



# AASB and AUASB Board Charter

August 2022



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## 1 Purpose

- 1.1 This Charter outlines the main corporate governance principles that apply to the Australian Accounting Standards Board (AASB) and the Auditing and Assurance Standards Board (AUASB) (together, the Boards).
- 1.2 The Charter will be reviewed annually by the AASB and the AUASB to ensure it remains consistent with the Boards' objectives, responsibilities and relevant standards of corporate governance.

## 2 Objectives

- 2.1 The Boards operate within a framework set out in Part 12 of the *Australian Securities and Investments Commission Act 2001* (ASIC Act). The ASIC Act sets out core objectives for accounting and auditing and assurance standard setting in Australia.
- 2.2 Under section 224 of the ASIC Act, the main objects of Part 12 are that:
  - (a) accounting standards should require the provision of financial information that:
    - (i) allows users to make and evaluate decisions about allocating scarce resources;
    - (ii) assists directors to discharge their obligations in relation to financial reporting;
    - (iii) is relevant to assessing performance, financial position, financing and investment;
    - (iv) is relevant and reliable;
    - (v) facilitates comparability;
    - (vi) is readily understandable;
  - (b) auditing and assurance standards should require the provision of information that:
    - (i) provide Australian auditors with relevant and comprehensive guidance in forming an opinion about, and reporting on, whether financial reports comply with the requirements of the *Corporations Act 2001* (Corporations Act);
    - (ii) require the preparation of auditors' reports that are reliable and readily understandable by the users of the financial reports to which they relate; and



- (c) the Australian financial reporting system should:
  - (i) facilitate the Australian economy by reducing the cost of capital and enabling Australian entities to compete effectively overseas;
  - (ii) facilitate the Australian economy by having accounting and auditing and assurance standards that are clearly stated and easy to understand;
  - (iii) maintain investor confidence in the Australian economy, including its capital markets.

### **3 Board Functions**

3.1 Under section 227 of the ASIC Act, the AASB's functions are to:

- (a) develop a conceptual framework, not having the force of an accounting standard, for the purpose of evaluating proposed accounting standards and international standards;
- (b) make accounting standards under section 334 of the Corporations Act for the purposes of the corporations legislation;
- (c) formulate accounting standards for other purposes;
- (d) participate in and contribute to the development of a single set of accounting standards for world-wide use; and
- (e) advance and promote the main objects of Part 12 of the ASIC Act.

3.2 In carrying out its functions the AASB must:

- (a) have regard to the interests of Australian corporations which raise or propose to raise capital in major international financial centres;
- (b) have regard to the suitability of a proposed standard for different types of entities;
- (c) ensure that there are appropriate accounting standards for each type of entity that must comply with accounting standards but may apply different accounting requirements to different types of entities;
- (d) in the case of domestic standards – carry out a cost/benefit analysis of the impact of a proposed accounting standard before making or formulating the standard; and
- (e) in the case of international standards – carry out a cost/benefit analysis of the impact of a proposed international accounting standard before providing comments on a draft of the standard or proposing the standard for adoption as an international standard.



- 3.3 Under section 227B of the ASIC Act, the AUASB's functions are to:
- (a) make auditing standards under section 336 of the Corporations Act for the purposes of the corporations legislation;
  - (b) formulate auditing and assurance standards for other purposes;
  - (c) formulate guidance on auditing and assurance matters;
  - (d) participate in and contribute to the development of a single set of auditing standards for world-wide use; and
  - (e) advance and promote the main objects of Part 12 of the ASIC Act.
- 3.4 Final pronouncements have legal status if required for the purposes of the Corporations Act. Other applications of accounting and auditing and assurance standards are dependent upon relevant industry regulators. The Boards do not have enforcement powers, but will consult with regulators in relation to implementation issues where appropriate.
- 3.5 The Boards perform a technical function and contribute to Board strategy. The Boards do not have supervisory powers in respect of the functions and administration of the Offices of the AASB and the AUASB, which are the responsibility of the respective Chairs (see Role of Chair below).

