



<b>Project:</b>	<b>Other Business – Public</b>	<b>Meeting:</b>	June 2023 (M196)
<b>Topic:</b>	<b>Cover Memo</b>	<b>Agenda Item:</b>	17.1
		<b>Date of the Agenda Paper:</b>	6 June 2023
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		<b>Decision-Making:</b>	Low
		<b>Project Status:</b>	n/a

## Objective of this paper

- 1 The objective of this paper is to inform the Board about matters under Other Business – Public. **No action is required from the Board on any of the items in this memo, they are included for noting only.** Please refer to the tables below for details.

## AASB SUBMISSIONS

Paper No.	Title	Staff comment	Board action
N/A	<a href="#">AASB submission to GSSB's GRI Sector Standards Project for Mining – Exposure Draft</a>	The AASB submission to the GSSB was emailed on 28 April 2023. The submission was finalised out of session by a subcommittee and the AASB Chair.	Included for noting only. No action required at this meeting.

## SUBMISSIONS to AASB

Paper No.	Title	Staff comment	Board action
N/A	<a href="#">Letter</a> from the Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) regarding IPSASB <a href="#">ED 84 Concessionary Leases and Right-of-Use Assets in-kind</a>	<p>The Board decided to defer consideration of the current temporary accounting policy choice in AASB 16 <i>Leases</i> – to elect to initially measure a class of right-of-use (ROU) assets arising from concessionary leases at cost or at fair value – for not-for-profit (NFP) public sector lessees until after considering the outcome of the concessionary leases part of the IPSASB's Leases project.</p> <p>The Board received a letter from HoTARAC on 17 May 2023 regarding IPSASB ED 84. HoTARAC's comments are summarised below [staff's observations thereof are noted in brackets]. HoTARAC informed that they:</p>	Included for noting only. No action required at this meeting.

Paper No.	Title	Staff comment	Board action
		<p>(a) do not support adopting the proposals in ED 84 in Australia because it may create audit difficulties due to the absence of market-based information as audit evidence, and the degree of judgement required. [ED 84 proposes for a lessee to recognise a concessionary ROU asset at the present value of payments for the lease at market rates based on the current use of the underlying asset. This proposal is similar to the fair value approach in AASB 16];</p> <p>(b) do not consider there is a conceptual reason why the accounting for concessionary leases in Australia should differ between private and public sector NFP entities. [This is in the context of the Board’s decision to retain for NFP private sector lessees the accounting policy choice to elect to initially measure a class concessionary ROU asset at cost or at fair value on an on-going basis]; and</p> <p>(c) retain the view that NFP public sector entities should be permitted to account for ROU assets arising from concessionary leases based on the present value of actual lease payment [That is, the cost approach in AASB 16].</p> <p>Based on the comments from HoTARAC and the staff views noted in <a href="#">Agenda Paper 10.1</a> for the November 2022 meeting, staff are of the view that the proposals in ED 84 are unlikely to be suitable for Australian NFP public sector entities. Staff will continue to monitor the IPSASB’s Leases project and provide updates to the Board as that project progresses.</p>	

#### IASB AND IFRS IC UPDATES

Paper No.	Title	Staff comment	Board action
N/A	<a href="#">Supplementary IASB Update May 2023</a>	Staff do not consider there are any matters to raise in relation to the supplementary May 2023 IASB update.	Included for noting only. No action is required at this meeting.
N/A	<a href="#">IASB Update April 2023</a>	Staff do not consider there are any matters to raise in relation to the April 2023 IASB update.	Included for noting only. No action is required at this meeting.

Paper No.	Title	Staff comment	Board action
N/A	<a href="#">Supplementary IASB Update April 2023</a>	Staff do not consider there are any matters to raise in relation to the supplementary April 2023 IASB update.	Included for noting only. No action is required at this meeting.
N/A	<a href="#">IASB Update March 2023</a>	Staff do not consider there are any matters to raise in relation to the March 2023 IASB update.	Included for noting only. No action is required at this meeting.
N/A	<a href="#">Addendum to the March IFRIC Update</a>	Staff do not consider there are any matters to raise in relation to the Addendum to the March 2023 IFRIC update.	Included for noting only. No action is required at this meeting.

