



Project:	Other Business – Public	Meeting:	June 2019 (M171)
Topic:	Cover Memo	Agenda Item:	8.0
Contact(s):	Shachini Dassanayake sdassanayake@asb.gov.au 03 9617 7633 Helena Simkova hsimkova@asb.gov.au 03 9617 7642	Project Priority:	n/a
		Decision-Making:	n/a
		Project Status:	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 these matters. Please refer to table below for details.

OTHER BUSINESS – SUBMISSIONS

Paper No.	Title	Staff comment	Board action
8.1.1	None for the period		

OTHER BUSINESS – CORRESPONDENCE

Paper No.	Title	Staff comment	Board action
8.2.1	Letter from HoTARAC: Request to amend paragraph 41 of AASB 1049 <i>Whole of Government and General Government Sector Financial Reporting</i>	<p>Paragraph 41 of AASB 1049 requires a reconciliation of measurement differences arising from key fiscal aggregates measured based on Government Finance Statistics (GFS) and Australian Accounting Standards (AAS) to be disclosed in the whole of government consolidated financial reports.</p> <p>The Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) requests the Board to consider amending paragraph 41 of AASB 1049 to provide relief from quantifying the measurement differences between GFS and AAS for the following items:</p> <ul style="list-style-type: none"> • service concession arrangements; • lease arrangements; and • unearned revenue that were previously recognised as income on receipt prior to adopting AASB 15 <i>Revenue from contracts with Customers</i> and AASB 1058 <i>Income of Not-for-Profit entities</i>. <p>HoTARAC is of the view that quantifying the differences between GFS and AAS for these items would be onerous as governments would effectively need to maintain two sets of books in order to capture the two measurement bases. They are of the view that qualitative (narrative) disclosure that explains the main differences between the two reporting frameworks would provide better information for users of financial statements than quantitative numbers.</p> <p>Staff will analysis the issues and discuss recommendations with the Board at a later meeting.</p>	<p>No action required at this meeting.</p> <p>Staff will recommend to the Board on next steps at a later meeting</p>

Paper No.	Title	Staff comment	Board action
8.2.2	Letter from Department of Treasury and Finance in South Australia: Request for clarification on AASB 2018-8 <i>Amendments to Australian Accounting Standards – Right of Use Assets of Not for Profit Entities</i>	<p>The Board issued AASB 2018-8 in December 2018 to provide a temporary option for not-for-profit lessees to elect to measure a class (or classes) of right-of-use assets arising under concessionary leases at initial recognition either at cost or at fair value.</p> <p>Department of Treasury and Finance in South Australia is requesting the Board to clarify the meaning of ‘class (or classes) of right-of-use asset’ under AASB 2018-8.</p> <p>Staff will analysis the issues and discuss recommendations with the Board at a later meeting.</p>	<p>No action required at this meeting. Staff will recommend to the Board on next steps at a later meeting</p>

OTHER BUSINESS – OTHER

Paper No.	Title	Staff comment	Board action
8.3.1	EY Publication: <i>IFRS 15 No impact? Now prove it</i>	<p>EY has carried out a research into Australian Stock Exchange Top 100 (ASX100) companies reporting at 30 June 2018 and 30 September 2018 and the research finding indicated that for the majority of Australian companies there is no significant impact anticipated as reported in their annual reports. However, the lack of quantification is the biggest problem and question is whether those companies are able to prove there is no impact on their P&L, balance sheet, revenue disclosures, including accounting policies.</p> <p>As mentioned in the publication, anecdotally, IFRS 15 remains top of agenda for Audit Committees, who continue to look for insights and shared experience. This suggests that there is still work to be done.</p>	<p>Included for noting only. No action required.</p> <p>Staff will monitor implementation issues relating to AASB 15 to feed into the post implementation review process.</p>