## **4 Accountability and Reporting**

- 4.1 The Financial Reporting Council (FRC) has a broad oversight role in relation to the accounting and auditing and assurance standards setting processes in Australia, and is responsible for giving the Minister (i.e. the Treasurer) reports and advice about those processes.
- 4.2 The FRC determines the AASB's and the AUASB's broad strategic direction and provides advice or feedback on the Boards' priorities, business plans, procedures, budgets and staffing arrangements.
- 4.3 The Boards are responsible for setting strategy in line with the FRC's broad directions. The Managing Director is responsible for preparing a corporate plan to implement the strategy and reports periodically to the Boards, the FRC and the Commonwealth on how strategy is being implemented and achieved.
- 4.4 The AASB and the AUASB maintain ongoing communication with the FRC, principally through the Board Chairs who are members of the FRC. The Chairs report on the respective activities of the Boards to meetings of the FRC and also liaise regularly with the FRC Chair and Secretariat outside of FRC meetings.
- 4.5 The FRC conducts an annual performance review of the Board against achievement of stated objectives, strategies and key performance indicators. The FRC provides feedback to Chairs regarding their performance and Chairs provide feedback to members.



- 4.6 The Boards must comply with any direction given by the Minister (on the advice of the FRC) about the role of international accounting or auditing and assurance standards in the Australian accounting or auditing and assurance standard setting system.
- 4.7 To ensure the independence of the standard-setting bodies, the FRC does not have the power to:
- (a) direct the AASB or the AUASB in relation to the development, or making, of a particular accounting or auditing or assurance standard; or
  - (b) veto a standard made, formulated or recommended by the AASB or the AUASB.

## 5 Membership

### *Composition*

- 5.1 The Boards shall comprise a maximum of 14 members each, including the Chairs. The number of members of each Board may change from time to time but must ensure the sufficient representation of the various stakeholder groups affected by their standards, including preparers, practitioners and users.

### *Role of Chair*

- 5.2 The Chairs are responsible for managing the Offices of their respective Boards. In particular, the Chair of each Board:
- (a) is responsible for approving the Board's priorities, business plans, procedures, and the Office's budgets and staffing arrangements;
  - (b) may employ such staff as the Chair thinks necessary to assist the Office in the performance of its functions and the exercise of its powers;
  - (c) must determine, in writing, a Code of Conduct applicable to the Chair and staff employed by the Chair;
  - (d) may engage consultants to perform services for the Office in connection with the performance of the Office's functions; and
  - (e) may seek legal advice in accordance with the Legal Service Directions 2017, where clarification is required as to the Board's mandate or regarding the potential legislative impacts of standards.

The Chairs have agreed to run the Offices for their respective Boards as one office supporting both Boards wherever possible, and have delegated administrative responsibilities to the Managing Director to the maximum extent possible.

- 5.3 The Chairs of the Boards consult with the FRC prior to taking action that is inconsistent with advice the FRC has given. Where FRC advice is not followed, the



Chair must make a written record of the reasons for not following the advice and give a copy of the advice and reasons to the FRC and the Minister. A copy of the advice and reasons must also be included in the annual report prepared by the Chair under section 46 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

- 5.4 The Chairs are not subject to direction by the Boards in relation to the Chairs' performance of functions, or exercise of powers, under the PGPA Act or the *Public Service Act 1999* in relation to the Offices of the Boards.

#### *Remuneration*

- 5.5 Board members are paid remuneration and allowances in accordance with the AASB and AUASB Policy on Board Member Remuneration, which is developed in compliance with guidance issued by the Commonwealth Remuneration Tribunal.

#### *Appointment*

- 5.6 The Chair of each Board is appointed by the Minister and the other members are appointed by the FRC.
- 5.7 The Chairs will identify a Deputy Chair for consideration by the respective Board. Appointment as Deputy Chair requires approval by a majority of Board members.
- 5.8 To be eligible for appointment, a person must have appropriate knowledge of, or experience in, business, accounting, auditing or assurance, law, government, or sustainability. Appointments to the respective Boards are aimed at achieving balance between members with private sector and public sector expertise, and will generally include representatives from industry, academia and professional practice.
- 5.9 The Minister determines the term of appointment for the Chairs, and the FRC determines the term of appointment for other Board members. The term of appointment must not exceed 5 years and members are eligible for reappointment. Terms of appointment are scheduled to avoid significant numbers of new members starting together.

#### *Acting appointments*

- 5.10 The Minister may appoint a person to act as Chair of either Board during a vacancy in the office of Chair of that Board, or during any period when the Chair is absent from duty or from Australia, or is for any reason unable to perform the duties of the office.
- 5.11 The AASB and the AUASB may appoint one of their members to act as Deputy Chair, where the Deputy Chair of that Board is unavailable, under the same conditions as that applied by the Minister in respect of the Chairs.

