



Australian Accounting Standards Board

Corporate Plan 2016-17





AASB Corporate Plan 2016–17

I, Kris Peach, as the accountable authority of the Australian Accounting Standards Board (AASB), present the 2016-17 AASB Corporate Plan, which is prepared for the 2016-17 period and covers the periods 2016-17 to 2019-20, as required under paragraph 35(1) (b) of the *Public Governance, Performance and Accountability Act 2013*.

The purpose of the AASB

The AASB is responsible for setting accounting standards for the private and public sectors in Australia (see section 227 of the *Australian Securities and Investments Commission Act 2001*). The AASB:

- develops principles-based independent accounting standards and guidance for Australia that meet user needs; and
- contributes to the development of international accounting standards.

The main purpose of accounting and auditing standards is to assist in maintaining confidence in the Australian economy, including its capital markets. The AASB achieves this by developing, issuing and maintaining Australian Accounting Standards and related pronouncements. Accounting standards set out how entities must report externally on key transactions and events, and on their performance and financial health, in a way that is consistent and comparable with other entities in Australia and internationally. This enables people outside the entity to make informed decisions about their dealings with that entity, such as whether to:

- invest in a listed company's shares,
- trade with/extend credit to an entity,
- donate to a particular charity
- hold government accountable for use of taxpayer funds.

The transparency, comparability and accountability required by accounting standards underpin public and investor confidence in the Australian economy. They reduce information gaps and enable more efficient resource/capital allocations.

The AASB has a substantial body of standards and a Conceptual Framework that address the vast majority of accounting issues facing entities in all sectors (private, public, for-profit and not-for-profit). Entities required by the *Corporations Act 2001* to lodge financial statements must have their financial reports prepared in accordance with the AASB's accounting standards, and many other types of entities are also generally required to be prepared in accordance with those standards.

The AASB will consider it is successful if it is seen by its stakeholders as:

- implementing transaction neutrality appropriately (see Strategy 1 below)
- taking a leading role in improving the Australian reporting framework (see Strategy 2 below)



- demonstrating its progressive and forward-looking as a standard-setter, being sought after for its views both within Australia and internationally (see Strategy 3 and 5 below).
- engaging with stakeholders and responsive to domestic issues and views (see Strategy 4 below).

Environment

The Australian Reporting Framework

The AASB's vision is to be a leading national standard setter and a global centre of excellence. To this end, it is taking a lead role in shaping the Australian Reporting Framework, which seeks to set out how different types of Australian entities should report. This framework will act as a guide for governments and regulators to balance the costs and benefits of reporting, and result in 'fit for purpose' public information from different types of entities.

The AASB is also implementing changes to ensure that Australia remains at the forefront of international accounting practice and that standards are 'fit for purpose' in the Australian environment. Technological advances, the rise in importance of non-financial reporting, stakeholder demands for clearer and more frequent information, and the need for international alliances with other standard setters and better empirical evidence to effectively influence international developments, all pose potentially significant challenges. The AASB recognises that it will need to be more agile and responsive to meet these challenges and the steps it is taking to do so are set out under 'Performance: Achieving our strategy' below.

Setting standards in a global economy

The AASB is required to consider the interests of Australian corporations looking to raise capital in major international financial centres when setting standards. The International Accounting Standards Board (IASB) is well-recognised as a major international accounting standards setter, with International Financial Reporting Standards being applied in more than 100 countries. For this reason, and in accordance with the Financial Reporting Council (FRC) Strategic Direction given in 2002, the AASB has adopted International Financial Reporting Standards (IFRS) as the basis for Australian Accounting Standards (AAS).

The use of IFRS enables Australian entities to raise capital efficiently internationally. This has beneficial flow-on effects in the domestic capital market for all entities and individuals.

The AASB uses the principle of 'transaction neutrality' – that is, the same transaction should be reported for in the same way regardless of the type of entity performing it (private, public or not-for-profit). However, where IFRS does not cover a topic of importance to the Australian community, or IFRS is not appropriate, the AASB sets local standards to fill that gap. These additions/amendments generally relate to government and not-for-profit entities. In doing so, the AASB considers the pronouncements of the International Public Sector Accounting Standards Board (IPSASB), which is the international standard-setter for public sector entities and other national not for profit sector standard setters.

The AASB consults extensively with Australian entities and other stakeholders, so that it can properly reflect the interests of the Australian community at both the domestic and international levels. The AASB is also increasingly seeking empirical research from



Australian academics as a means of influencing internationally, to support the identification of issues, analysis of possible solutions and evidence of impact once a standard is finalised.