Paper No.	Title	Staff comment	Board action
8.3.2	<p>The Age Article - Construction giant CIMIC targeted over \$800m profit boost</p>	<p>The article reveals that according to a scathing financial analysis by Hong Kong-based research house GMT, the Australia's largest listed construction company CIMIC has inflated its profit and hidden poor performance to boost its share price by “engineering” its accounts. The research alleges CIMIC that it has boosted pre-tax profit by up to \$800 in the past 2 years by booking revenue before the customer has been billed or the amount agreed.</p> <p>The GMT report also questioned CIMIC’s acquisition of UGL group in 2016, especially the reduction in UGL’s net asset and the increase in profit afterwards.</p>	<p>Included for noting only. No action required.</p>
8.3.3	<p>The Australian Article - ACSI report <i>Towards Better Corporate Accountability</i></p>	<p>The article talks about recent Australian Council of Superannuation Investors (ACSI) report <i>Towards Better Corporate Accountability</i> (agenda paper 8.3.3.1). This report lists tangible actions designed to strengthen corporate accountability, which ACSI will advocate for on behalf of their members and investors. There are four proposals in the report being:</p> <ol style="list-style-type: none"> 1 Introduce a binding vote on remuneration policy every three years 2 Disclose to shareholders the ratio of CEO pay to that of their Australian workers’ median, along with an explanation of how the ratio supports the company’s values, strategy and culture 3 Introduce annual elections for directors of listed companies 4 Give shareholders the right to bring resolutions to company meetings 	<p>Included for noting only. No action required at this meeting.</p> <p>Staff will monitor developments in relation to action 2 on additional disclosure of CEOs pay ratio for consideration as part of the remuneration reporting project.</p>

Paper No.	Title	Staff comment	Board action
		<p>The article (agenda paper 8.3.3.2) appreciates the above four proposals and discusses how average salaries of employees and CEOs have evolved over last 25 years.</p> <p>Staff are of the view that 1st, 3rd and 4th actions are governance related. However, action 2 requiring an additional disclosure of CEOs pay ratio could have implications to the remuneration reporting project.</p>	
8.3.4	IASB update – April 2019	<p>Staff do not consider there are any matters to raise with the IASB in relation to their decisions in their April meeting. However, the IASB is planning to issue an exposure draft (ED) of proposed amendments to IAS 1 <i>Presentation of Financial Statements</i> and IFRS Practice Statement 2 <i>Making Materiality Judgements</i> in the second half of 2019. Staff will monitor IASB’s work in this space and notify the Board when the ED is issued.</p>	Included for noting only. No action required at this meeting.
8.3.5	IASB update – May 2019	<p>Staff do not consider there are any matters to raise with the IASB in relation to their decisions in their May meeting.</p> <p>However, staff would like to highlight following decisions made by the IASB:</p> <ul style="list-style-type: none"> • The IASB decided that the consultation document for the Primary Financial Statements project should be an exposure draft (ED). • The IASB discussed the 2019 Comprehensive Review of the <i>IFRS for SMEs Standard (2019 Review)</i>. In June 2019 the IASB will begin discussions on whether and how to align the IFRS for SMEs Standard with full IFRS Standards and amendments that are not incorporated in the IFRS for SMEs Standard. Staff will monitor IASB work in this space as it is important for the AASB 	Included for noting only. No action required at this meeting.

Paper No.	Title	Staff comment	Board action
		project of developing a new Tier 2 Standard using IFRS for SMEs as base.	
8.3.6	Michael West Article - Taxman closes in on Lendlease's "magnificent" \$1 billion tax dodge	The article talks about KPMG being the auditor of Lendlease since 1958 and questioned why the auditor was not rotated. It further states that a few recent pronouncements from the Tax Office suggest that Lendlease will belatedly have to admit to the share market that its published accounts have been wrong for the last six years as Lendlease treated certain tax deductions as permanent while they seem to be just timing. The writer questions the level of independence of the auditors and commented that the failure to introduce audit rotation has fostered captive and sleepy auditors across the spectrum.	Included for noting only. No action required at this meeting.
8.3.7	There have been no IFRIC updates since the last Board meeting.		