#### *Leave of absence*

- 5.12 A request for a formal leave of absence is distinct from an apology. An apology is when a member is unable to attend a **meeting** and notifies the Chair, Managing Director or Technical Director as soon as possible before the meeting. The apology



will be recorded in the minutes. A leave of absence relates to an extended period of time where the member is not available to participate in Board meetings.

- 5.13 The Minister has the power to grant a Board member with a leave of absence. The Chair may request that the Minister consider a request to grant a leave of absence. The request should be in writing and identify the circumstances in support of the request.
- 5.14 The FRC may appoint a person to act as a member of either Board (other than the Chair) when a member is not available, or has been granted a leave of absence by the Minister. Any appointment will be made under the same conditions as that applied by the Minister in respect of the Chairs. The FRC has resolved such appointments may be made when a member is unable to attend two consecutive meetings.
- 5.15 Where a Board Member has missed two consecutive meetings without recording an apology or being granted a formal leave of absence, the Chair of that Board may notify the Chair of the FRC and request that the FRC appoint a person to act as a Board member. The decision to appoint a person to act as a Board member is the responsibility of the FRC.
- 5.16 Board Members of the AASB and the AUASB are personal appointments and the use of alternate Members is not permitted.

#### *Resignation*

- 5.17 The Chair of either Board may resign their appointment by giving a written resignation to the Minister. Other members may resign by giving a written resignation to the Chair of the FRC.

#### *Termination*

- 5.18 The Minister may terminate the appointment of the Chair of either Board for misbehaviour, physical or mental incapacity, or breach of the terms and conditions of their appointment.
- 5.19 The Minister must terminate the appointment of the Chair of either Board if the Chair becomes bankrupt, applies to take the benefit of any law for the relief of bankrupt or insolvent debtors, compounds with their creditors, makes an assignment of their remuneration or property for the benefit of their creditors, or breaches their confidentiality obligations under section 237 of the ASIC Act.
- 5.20 The termination of other Board members is dealt with by the FRC, using the same criteria as that applied by the Minister in respect of the Chairs.

## **6 Meeting Procedures**

- 6.1 The AASB and the AUASB have adopted the following operating procedures to ensure the efficient and effective fulfilment of their functions, as permitted by the ASIC Act.





- 6.2 The Boards must take into account any advice or feedback provided by the FRC about their procedures.

#### *Meetings*

- 6.3 Meetings will be held as frequently as necessary in order for the Boards to discharge their responsibilities. A schedule of meetings is arranged annually and publicly communicated. Additional meetings may be arranged upon the agreement of the majority of members of the relevant Board.
- 6.4 Members may attend a meeting in person or by teleconference, videoconference or other similar means.
- 6.5 A quorum at any meeting shall be a majority of members of the relevant Board.
- 6.6 Meetings will be chaired by the relevant Chair or, where the Chair is absent, by the Deputy Chair. Where both the Chair and the Deputy Chair are absent, the members present shall elect one of their number to chair the meeting.
- 6.7 All discussions at Board meetings pertaining to technical accounting or auditing or assurance matters are open to the public.
- 6.8 Minutes will be prepared for all Board meetings to record attendance and all key decisions of the Boards. The minutes are circulated to members after the meeting and subject to approval at or prior to the next Board meeting. Minutes are then made publicly available on the relevant Board's website.
- 6.9 The agenda and supporting staff technical papers for AASB or AUASB meetings are provided to members on a timely basis and the meeting agenda and non-confidential agenda papers are placed on the relevant Board's website.
- 6.10 The Chair of the respective Board may declare part of the meeting to be "confidential" or "in camera". Minutes will reflect that part of the meeting was held "in camera", however no details of that part of the meeting will be made public, subject to paragraph 6.12.
- 6.11 Separate minutes of the "in camera" section of the meeting must be made and retained for the required record-retention period.
- 6.12 Where a matter that relates to technical accounting, auditing or assurance issues is discussed "in camera", the Chair will as soon as practicable after the opening of the meeting to the public, summarise the discussion and outline any decisions made during the "in camera" session. This summary, including any decisions made, will be recorded in the public Minutes.