The quality of standards developed by the IASB and IPSASB are dependent on three factors: quality of board membership, quality of staff resources and effective feedback from constituents. The AASB seeks to mitigate potential risks to standards quality by engaging directly with the IASB and IPSASB board members and staff, nominating/providing board/advisory committee members, participating in working groups, and by providing input into all significant exposure drafts and other consultation documents.

The AASB also seeks to influence the IASB and IPSASB by developing close working relationships and alliances with other national standards setters. These include the New Zealand Accounting Standards Board (NZASB), the UK Financial Reporting Council (Accounting Standards Committee), the Korea Accounting Standards Board (KASB), Hong Kong Institute of Certified Practising Accountants (HKICPA) and the South African Public Sector Accounting Standards Board.

The international standard setting environment has complex dynamics. It is both collaborative and competitive; all see the sense of having commonly applied standards but each jurisdiction is keen to promote their own stakeholders' views, and it tends to be dominated by the larger geographical blocs. In this global environment, a national standards setter's reputation is crucial.

Regulatory

The AASB is an accounting standards setter but (unlike some overseas bodies) not a regulator of its own standards, which is largely the function of the ASIC, APRA and other Australian regulatory agencies such as the ACNC and ATO. The perception of the AASB's performance is impacted not only by the AASB's own actions, but also how well its standards and guidance are enforced.

The process by which the AASB formulates its standards and guidance is expansive and interrelated with the international standard-setting processes, as well as being subject to Commonwealth due process requirements. Thorough and wide-ranging consultation with stakeholders is at the core of the AASB's work.



The AASB strategies

The AASB has five strategies for achieving its purpose.

Strategy 1: Standard setting	Strategy 2: Australian reporting framework	Strategy 3: International influence	Strategy 4: Stakeholder engagement	Strategy 5: External reporting
Develop standards based on IFRS and the principle of transaction-neutrality, taking into account cost/benefit considerations and user needs	Take a leadership role in shaping the Australian Reporting Framework	Build international influence with the IASB and IPSASB	Facilitate and encourage active stakeholder participation in developing standards	Investigate the potential for standards to cover external reporting, beyond financial reporting

Strategy 1: Standard setting	<ul style="list-style-type: none"> • Issue major new standards based on IFRS: <ul style="list-style-type: none"> • insurance contract accounting • Complete projects on the following domestic topics: <ul style="list-style-type: none"> • service concession arrangements – grantor accounting • income of not-for-profit entities • Complete benchmarking exercise to ascertain how we align with other jurisdictions in terms of accounting standards for the not-for-profit private and public sector <ul style="list-style-type: none"> • Publishing AASB’s Feedback Statement on its Agenda Consultation, developing project plans for the projects added to AASB’s work program as a result of the consultation and commencing the highest priority projects
Strategy 2: Australian reporting framework	Work with policy makers to develop the appropriate thresholds on financial reporting for the different sectors
Strategy 3: International participation	<ul style="list-style-type: none"> • Provide formal responses to IASB consultation documents on Business Combinations Under Common Control, Financial Instruments with Characteristics of Equity and Disclosure Initiative projects; • Actively participate in the IASB’s Accounting Standards Advisory Forum (ASAF) in conjunction with the New Zealand Accounting Standards Board (NZASB) • Complete two pieces of thought leadership, where possible working with other national standard setters
Strategy 4: Stakeholder engagement	<ul style="list-style-type: none"> • Engage with stakeholders through: <ul style="list-style-type: none"> • education sessions and roundtables on the IASB’s projects on Business Combinations Under Common Control, Financial Instruments with Characteristics of Equity and Disclosure Initiative as well as domestic projects on Service Concession Arrangements: Grantor, Income of Not-for-Profit Entities and other projects arising from AASB’s Agenda Consultation; • AASB Research Forum and AASB User Forum involving IASB members and staff; • Finalise the post-implementation reviews on the adoption of IFRS (10 years on) and on the introduction of reduced disclosure requirements in Australia
Strategy 5: External reporting	Work with the Australian Taxation Office on voluntary tax disclosures and Treasury on remuneration reporting, to assist in providing relevant reporting frameworks and standards



Key priorities for 2016-17

To achieve its strategies, the AASB has established the following key priorities for 2016-17.

Performance: Achieving our strategy

Appendix A maps the AASB's strategic priorities to its statutory functions and Appendix B relates the strategies to KPIs for each of the next four years. The AASB's annual performance statements will be based on these KPIs.

Many of the AASB's activities are impacted by events not wholly within its control. For example, much of the AASB's work is based on the work of the IASB and IPSASB, so delays can affect the AASB's achievement of its key priorities.

