



Cover Memo

Project:	Australian Financial Reporting Framework	Meeting:	AASB February 2016 (M150)
Topic:	Update	Agenda Item:	9.0
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		Project Priority:	High
		Decision-Making:	Low
		Project Status:	In progress

Introduction and objective of the meeting

- 1 The objective of this meeting is to update the Board in relation to the following matters:
 - (a) the roundtable discussions held in January regarding financial reporting by not-for-profit entities;
 - (b) the benchmarking report re for-profit private sector entities; and
 - (c) the financial reporting recommendations of the Royal Commission into Trade Union Governance and Corruption.

Attachments

- Agenda Paper 9.1 Staff Paper – Feedback from AASB Roundtable re Not-for-Profit Public Sector Entities [BOARD ONLY];
- Agenda Paper 9.2 Staff Paper – Feedback from AASB Roundtable re Not-for-Profit Private Sector Entities [BOARD ONLY]; and
- Agenda Paper 9.3 Extracts from the Final Report (Dec. 2015) of the Royal Commission into Trade Union Governance and Corruption, including the financial reporting recommendations.

Background

- 2 The overall objective of the project is to clarify and simplify the Australian financial reporting framework, so that objective criteria determine which entities would be required to prepare general purpose financial statements and the level of the reporting requirements. The criteria should ensure that only those entities that should prepare general purpose financial reports are identified as public lodgers. The project aims to

cover both corporate and non-corporate entities, in conjunction with policymakers and regulators. Simple and clear legislative wording that could be used by all regulators would be one outcome.

Overview of agenda papers

- 3 Papers 9.1 and 9.2 present summaries of the discussions at the not-for-profit (NFP) public sector roundtable and the NFP private sector roundtable, respectively, which were held in January 2016. Participation at the roundtables was by invitation. Public invitations were not issued. The aim of the roundtables was to help identify the issues that would need to be addressed through the financial reporting project in respect of these sectors, and to consider the appropriate next steps.
- 4 Each roundtable concluded that Consultation Papers should be developed in conjunction with major stakeholder groups to canvass the issues and potential approaches, and that the Board is well placed to take a leadership role. Proposals might not be developed until feedback from the broad range of stakeholders on the initial Consultation Papers has been considered.
- 5 Paper 9.3 provides extracts from the Final Report (December 2015) of the Royal Commission into Trade Union Governance and Corruption that relate to financial reporting requirements and issues. Recommendation 42 refers to consultation with the Board in respect of requiring “reporting units” to prepare consolidated financial statements, as well as separate financial statements for controlled entities.
- 6 The extracts also refer to specific reporting requirements for the remuneration of officers. These requirements are additional to the financial statement requirements in Accounting Standards, but most unions and branches satisfy the requirements in notes to the financial statements [Final Report, Vol 5, Ch 2, para 93(b)].
- 7 The extracts are provided for the information of Board members at this stage. Further work in response to Recommendation 42 is anticipated.

Other recent developments

- 8 The benchmarking report re for-profit private sector entities is now close to completion, having gone through a number of internal review iterations. A further section is being added to address the meaning of ‘publicly held’ in relation to companies. Table 1 in the draft report identifies that in all eleven jurisdictions investigated (including Australia), listed and publicly held companies are generally required to lodge financial statements on the public record. Variations in the meaning of ‘publicly held’ across jurisdictions are also relevant to the benchmarking process.
- 9 The benchmarking report will be reviewed by Commonwealth Treasury staff prior to being finalised for publication. This will also give the staff the detailed background for reviewing the draft Treasury Consultation Paper, the drafting of which is in progress.
- 10 Research is also underway for the benchmarking report or reports addressing financial reporting requirements for not-for-profit public sector and private sector entities.

Next steps

- 11 The summaries of the roundtable discussions will be circulated to the participants for their comments, and published on the AASB website. Further consultation will be undertaken. The various publications noted above will continue to be developed.

Staff recommendations

- 12 The staff recommend that the Board note the materials provided and advise staff of any suggestions or comments in response.

Question for the Board

- Q1 Do members have any comments on the update?