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

Via website: www.aasb.gov.au

Dear Keith

Invitation to Comment – ITC 46 AASB Agenda Consultation 2022 -2026

CPA Australia represents the diverse interests of more than 168,000 members working in over a 100 countries and regions around the world. We thank you for the opportunity to comment on the above Invitation to Comment (ITC) and make this submission on behalf of our members and in the broader public interest.

We are pleased to provide the following two recently published CPA Australia research reports which we believe are relevant to some of the projects considered in the ITC:

- [*Annual Reports of Australian Not-for-profit Organisations: Insights from Internal and External Stakeholders*](#) - this report sets out findings from research exploring user needs of Australian not-for-profit (NFP) annual reports which could inform the direction of the ongoing *AASB Not-for-profit Entity Standard-Setting Framework project* and the potential standard-setting/research project on *Service Performance Reporting*.
- [*Digital Corporate Reporting: Global Experiences from the G20 and Implications for Policy Formulation*](#) - this report summarises a study of digital reporting practices in the G20 and selected other jurisdictions. CPA Australia is a supporter of mandated digital reporting in Australia (for listed companies) and we commissioned this study to assist the policy developments associated with introducing mandated digital reporting in Australia. The findings from this study may also assist the direction of the AASB's potential standard-setting and research projects on digital financial reporting.

In respect of the proposed standard-setting and research projects on Sustainability Reporting, we refer you to the comments provided in our [submission](#) in response to *Invitation to Comment 48: Extended External Reporting*. These comments are likely to be relevant to the projects on Sustainability Reporting proposed in this ITC.

CPA Australia conducted a member survey¹ on the proposals in the ITC to inform our responses to the questions raised on the projects under consideration for the 2022-2026 AASB work program. We have incorporated the survey feedback as part of our detailed responses to the ITC questions in the **Attachment** to this letter.

Three potential external reporting projects

The survey responses indicate strong support for the inclusion of projects on Sustainability Reporting (75%) and Digital Financial Reporting (86%) in the AASB work program for 2022-2026. Respondents indicated that Sustainability

¹ The member survey was conducted between December 2021 and January 2022 and included 56 responses.

Reporting should be given a high priority (69%), while feedback was split almost equally between high priority (46%) and medium priority (44%) for the Digital Financial Reporting project. A majority of responses (59%) supported a project on Service Performance Reporting as a medium priority (52%).

Research projects

The survey responses indicate strong support for inclusion of research projects in the work program on Intangible Assets: Recognition and Measurement (82%) and Sustainability Reporting (75%). Details of responses to other research project questions are included in the **Attachment**.

If you have any queries about this submission, contact Ram Subramanian, Senior Manager – Reporting and Audit Policy, on 03 9606 9755 or ram.subramanian@cpaaustralia.com.au.

Yours sincerely,



Dr Gary Pflugrath FCPA
Executive General Manager,
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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).

We provide the following comments in respect of the inactive projects listed in Table 2 of the ITC:

Remuneration reporting

A majority of respondents to our survey (63%) indicated that this project should be retained. We note that the AASB Staff Paper [Review of Executive Remuneration Disclosure Requirements](#) compared equivalent disclosure practices in other jurisdictions and observed that Australia's current disclosure regime is of a high standard. We concur with the observation in the Staff Paper that there could be opportunities for cutting red tape and further streamlining disclosure requirements in respect of executive remuneration.

Crowd-sourced equity funding

A majority of respondents to our survey (52%) indicated that this project should not be retained. Although this is a small majority, we have not identified other feedback to suggest that there is a need for accounting requirements or guidance to be developed by the AASB on this topic. Therefore, we recommend that the AASB removes this inactive project from its work program.

Definition of fundraising

Responses from our survey were inconclusive with 50% of respondents indicating that this project should be retained and the remaining 50% indicating that this project should not be retained. Some of the comments from those who supported retaining this project included:

- "Reporting on fundraising expenses is an important issue for NFPs"
- "A definition of fundraising that is uniform is critical"

We are aware that there is collaborative work underway involving federal, state and territory governments to reform fundraising regulation in Australia through the Council on Federal Financial Relations (CFFR). We suggest that the AASB continues to keep this project inactive whilst monitoring the progress of fundraising regulatory reform. The AASB may then recommence the project when the need arises to address the accounting for fundraising.

Long term discount rates

A majority of respondents to our survey (57%) indicated that this project should be retained.

Co-operatives and mutual entities

A majority of respondents to our survey (54%) indicated that this project should be retained.

In respect of these last two projects, given only a small majority of responses supported retention of these projects, we suggest that the AASB considers other evidence and feedback in determining whether to retain these projects.

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.

Questions 2 (a) and (c)

A majority of responses to our survey support adding all three potential external reporting projects listed in table 3 of the ITC into the AASB work program for 2022-2026. A significant majority of responses indicated that digital financial reporting and sustainability reporting should be added to the work programme (86% and 75% respectively) and should be given medium to high priority.

As indicated in our [submission](#) in response to ITC 48 we believe the AASB would be best placed to act in a caretaker capacity to address sustainability reporting and other related matters in the short term. However, in the medium to longer-term, we recommend consideration be given to mirroring the international structure adopted by the IFRS Foundation that could lead to the establishment of a separate Australian Sustainability Standards Board.

The below table summarises the survey responses on potential external reporting projects:

Projects	Percentage of respondents who supported addition of the project to the work program (%)	Priority (%)		
		Low	Medium	High
Sustainability reporting	75	2.4	28.6	69.0
Service performance reporting	59	12.1	51.5	36.1
Digital financial reporting	86	10.4	43.8	45.8

Question 2 (b)

Respondents to our survey recommended the following additional projects for consideration to be added to the work program.

- Public sector financial reporting reforms (we note this project is already an active project)
- Intangible assets
- Guidance on digital currencies (we note the AASB work program includes a current research project on digital assets)

The responses to our survey included a comment that highlights the importance of improving reporting in the public sector. They note some of the challenges associated with the current framework that has been adapted from a private sector accounting standards framework and which may not result in information that is useful to stakeholders.

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.

Questions 3(a) and (c)

A majority of responses to our survey supported adding all of the proposed seven research projects to the work program. The responses indicate a strong preference for research on Intangible Assets, Sustainability Reporting and Digital Financial Reporting.

In addition, a significant proportion of responses recommended that the Intangible Assets and Sustainability Reporting research projects should be given a high priority.

The below table summarises the survey responses on the proposed research projects:

Projects	Percentage of respondents who agreed to add the project to the work programme (%)	Priority (%)		
		Low	Medium	High
Encouraged disclosures	55	12.9	67.7	19.4
AASB 112 <i>Income Taxes</i> and tax transparency disclosures	66	5.4	56.8	37.8
Intangible assets: recognition and measurement	82	13.0	28.3	58.7
Sustainability reporting	75	4.8	23.8	71.4
Service performance reporting	55	12.9	41.9	45.2
Digital financial reporting	82	10.9	54.3	34.8
Costs and benefits analysis	59	9.1	36.4	54.5

Question 4 – Other comments

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

The responses to our survey included a comment that while digital currencies are in their infancy, their increasing popularity and acceptance into mainstream financial transactions suggests that there is a need for guidance on how such transactions should be addressed in financial reports.