Unlike projects influenced by international standards setters and their project timetables, domestic projects are generally within the AASB's control. However, a key factor that can influence the success of projects are the actions or published policy documents of other regulatory agencies (for example, ACNC, ASIC, APRA and the ATO) and feedback from constituents.

Capability: Strategic enablers

To achieve its strategies over the period of the Corporate Plan, the AASB will make use of the following enablers:

Technology

The AASB and AUASB are increasingly using the internet and social media (Twitter and LinkedIn) and webinars to engage and educate. This will continue to evolve as technology and user preferences change.

Technology is also critical to improving knowledge management and reducing compliance risk. The AASB and AUASB are currently implementing SharePoint to manage much of their core operations, which will enhance program and project control, and address compliance risks such as document control and record retention.

People

In order to focus more effectively and efficiently on their core standard setting activities the AASB and AUASB have implemented a major restructure. The Boards have moved to a shared support model where both Boards are supported by a single National Director and combined administrative staff. The Boards are also adopting a more flexible, 'program management' approach to standard setting, focusing efforts on turning around critical projects and bringing in critical resources on a project basis as needed.

The changes to the Boards' operating model are being supported by changes in systems and processes, particularly those regarding accountability, training and employee development. Taken together, these changes will enable the Boards to collaborate and influence more effectively, and more cost-effectively set standards.

Our Board

The AASB board members are experienced and diverse in background. The FRC appoints all board members as individuals, except for the Chairman, who is appointed by the Minister.



Board members serve on Project Advisory Panels and participate in public forums. The Australian representative on the IPSASB and a member of the IASB's IFRS Interpretations Committee who is Australian, are both observers at AASB meetings. The Chair is a member of the IASB's Accounting Standards Advisory Forum (ASAF).

Our staff

The AASB is well-placed to implement its five strategies with the skills and expertise currently available to it.

AASB staff have a range of professional backgrounds, including accounting and auditing practice, industry, public sector and academia. Collectively, they possess many years of technical and practical accounting experience, which they bring to standard setting, together with a paramount understanding of standard setting in the public interest.

There is an active staff professional development program, a graduate intern program, as well as opportunities for staff secondments to and from other standard setters, professional accounting firms and corporates.

Research capability will be enhanced by the addition of the new role of Research Director in 2016/17, which will be a part-time appointment from academia.

Our peers

The AASB has a wide network of contacts among Australian stakeholders who have proven willing to volunteer their time and expertise to help us fulfil our strategies by providing technical input, thoughts and ideas on our work. The AASB also has a strong network of contacts throughout the international standard-setting community, which is a valuable source of collaboration and alliances.

Risk oversight and management

There are two arms of the AASB:

- the Board itself; and
- the Office of the AASB that employs the technical staff who support the Board and the administrative staff that support the AASB and the AUASB.

The Board sets standards and provides guidance on application of standards with the benefit of information from the staff, preparers, academics, international counterparts, the audit profession, and other sources.

All technical deliberations are conducted in public. Accordingly, the standards setting process is conducted in a transparent manner. The basis for the Board's major decisions are made public in board meeting minutes and published in Basis for Conclusions documents.

The AASB complies with the Commonwealth Risk Management Policy. The policy is reviewed at least annually in consultation with the AASB's Audit Committee. That Audit Committee has a majority of external members and oversees risk management at the administrative level. The AASB also maintains a risk register, which is regularly updated.

Map of the AASB's strategies to its statutory functions and relates these to KPIs for each of the next four years

Function	Develop a conceptual framework, not having the force of an accounting standard, for the purpose of evaluating proposed accounting standards and international standards	Make accounting standards under section 334 of the Corporations Act for the purposes of the corporations legislation (other than the excluded provisions)	Formulate accounting standards for other purposes	Participate in and contribute to the development of a single set of accounting standards for world-wide use	To advance and promote the main objects of this Part (facilitate the Australian economy by reducing cost of capital; enable Australian entities to compete effectively; and maintain investor confidence in the Australian economy, including capital markets).
Strategy					
Strategy 1 Use IFRS and transaction-neutrality as a starting point, taking into account cost/benefit considerations and user needs	√	√	√	√	√
Strategy 2 Take a leadership role in shaping the Australian Reporting Framework		√	√		√
Strategy 3 Enhance AASB's international influence with respect to IASB & IPSASB outcomes	√	√		√	√
Strategy 4 Facilitate and encourage active stakeholder participation in developing standards	√	√	√	√	√
Strategy 5 To maintain relevance, investigate expanding the scope of activities to cover external reporting rather than just financial reporting			√		

