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Ref: KLB

17 March 2026

Dr. Keith Kendall  
Chair  
Australian Accounting Standards Board  
Level 14, 530 Collins Street  
Melbourne VIC 3000  
Via email: [standard@aaasb.gov.au](mailto:standard@aaasb.gov.au)

Dear Dr Kendall

#### **SUBMISSION – INVITATION TO COMMENT 57 AASB 2027-2031 AGENDA CONSULTATION**

We appreciate the opportunity to provide comment to the Australian Accounting Standards Board (the AASB) on AASB Invitation to Comment 57 AASB 2027 – 2031 Agenda Consultation (ITC57).

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ITC57 asks for views, based on the current AASB Work Plan, on the following:

1. Which projects do you think we should continue prioritizing?
2. Are there any projects currently on our Work Plan that you believe should be discontinued?
3. Are there any projects or ideas that are currently not on our Work Plan that you believe we should begin exploring?



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We agree with the need to continue to prioritise the following matters:

- Review of AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* project. However, this priority should be focused around the incorporation of presentation matters introduced by AASB 18 *Presentation of Financial Statements* to bring about consistency with Tier 1 reporters rather than the introduction of international amendments to IFRS for SMEs.
- The introduction of a Tier 3 financial reporting framework for NFP private sector entities in order to assist with the transition from special purpose to general purpose financial statements for those NFPs required to prepare financial statements in accordance Accounting Standards or Australian Accounting Standards for legislative purposes.

In the area of NFP private sector entities, we do consider there are some projects that are not on the AASB Work Plan that do cause constant frustration in the sector, as follows:

1. Accounting guidance to be provided in the area of a merger of NFP entities

NFPs every so often undertake a merger with another NFP for which there is no consideration. While AASB 3 *Business Combinations* does contain special exemptions from the acquisition method for mutual entities, it is not clear whether this may be applied by analogy to a NFP entity. Practice is varied, in that some apply this exemption, recognising the net assets/liabilities of the smaller entity as an equity movement, while others take the adjustment to the profit or loss. There is no consistent approach for determining exactly what circumstances should exist before applying the mutual entity exemption.

2. Application of AASB 1058 and AASB 15 to NFP entities

Consistent with our submission on the post-implementation review of Income of Not-for-Profit Entities, we indicated that AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for Profit Entities* is confusing for NFP preparers and practitioners, open to significant judgement and as a result comparability is lacking between NFP entities. We also indicated that any substantial changes in the short-term would not be supported as it has taken some time for preparers and auditors to determine a way forward in interpreting grant funding agreements in this area. However, we do see a potential for a longer-term project to explore this further, in light of last year's issue of the world's first internationally applicable financial reporting standard for Non-Profit Organisations.

3. Accounting guidance to be provided in the area of sale and leaseback accounting for NFP entities where the payments for the lease are not at market rates.

Sale and leaseback transactions take place in the NFP sector as well as the for-profit sector. A recent (and common example) we have seen in the school's area is where a school owns land and sells this (to a related organisation) and then leases it back. However, the lease back terms are always below market terms and usually extend over a long term (40 years plus). Applying paragraphs 101 to 102 in AASB 16 *Leases* is particularly difficult, since it was written for the for-profit sector where any potential adjustment measured using 102(a) or 102(b) would be of a similar value. This is not necessarily the case with these types of long-term lease arrangements which in the school's area have lease payment amounts restricted through legislation. We believe this area should be researched and explored to provide clarity going forward to NFP private sector entities undertaking such transactions.

Relating to points 1. and 3. identified above, these are ongoing matters requiring more guidance, rather than fundamental changes to the standard, and therefore a medium-term priority may be suitable. Relating to the second point identified above, this is more likely a longer-term project which looks at the International Non-Profit Accounting Standard (not just revenue and income which would include donations, but other NFP specific areas such as narrative reporting, impairment, volunteers, etc.) and the applicability of those standards/guidance (or components of those standards/guidance) in the Australian market.