### ISSB UPDATES

Paper No.	Title	Staff comment	Board action
N/A	<a href="#">ISSB Update April 2023</a>	The ISSB on 19 April 2023 discussed the International Applicability of the SASB Standards and ISSB Consultation on Agenda Priorities. The ISSB meeting was covered in May 2023 AASB <a href="#">Agenda Paper 9.1 Sustainability Reporting: Update on International and Jurisdictional Perspective</a> .	Included for noting only. No action required at this meeting.
N/A	<a href="#">ISSB Update May 2023</a>	The ISSB met on 18 May 2023 and discussed the Maintenance of SASB Standards.	Included for noting only. No action required at this meeting. (See also Agenda Paper 15.1 for this meeting.)

### IPSASB REPORT

Paper No.	Title	Staff comment	Board action
N/A	IPSASB measurement-related pronouncements (issued on 26 May 2023): <ul style="list-style-type: none"> <li><a href="#">Updated Conceptual Framework: Chapter 7, Measurement of Assets and</a></li> </ul>	The Board considered the IPSASB's work on the changes to measurement bases in the Conceptual Framework and on IPSAS 46 as part of its Fair Value Measurement for Not-for-Profit Public Sector Entities project. No significant changes were made to underlying principles in the final Standards compared with the Exposure Drafts (including the introduction of Current Operational Value as a new measurement basis) the Board <a href="#">commented</a> on in October 2021. Therefore, staff consider that no action is needed regarding these Standards.	Included for noting only. No action required at this meeting.

	<p><a href="#">Liabilities in Financial Statements</a></p> <ul style="list-style-type: none"> <li>• <a href="#">IPSAS 46 Measurement</a></li> <li>• <a href="#">IPSAS 45 Property, Plant, and Equipment</a></li> </ul>	<p>The main sections of the new Property, Plant and Equipment Standard, <a href="#">IPSAS 45</a>, relevant to the Board would be the mandatory Application Guidance and illustrative Examples the IPSASB developed to clarify how the principles of IPSAS 45 should be applied to heritage assets and infrastructure assets.</p> <p>IPSAS 45 requires additional disclosures for heritage assets that are unrecognised in the entity's financial statements (because its costs or current value cannot be measured reliably).</p> <p>In HoTARAC's <a href="#">submission</a> to ITC 46 AASB <i>Agenda Conclusion 2022-2026</i>, they suggested the Board review IPSAS 45 and consider whether there is any additional guidance useful to Australian public sector entities. HoTARAC indicated that this has a lower priority than the other public-sector projects on the Board's work program.</p> <p>Accordingly, staff will, in due course, consider IPSAS 45 and provide recommendations to the Board on whether a standard-setting project to update AASB 116 <i>Property, Plant and Equipment</i> regarding infrastructure and heritage assets is warranted.</p>	
N/A	<p>IPSASB revenue and transfer expense-related pronouncements (issued on 26 May 2023):</p> <ul style="list-style-type: none"> <li>• <a href="#">Updated Conceptual Framework: Chapter 5, Elements in Financial Statements</a></li> <li>• <a href="#">IPSAS 47 Revenue</a></li> <li>• <a href="#">IPSAS 48 Transfer Expenses</a></li> </ul>	<p>The changes to Chapter 5 of the IPSASB's Conceptual Framework were mainly to align with the IASB's definitions of an asset and liability in the <i>Conceptual Framework for Financial Reporting</i> (the Revised Conceptual Framework) and add new guidance on the transfer of resources and binding arrangements that are equally unperformed. Staff plan to consider this Standard when continuing work on the Board's project to consider how the IASB's Revised Conceptual Framework should be applied by NFP entities in conjunction with the feedback on the Tier 3 Discussion Paper.</p> <p>The Board <a href="#">responded</a> to the Exposure Drafts related to revenue and transfer expenses in October 2020. At the time, the Board has some concerns about the proposals for both revenue and transfer expenses. The Board did not express firm views on whether it agrees or disagrees with the IPSASB' proposals on revenue because it would be premature to form views prior to the Board's post-implementation review (PIR) of its income for NFP entities Standards.</p> <p>As part of the PIR and suggesting possible next steps to the Board in response to stakeholder feedback, staff may consider IPSAS 47 to determine whether there is any useful</p>	Included for noting only. No action required at this meeting.

