking cost and benefit analysis work that are relevant to different sectors that are affected by accounting standards work.</p> <p>As this research will have no impact on ABS data or data collection activities it is not a priority for ABS.</p>

ABS Suggested Projects	ABS Comments
<p>AASB's guidance on how free digital services (such as social media), digital data and crypto assets can be recognised, measured, and disclosed in business accounting.</p> <p><b>(High Priority Project for ABS)</b></p>	<p>As part of the review of the System of National Accounts 2008 (SNA 2008), the Inter-Secretariat Working Group on National Accounts (ISWGNA) is currently circulating various guidance notes related to the SNA research agenda. Digitisation is a broad theme of the SNA research agenda, and the measurement of the digital economy through compilation of digital supply use table is a statistical priority for ABS.</p> <p>The digital economy has spawned free digital products which may be produced by volunteers, by consumers themselves or by platforms which are funded by advertising revenue. In recent years, there has been an explosion in the generation of data, and the use of data, notably in advertising-based business models. This created the need for guidance on whether data should be part of the asset boundary, whether it should be considered as produced or non-produced assets and how data should be valued.</p> <p>In terms of the topic “free digital services and digital data”, it would be useful to</p> <ol style="list-style-type: none"> <li>1. measure the production/consumption of free digital services, and</li> <li>2. to recognise data as an asset and measure data base.</li> </ol> <p>Any disclosures on market valuations of data holdings, transactions in data/databases, or classification in the accounting standards of in-house work on own-account software and own-account software/databases would be useful to National Accounts.</p> <p>With the rapid development in issuance and use of crypto assets for transactions, there is also a need to develop guidance on the treatment of crypto assets and of compilation techniques, including data sources. Further research is needed on the recording of crypto assets with particular emphasis on their use as medium of exchange or store of value. The current guidance that has been developed for crypto assets is considered as interim (i.e., they are treated as a financial asset), pending future development of crypto assets (e.g., regulatory measures). Identifying the value of transactions associated with Crypto currencies and holding gains/losses associated with them would be very useful to ABS.</p> <p>For details on SNA research agenda on digital assets, issues on data and treatment of digital assets, please see the attached file and following document links.</p> <p><a href="#">Detailed RA Issues.pdf (un.org)</a>  <a href="#">M14 5 3 1 Recording of Data in SNA.pdf (un.org)</a>  <a href="#">SNA/M1.20/5.3.2 - Treatment of free digital assets and services (un.org)</a>  <a href="#">M15 7 4 Recording Data Pres.pdf (un.org)</a>  <a href="#">SNA/M1.21/7.4 -The Recording of Data (un.org)</a></p>

<p>Disclosures in Financial statements related to measuring globalisation <b>(Low Priority Project for ABS)</b></p>	<p>As part of the review of the System of National Accounts 2008 (SNA 2008), the Inter-Secretariat Working Group on National Accounts (ISWGNA) is currently circulating various guidance notes related to the SNA research agenda. Globalisation is one of the broad themes of this SNA research agenda.</p> <p>Some of the issues related to global production include:</p> <ul style="list-style-type: none"> <li>• recording of international flows of intra-company services of multinationals</li> <li>• transactions related to outsourcing activities</li> <li>• identification and measurement of non-financial and financial assets and liabilities for the global operation activities of Multi-National Enterprises (MNEs).</li> </ul> <p>Some data items that would be useful to ABS are royalties transactions with affiliates by country, transfers of Intellectual Property (IP) on the balance sheet by country, interest paid and received with affiliates by country.</p> <p>Any related disclosures in these areas would benefit macro-economic statistics.</p> <p>Please see the link below for details of the issues under the globalisation theme. <a href="#">Detailed RA Issues.pdf (un.org)</a></p>
<p>Reporting of provision expenses <b>(High Priority Project for ABS)</b></p>	<p>ABS is unsure about the current extent of detail required in financial statements for provisions for customer remediation, legal settlements which seems to have increased in incidence recently. The important issue for National Accounts is ensuring that Compensation of Employee estimate (COE) and intermediate consumption are correctly estimated. Compensation of employees comprises wages and salaries (in cash and in kind) and employers' social contributions. Intermediate consumption or intermediate use consists of the value of the goods and services consumed as inputs to the production process.</p> <p>Provisions are often lumped in expenses in our annual economic activity survey and in recent years have been key drivers to intermediate consumption for some industries. Provisions such as legal settlement on pay affects COE estimates, in the sense that any unpaid wages of salaries which workers are legally entitled to but have not been paid should be in scope of COE estimate. However, as these legal settlement on pay have not been paid to employees, these are not currently reported as COE estimate by businesses in our economic survey.</p> <p>Also to note that payment of legal settlements (apart from any legal services, which are considered as Intermediate use of a business) are treated as current transfers in the income account and thus flowing into different components of national account estimates. Sometime values associated with these payments are also very large.</p> <p>Furthermore, timing recognition of many provision expenses such as payment of legal settlements is not in line with the economic event, leading to a range of adjustments being required in economic statistics to our accounting source data. As a result, reporting of provision of expenses will be useful to ABS.</p>

Discount rates <b>(High Priority Project for ABS)</b>	This suggested project has been raised by the Government Finance Statistics work program at the ABS.  Currently there are a range of different discount rates being used to value certain liabilities. This leads to inconsistent measurement and in some instances, volatility in measurement between reporting periods. Provision of guidance as to which discount rate to use to value superannuation liabilities and long-term employee benefit liabilities would enable a more harmonised approach across jurisdictions and less volatility in data series. This would also increase the international comparability of Australia’s reported liabilities against these categories.
Harmonisation differences between accounting standards and Government Finance Statistics (GFS) <b>(High Priority Project for ABS)</b>	This suggested project has been raised by the Government Finance Statistics work program at the ABS.  The ABS strongly advocates for the maximum achievable harmonisation between Generally Accepted Accounting Principles (GAAP) and GFS principles, which is supported by AASB 1049. Harmonisation differences have increased in recent years due to standard changes which in turn leads to further burden on data providers and data compilers.  It would be beneficial to address these harmonisation differences in a strategic way moving forward, to increase the comparability and interpretability of different data sources that report on public sector finances in Australia.

### Contact Details for ABS

If you need to speak with the ABS about this submission, please contact

#### Shane Johnston

Economic Standards | Statistical Standards and Infrastructure Section

Statistical Infrastructure Branch | Industry Statistics Division

**(P) (03) 9615 7323** **(E) [shane.johnston@abs.gov.au](mailto:shane.johnston@abs.gov.au)** **(W) [www.abs.gov.au](http://www.abs.gov.au)**

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#### Afroza Rahman

Data and Metadata Management Specialist

Statistical Standards & Infrastructure | Statistical Infrastructure Branch | **Australian Bureau of Statistics**

**(P) (02) 6252 6652**

**(E) [afroza.rahman@abs.gov.au](mailto:afroza.rahman@abs.gov.au)**

**(W) [www.abs.gov.au](http://www.abs.gov.au)**