Please contact either myself or Kerry Hicks, Director – Technical Standards (02 9228 2272 or [kerry.hicks@pitcher.com.au](mailto:kerry.hicks@pitcher.com.au)), in relation to any of the matters outlined in this submission.

Yours sincerely  
PITCHER PARTNERS



K L Byrne  
Partner



K Hicks  
Director – Technical Standards





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23 March 2026

To the members of the Board

We appreciate the invitation to comment on the AASB 2027–2031 Agenda Consultation. We have considered the work plan and its structure and provided our commentary only for areas where we have specific feedback.

Generally, we concur with the Board's proposed work plan.

## Response

Priority	Project	Comment
High	AASB 18 application by the following entities preparing Tier 1 GPFS: <ul style="list-style-type: none"> <li>• NFP private sector entities</li> <li>• NFP public sector entities</li> <li>• Superannuation entities</li> </ul>	<p>We concur that this project is of high importance. Decisions made will impact the comparability of financial reports of NFP and FP of entities, and, conversely, may result in material cost to the NFP sector.</p> <p>In the context of the proposed Tier 3 GPFS, we believe there is potential for greater divergence in reporting frameworks between NFP and FP entities that may have an unintended consequence on the efficiency of the reporting and assurance industries as a whole, potentially materially increasing cost of service.</p>
High	Not-For-Profit Private Sector Financial Reporting Framework	<p>The introduction of a Tier 3 reporting framework will address a significant number of industry- and Australia-specific issues, in particular relating to the identified complexities of financial reporting for smaller NFP entities.</p> <p>It will, however, run the risk of creating 'two tiers' of reporting and assurance professionals, with increased potential for error as individuals transition between frameworks.</p>
High	AASB S2: Implementation support and awareness-raising	<p>We concur that this project is of high importance. We are supportive of the broad range of implementation support avenues that the AASB is currently undertaking.</p>

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Priority	Project	Comment
Medium	AASB S2: Proportionality	<p>Noting that the Board has marked this project as a medium priority, we note that there is currently no Project Summary available for this project.</p> <p>The stated Project objectives are to “Review AASB S2 implementation by Group 3 entities under amended Corporations Act and (if needed) explore potential responses”, which implies that the project will occur after implementation by Group 3 entities (year ending 30 June 2028).</p> <p>We are conscious that a PIR of the legislation is also scheduled to occur over a similar timeframe and the two reviews will, to a certain extent, likely overlap in objective and purpose.</p> <p>To improve clarity for potentially affected stakeholders in Group 3, we recommend that the Board consider clarifying the scope and timing of the project, noting that the next stated milestone for the project is a Project plan (timing TBC).</p> <p>We note the potential lack of clarity may, if not addressed in a timely manner, increase the risk of either incurring material cost for preparers, or disincentivise timely preparation by stakeholders that consider they may be affected by potential outcomes of the project.</p>
Medium	Service Performance Reporting (SPR)	<p>Primarily, we understand this project to have at its root a lack of comparability in the information provided by entities as it relates to such disclosures that are currently made.</p> <p>Notwithstanding this, we recommend that the Board consider whether the forecast resource demands to complete the project are consistent with the benefits expected to be achieved, in particular given that this is Australia-specific and will likely be voluntary in nature.</p>
Medium	AASB S2: Industry-based information	<p>Based on the ISSB’s recent confirmation of their approach to their <i>Enhancing the SASB Standards</i> project, and the feedback provided to the ISSB in relation to their targeted amendments to nine of the 77 total SASB industries, we are concerned by:</p> <ul style="list-style-type: none"> <li>• The anticipated timeline for the completion of the <i>Enhancing the SASB Standards</i> project at the ISSB level; and</li> <li>• The potential difficulties of engaging domestic stakeholders in the SASB ED process in its current form (for the AASB staff).</li> </ul> <p>The Board may wish to reconsider the priority of the SASB Standards within the phasing of the current project scope, which is likely to take a significant length of time and resources.</p>

## Conclusion

Grant Thornton appreciates the opportunity to provide feedback to the Board on the AASB 2027–2031 Agenda Consultation. We look forward to continuing to engage with the AASB on these matters in the future.