#### *Observers*

- 6.13 Representatives of various organisations with an interest in the setting of accounting and / or auditing and assurance standards may be invited (or have standing invitations) to attend AASB or AUASB meetings as official observers. Such individuals may, at



the Chair's discretion, also be invited to address the Board on specific matters. Attendance of official observers is recorded in the minutes.

- 6.14 The general public are also able to attend all public sessions of the meetings. Attendance of general public observers is recorded, but not referred to in the minutes. Attendance can be by facilitated by electronic means.
- 6.15 No observers at Board meetings have voting rights.

#### *Voting*

- 6.16 When voting on pronouncements as described in paragraphs 6.18 and 6.19 below, each member, including the Chair, has one vote which can be exercised only by the appointed member.
- 6.17 Members shall vote according to their own beliefs, experience and judgment, and in the public interest – not according to the views of any firm, organisation or constituency with which they are associated.
- 6.18 ***For the AASB only*** – The affirmative vote of at least two-thirds of all AASB members (not just members present) is required to issue a Standard, Interpretation, or other mandatory pronouncements. Further details regarding pronouncements of the AASB can be found in the *AASB Due Process Framework for Setting Standards*.
- 6.19 ***For the AUASB only*** – The affirmative vote of at least two-thirds of all AUASB members (not just members present) is required to issue an Exposure Draft, Standard or Guidance Statement. Further details regarding pronouncements of the AUASB can be found in the [\*AUASB Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications\*](#).
- 6.20 All other decisions relating to the issuing of other Board pronouncements require a simple majority of those in attendance at the meeting, or of the members when voting out of session. The Boards may delegate decisions that require a simple majority vote to the Chairs.
- 6.21 A member not attending a meeting cannot vote on a matter voted on at that meeting.
- 6.22 Voting for the approval of pronouncements may be through out-of-session voting, by providing ballot papers to all Board members. Members must be advised of the results of such out-of-session voting no later than the next Board meeting.
- 6.23 All votes taken in meetings shall be documented in the minutes. The minutes shall constitute proper evidence of the decisions of the relevant Board.

## **7 Advisory Committees**

- 7.1 The Boards have power to establish and disestablish committees, advisory panels and consultative groups as they deem necessary in carrying out their responsibilities. The Boards cannot delegate decision-making authority and, therefore, may create such groups with a mandate only to provide advice.



- 7.2 Staff provide support to advisory committees. The convening Board shall adopt terms of reference setting out matters relevant to the authority, functions, duration, membership, operations and responsibilities of advisory committees, and other matters that the Board may consider appropriate. Relevant advice from advisory committees shall be summarised and provided to its convening Board.
- 7.3 The performance of standing advisory committees shall be reviewed regularly by the Boards.

## 8 Conduct of Members

### *Conflicts of interest*

- 8.1 All direct or indirect pecuniary interests that conflict or could conflict with the proper performance of a Board member's functions must be disclosed in writing to the Chair of the relevant Board (or the Minister, if the member is the Chair).
- 8.2 A Board member who has a direct or indirect pecuniary interest in a matter that is being considered, or is about to be considered, by the AASB or the AUASB must disclose the nature and extent of the interest at a meeting of the relevant Board.
- 8.3 The disclosure must be made as soon as possible after the relevant facts have come to the member's knowledge and must be recorded in the minutes of the meeting. Where possible, such conflicts should be discussed in advance with the Chair.
- 8.4 Unless the Chair (or the Minister, if the member is the Chair) otherwise determines, the member:
- (a) must not be present during any deliberation by the Board on the matter; and
  - (b) must not take part in any decision of the Board on the matter.

### *Other general obligations of Board members*

- 8.5 Board members are subject to the general duties of officials set out in Part 2-2, Division 3 of the PGPA Act. Accordingly, Board members:
- (a) must exercise their powers, perform their functions and discharge their duties with the degree of care and diligence that a reasonable person would exercise if they occupied the same position as the Board member;
  - (b) must exercise their powers, perform their functions and discharge their duties honestly, in good faith and for a proper purpose;
  - (c) must not improperly use their position to gain an advantage for themselves or someone else, or cause detriment to the Board, the Commonwealth or another person;



- (d) must not improperly use information obtained in their capacity as a Board member to gain an advantage for themselves or someone else, or cause detriment to the Board, the Commonwealth or another person; and
- (e) must disclose at each meeting, and any time when the issues arise, details of any material personal interests that relate to the affairs of the relevant Board.