AASB activities mapped to strategy and KPIs for measuring success

HEADLINE KPIs to achieve Strategies	To meet Strategy	2016-17	2017-18	2018-19	2019-2020
IASB equivalent Standards issued in the same timeframe (within 2 months) of the release of the IFRS and in accordance with legislative drafting and registration requirements.	1	√	√	√	√
Results of Post-Implementation Reviews support issuance of Standards (and amendments thereto) based on assessing benefits and costs.	1	√ RDR, IFRS	√	√	√
Standards for not-for-profit entities in the private and public sectors are consistent with IFRS to the extent feasible, based on assessing benefits and costs in each case.	1	√	√	√	√
Financial reporting reforms recommended to policymakers. Includes working with Treasury on reforms for corporate General Purpose Financial Statements (GPFS). Subsequent work will involve policymakers responsible for non-corporate entities.	5	√	√	√	√
Changes to IASB proposals achieved on issues of key significance to Australian stakeholders and as identified by the AASB.	1 & 2	√ (70% accepted)	√	√	√
High level of stakeholder satisfaction achieved (per survey) such that the AASB has a thorough awareness of ideas and concerns of Australian stakeholders.	2, 4 & 5	√	√	√	√
Identify and evaluate other non-accounting standard setting opportunities, such as remuneration reporting.	4	√	√	√	√

SUPPORTING KPIs to achieve Strategies	To meet Strategy	2016-17	2017-18	2018-19	2019-2020
Maintain membership of the Accounting Standards Advisory Forum (ASAF).	3	√	√	√	√
Maintain leadership of AOSSG Working Groups	3	√ At least two working groups	√ At least two working groups	√ At least two working groups	√ At least two working groups

SUPPORTING KPIs to achieve Strategies	To meet Strategy	2016-17	2017-18	2018-19	2019-2020
Present papers to ASAF, IFASS and/or AOSSG	1 & 3	√ At least 2 papers	√ At least 2 papers	√ At least 2 papers	√ At least 2 papers
Meet with policymakers/regulators (incl. state treasuries) to help ensure they understand relevance and appropriateness of GPFS for entities they regulate.	5	√ At least 4 meetings	√ At least 4 meetings	√ At least 4 meetings	√ At least 4 meetings
Publish AASB research (Research Reports, Occasional Papers, Essays and staff papers) relevant to the international community to lead debate on key issues.	2, 3, 4 & 5	√ At least 2	√ At least 2	√ At least 2	√ At least 2
Engage in staff exchanges/collaborations with peer national standard-setters.	3	√ At least 1	√ At least 1	√ At least 1	√ At least 1
Conduct an agenda consultation – although ongoing, the AASB periodically seeks formal input, usually in connection with IASB agenda consultation.	2, 3 & 5			√	
Extend database of lodged financial statements for research purposes.	2 & 5	√ Re: ASIC and ACNC data			
Revise the AASB's Reduced Disclosure Requirements (Tier 2) principles.	2	√			
Revise the AASB's Transaction Neutrality policy [Process for Modifying IFRS for Not-for-profit Entities].	1 & 2	√			
Benchmark AASB transaction neutrality policy outcomes with NZ approach for adopting IFRS/IPSASs, benchmark to IPSASs, and report findings.	2	√			
Determine the need for a third tier of general purpose financial reporting.	2	√ ITC	√ Final		
Maintain Australia/New Zealand convergence in accordance with Trans-Tasman requirements for for-profit entities.	1 & 2	√	√	√	√
Maintain close relationships with IPSASB and assist in IPSASB projects.	3	√ At least 1 project	√ At least 1 project	√ At least 1 project	√ At least 1 project

SUPPORTING KPIs to achieve Strategies	To meet Strategy	2016-17	2017-18	2018-19	2019-2020
Respond to all significant IASB and IPSASB consultation documents	3	√	√	√	√
High-level stakeholder engagement, measured based on participation at roundtables, education sessions, webinars, formal/informal submissions, targeted meetings, numbers of LinkedIn, Twitter and Facebook followers, requests for presentations, publication articles, year-on-year.	4	√ At least 6 roundtables / education sessions, increases in average number of responses per key topic, increases in followers	√ At least 6 roundtables / education sessions	√ At least 6 roundtables / education sessions	√ At least 6 roundtables / education sessions
Conduct stakeholder satisfaction survey, use initial year results to obtain benchmark for performance improvement including of Board and staff.	4	√ At least 1 survey	√ At least 1 survey	√ At least 1 survey	√ At least 1 survey
Create and maintain a database for stakeholder management with a comprehensive database of contacts and related information.	4	√ Create	√ Review	√ Review	√ Review

Legend: ED = Exposure Draft for public comment; ITC = Invitation to Comment