Yours sincerely

Grant Thornton Audit Pty Ltd

Owen Carew  
Partner - Financial Reporting Advisory

Samantha Sing Key  
Partner - Sustainability Reporting Advisory



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Dr Keith Kendall  
Chair  
Australian Accounting Standards Board  
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Our ref Submission - ITC 57  
Contact Heng, Kim (+61 2 9455 9120)

24 March 2026

Dear Dr Kendall,

### **Invitation to Comment (ITC) 57 - AASB 2027–2031 Agenda Consultation**

KPMG Australia (KPMG) is pleased to have the opportunity to respond to *ITC 57 AASB 2027–2031 Agenda Consultation*.

We support the AASB's objective to prioritise projects that improve the usefulness of information for users while reducing preparer cost and complexity and maintaining relevance, practicality and international alignment in financial and sustainability reporting.

Overall, we support the AASB's active projects and the planned completion of high-priority items by mid-2026. In light of resource constraints, in the 2027-2031 period, we encourage the Board to continue focusing its efforts on projects with the greatest expected benefit for Australian preparers and users.

We recognise that given Australia's alignment with IFRS Accounting and Sustainability Standards, the AASB will continue its engagement with the International Accounting Standards Board (IASB) and International Sustainability Standards Board (ISSB) to help shape the development of international accounting and sustainability standards so they remain appropriate for the Australian reporting context. We consider this to be the highest priority in the AASB's work plan and resource allocation.

Further, we suggest the AASB explore emerging and crosscutting topics such as audit fee disclosure transparency, the transition to digital financial reporting, the implications of AI for external reporting, and the continued relevance of Australian specific additions and legacy domestic Standards and Interpretations.

Although not specifically addressed in this ITC we acknowledge the Australian Government's recent developments regarding the consolidation of standard setting bodies including the AASB. Our responses to this ITC assumes that the AASB's functions will continue under the new framework in some form, for both accounting and sustainability standards. We emphasise the importance of focusing on the existing and continuing Work Plan of the AASB as the integration of the standard setters occurs.

Detailed responses to the questions in this ITC are provided in the appendix to this letter.



We would be pleased to discuss our comments with members of the AASB or its staff. If you wish to do so, please contact Julie Locke on (02) 6248 1190, or myself on (02) 9455 9120.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Kim Heng', written in a cursive style.

**Kim Heng**  
Partner  
KPMG Australia

## Appendix

### **Which projects do you think we should continue prioritising?**

We understand the high priority projects on the AASB's Work Plan are scheduled for completion by mid-2026 and are supportive of this timeline.

In the forward-looking 2027-2031 period, we recommend the AASB continue to prioritise the high and medium priority projects particularly post-implementation reviews with significant preparer or user impacts. We also support targeted implementation support for climate-related disclosures. As sustainability reporting remains a major challenge for the reporting community ongoing implementation support should remain a key focus of the AASB's Work Plan.

#### ***International Accounting Standards Board (IASB) monitoring and support***

Given Australia's alignment with IFRS Accounting and Sustainability Standards, the AASB's continued engagement with the IASB and ISSB to help shape the development of international accounting and sustainability standards so they remain appropriate for the Australian reporting context is critical to Australia maintaining its relevance in global capital markets.

We support the Board's *Monitoring projects* as outlined in the AASB Work Plan.

### **Are there any projects currently on our Work Plan that you believe should be discontinued?**

We recommend the Board consider if there are any lower yield projects where international work is still emerging or duplicative, or where domestic benefits do not justify the effort.

The AASB has been working on the service performance reporting project since 2015 having gone through exposure draft, consultations and research phases, yet still the project remains ongoing. We understand the AASB discussed insights from targeted outreach during the November 2025 AASB meeting and whether the project remains fit for purpose.