		<p>guidance for Australian NFP entities. This would include considering whether and how the accounting treatment for revenue transactions prescribed in IPSAS 47:</p> <ul style="list-style-type: none"> <li>(a) relating to revenue arising from a non-binding arrangement aligns with AASB 1058 <i>Income of Not-for-Profit Entities</i>; and</li> <li>(b) relating to revenue arising from a binding arrangement aligns with IFRS 15 <i>Revenue from Contracts with Customers</i>, noting that the IPSASB replaced the IASB's concept of 'performance obligation' with the concept of 'compliance obligation'.</li> </ul> <p>A compliance obligation is an entity's promise to either <b>use resources internally</b> for distinct goods or services or transfer distinct goods or services to a purchaser or third-party beneficiary.</p> <p>Accordingly, among other requirements, IPSAS 47 requires an entity to recognise a liability for any unsatisfied promise to use resources internally and recognise revenue only when that liability is unwound as the promise is being satisfied.</p> <p>With respect to IPSAS 48, Australia currently does not have a Standard specifically on the recognition and measurement of expenses from the resource providers' perspective. Staff plan to consult with stakeholders, in due course, whether Australian public sector entities providing funds/grants to another entity could benefit from guidance on the recognition and measurement of transfer expenses.</p> <p>Staff observed that the requirements in IPSAS 48 are not necessarily in line with how Australian resource providers currently recognise a transfer expense.</p> <p>For example, because IPSAS 48 mirrors the accounting treatment of IPSAS 47, in a transfer expense transaction arising from a binding arrangement (including where the resource receipt has a promise to use the resource internally), the resource provider is required to recognise:</p> <ul style="list-style-type: none"> <li>(a) an asset (a transfer right asset) upon the transfer of the resources; and</li> <li>(b) an expense when that asset is unwound as the transfer recipient satisfies its compliance obligations.</li> </ul>	
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## ARTICLES AND NEWS

Paper No.	Title	Content of item	Board action
N/A	<a href="#">Consultation informs related party reporting to the ACNC</a>	<p>The ACNC recently closed a consultation on how charities should report on related party transactions in the AIS.</p> <p>From the 2023 Annual Information Statement (AIS), all charities except for Basic Religious Charities will be asked to report their related party transactions to the ACNC.</p> <p><a href="#">ACNC guidance on related party transactions</a> has been also updated and outlines how the new obligations apply to charities of different sizes.</p>	Included for noting only. No action required at this meeting. (See also Agenda Paper 10.1 for this meeting.)
N/A	<a href="#">23-149MR ASIC highlights focus areas for 30 June 2023 reporting</a>	<p>ASIC urges directors, preparers of financial reports and auditors to assess the impact of uncertain market and economic conditions on reporting for full and half-years ending 30 June 2023.</p> <p>ASIC has highlighted a number of areas for attention, in particular:</p> <ul style="list-style-type: none"> <li>• asset values</li> <li>• provisions</li> <li>• solvency and going concern assessments</li> <li>• events occurring after year end and before completing the financial report</li> <li>• disclosures in the financial report and Operating and Financial Review (OFR)</li> <li>• the impact of a new accounting standard for insurers.</li> </ul> <p>More detail about ASIC’s focus areas for 30 June 2023 reporting is outlined in the attachment to the media release.</p>	Included for noting only. No action is required at this meeting.
N/A	<a href="#">SEC Climate Rules Risk Legal Battle with Environmental Groups</a>	<p>The SEC’s upcoming corporate climate disclosure rules face a new legal threat from environmentalists after Republicans and businesses have long signalled they would sue to stop the regulations. Environmental groups are considering suing the SEC, if the agency softens or abandons plans for big companies to disclose the Scope 3 emissions from their supply chains and other indirect sources under the new corporate reporting regime. The SEC has already received legal threats for several months as it</p>	Included for noting only. No action required at this meeting.