8.6 Board members must comply with the *AASB and AUASB Code of Conduct*.

#### *Confidentiality*

- 8.7 The Boards must take all reasonable measures to protect from unauthorised use or disclosure information given to them in confidence and matters and information that are considered and discussed by the Boards in confidence (other than matters and information considered and discussed during open sessions in public meetings).
- 8.8 It is expected that from time to time, members may seek counsel from individuals within their organisations on technical issues that are to be considered at Board meetings. Whilst permitted, this does not diminish a member's obligations not to disclose matters and information that are regarded by the relevant Board as being of a confidential nature.

#### *Representing the Board*

- 8.9 Only the Chairs are authorised to speak publicly on behalf of their respective Board. However, the Chairs may authorise another member or staff to speak publicly on behalf of the Board.
- 8.10 Where a member speaks publicly and their status as a Board member is promoted, but the member has not been authorised by the Chair to express views of the Board (for example, at external functions), the member must make clear that views expressed are their own personal views.

## **9 Due Process**

- 9.1 The Boards adopt a rigorous due process to maintain appropriate transparency when developing or adopting standards and other pronouncements and encourage constituents to participate actively in the standard-setting process. Extensive formal and informal consultation is conducted by the Boards and due process procedures have been put in place to ensure compliance with all Commonwealth regulatory requirements.
- 9.2 The due process and consultation activities adopted by the AASB and the AUASB, respectively, are documented in the *AASB Due Process Framework for Setting Standards* and the [\*AUASB Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications\*](#).



## Appendix – Legislation References

The following table outlines the legislative basis relating to each paragraph within the Board Charter (where applicable). The references below refer to Part 12 of the *Australian Securities and Investments Commission Act 2001* unless otherwise stated.

Paragraph	Legislation Reference	Paragraph	Legislation Reference
1.1	n/a	5.12	s236A(4) & s236E(4)
1.2	s236A(4) & s236E(4)	5.13	s236BA(5) & s236FA(5)
2.1	Part 12	5.14-5.15	s236D(3) & s236H(3)
2.2	s224	5.16	s236A(4) & s236E(4)
3.1	s227(1)	5.17	s236C(1) & s236G(1)
3.2	s227(2), s229(2) & s231	5.18	s236C(3) & s236G(3)
3.3	s227B(1)	5.19	s236C(4) & s236G(4)
3.4	s334 & s336 Corporations Act <sup>1</sup>	5.20	s236C(5)-(7) & s236G(5)-(7)
3.5	s235H & s236DF	6.1	s236A(4) & s236E(4)
4.1	s225(1)	6.2	s236AA & s236EA
4.2	s225(2)	6.3-6.5	s236A(4) & s236E(4)
4.3	s232 & s234C	6.6	s236A(1) & s236E(1)
4.4	n/a	6.7	s236A(2) & s236E(2)
4.5	n/a	6.8-6.23	s236A(4) & s236E(4)
4.6	s233 & s234D	7.1	s227(3) & s227B(2)
4.7	s225(5)-(8)	7.2-7.3	s236A(4) & s236E(4)
5.1	n/a	8.1	s236DA(1) & s236J(1)
5.2	s235D, s235E, s235F, s236DB, s236DC & s236DD	8.2	s236DA(2) & s236J(2)
5.3	s235D(3) & s236DB(3)	8.3	s236DA(3)-(4) & s236J(3)-(4)
5.4	s235H & s236DF	8.4	s236DA(5) & s236J(5)
5.5	s236BA & s236FA	8.5	Part 2-2, Division 3 PGPA Act <sup>2</sup>
5.6	s236B(1)-(2) & s236F(1)-(2)	8.6	s236A(4) & s236E(4)
5.7	s236B(2), s236A(4), s236F(3), & s236E(4)	8.7	s237
5.8	s236B(3) & s236F(4)	8.8-8.10	s236A(4) & s236E(4)
5.9	s236B(5) & s236F(6)-(7)	9.1	s236A(4) & s236E(4)
5.10	s236D(1) & s236H(1)	9.2	n/a
5.11	s236D(2) & s236H(2)		

1 *Corporations Act 2001.*

2 *Public Governance, Performance and Accountability Act 2013.*