Paper No.	Title	Content of item	Board action
		works to finalise the landmark rules as early as this spring.	
N/A	<a href="#">At Least 10,000 Foreign Companies to Be Hit by EU Sustainability Rules</a>	The article highlights that thousands of American, Canadian and British companies will have to step up their sustainability reporting under European Union rules set to take effect starting in the next few years, in a regulatory effort to boost visibility on everything from companies' greenhouse-gas emissions to gender pay differences. The Corporate Sustainability Reporting Directive, or CSRD, will likely require at least 10,000 companies outside the EU to make and independently verify a number of sustainability disclosures, and about a third of those are in the U.S.	Included for noting only. No action required at this meeting.
N/A	<a href="#">Companies 'not ready' for mandatory climate change disclosure, Zenith warns</a>	Zenith Investment Partners' head of responsible investment, Dugald Higgins has warned that many companies and funds are not ready for mandatory climate related financial disclosures that could come in as early as July next year. . He said the Treasury had issued a consultation paper on mandatory reporting, but many companies did not realise its implications.	Included for noting only. No action required at this meeting.

#### OTHER

Paper No.	Title	Content of item	Board action
N/A	<a href="#">ACNC Sector Forum – Friday 17 March 2023 Minutes</a>	The ACNC Sector Forum met on 17 March 2023. During the meeting, AASB staff discussed the development of simplified accounting requirements for smaller Not-for-Profit Private Sector Entities and Post-implementation Reviews of not-for-profit accounting standards. Members provided valuable feedback, highlighting the need for guidance on measuring intangible assets and that the smaller organisations using DGR status are not commonly a controlling entity of a group. Clearly worded communication between NFP accountants and boards was identified as a way of explaining accrual accounting practices and there is a need for simplification of requirements in single	Included for noting only. No action is required at this meeting.

Paper No.	Title	Content of item	Board action
		AASB standard for reporting income and expenses.	
N/A	<a href="#">ACNC Adviser Forum Minutes – Friday 24 March 2023</a>	<p>The ACNC Adviser Forum met on 24 March 2023. During the meeting, AASB staff discussed the development of simplified accounting requirements for smaller Not-for-Profit Private Sector Entities and Post-implementation Reviews of not-for-profit accounting standards. Members provided valuable feedback, confirming the need for guidance on the consolidation of entities, usefulness of a statement on changes in equity for entities with reserves, recognition and measurement of intangible assets and the need to address the interpretation challenges with “sufficiently specific” criterion and measurable performance obligations. Members were canvassed for their views on alternative revenue recognition approaches when considering their feedback to inform the post-implementation reviews and were encouraged to forward the online surveys for the projects within the presentation to the accounting teams within charities.</p>	Included for noting only. No action is required at this meeting.
N/A	<ul style="list-style-type: none"> <li>• <a href="#">Disclosure of Fees for Audit Firms’ Services (Amendments to FRS-44 New Zealand Additional Disclosures)</a></li> <li>• <a href="#">Disclosure of Fees for Audit Firms’ Services (Amendments to PBE IPSAS 1 Presentation of Financial Reports)</a></li> </ul>	<p>The NZXRB issued the amendments on 18<sup>th</sup> May which aim to address concerns about the quality and consistency of disclosures an entity provides about fees paid to its audit or review firm for different types of services. The enhanced disclosures are expected to improve the transparency and consistency of disclosures about fees paid to an entity’s audit or review firm.</p> <p>Application of these amendments is required for accounting periods beginning on or after 1 January 2024. Application to an earlier accounting period is permitted for accounting periods that end after these amending Standard takes effect (i.e. 15th June 2023).</p>	Included for noting only. No action is required at this meeting.