This project has been ongoing for some time without clear stakeholder consensus, and there appears to be a strong divergence of views between the public and private not-for-profit sectors. Given public sector entities have long prepared service performance information the relevance of this project remains unclear. Considering increasing external reporting demands and the AASB's limited resources, we recommend reassessing the continuation of this project based on a cost-benefit analysis.

### **Are there any projects or ideas that are not currently on our Work Plan that you believe we should begin exploring?**

The following topics which are currently not on the AASB Work Plan should be considered.

### ***Audit fee disclosures***

Assess whether greater transparency is required regarding disclosure of audit and non-audit service fees required by AASB 1054 *Australian Additional Disclosures* and AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

Changes in auditor independence obligations relating to acceptable engagements and related fee levels, and the commencement of mandatory sustainability assurance requirements, raise questions about whether the existing disclosures remain fit for purpose. Non-authoritative sources encourage entities to disclose assurance fees separately from non-assurance fees and to further distinguish between regulatory assurance services and other assurance services. We encourage the Board to explore the disclosure requirements, in particular for Tier 1 reporting entities, as enhanced audit fee disclosures would strengthen transparency, consistency and comparability.

### ***Digital financial reporting***

There is increasing momentum toward mandating digital financial reporting in Australia, aligned with broader government initiatives including those linked to the Productivity Commission. We acknowledge that digital reporting does not necessarily sit within the AASB's direct remit, however, the AASB is perceived to have an influence or role in any mandatory application of digital reporting relating to both financial and sustainability reporting in Australia. We recommend the AASB advocate to regulators for the mandating of digital financial reporting. Further, as the standard-setting body we recommend that the AASB develop and consider a formal work plan to support the implementation of mandatory digital financial reporting. This should include consideration of whether ASIC's IFRS AU Taxonomy will be incorporated into Australian Accounting Standards and clarification of responsibility for its ongoing maintenance including updates for new standards.

### ***Artificial Intelligence (AI) in external reporting***

We recommend the AASB undertake a research project to assess the impact of AI on financial reporting including implications for automation. This should include a conceptual assessment of how IFRS-based standards apply to AI-related assets, valuation methods, risks and business models and identify any areas requiring clarification or referral to the IASB. More broadly, the AASB should monitor and analyse the impact of AI on financial reporting practices and consider how AI may enhance the accessibility and usability of its standards and guidance.



Thursday, 26 March 2026

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

Online submission: <https://aasb.gov.au/current-projects/open-for-comment/submit-comment-letter>

Dear Keith

### **Invitation to Comment 57: AASB Agenda Consultation 2027–2031**

Chartered Accountants Australia and New Zealand (CA ANZ) welcomes the opportunity to respond to the Australian Accounting Standards Board's (AASB) Invitation to Comment 57: Agenda Consultation 2027–2031 ("the ITC"). We support the AASB's initiative to review its work program for 2027 and beyond, to better understand stakeholders' greatest needs and how these can be addressed. We make this submission on behalf of our members and in the public interest.

Our members are key AASB stakeholders who utilise the work of the AASB daily and so, in formulating our response, we have actively engaged with them through roundtables and regular local forums. We also engaged with them through the [2025 Chartered Accountants IFRS Survey](#), canvassing more than 348 Chartered Accountants working across practice, corporate, education, government and the not-for-profit (NFP) sectors.

We also note that the proposals currently before Parliament to create External Reporting Australia (ERA) will alter the responsibilities of the AASB, devolving the creation of sustainability standards to a new board. However, regardless of how the responsibilities are allocated, it will remain vital that the priorities of the ERA and the allocation of its resources remain focused on the timely development and maintenance of comprehensive, principles-based sets of high-quality financial reporting and sustainability reporting standards for the Australian market.

In achieving this objective, it is essential that the new boards remain mindful of their important obligations as international standard adopters. Their 2027-2031 work programmes will need sufficient flexibility to ensure they can actively engage with both the IASB and ISSB on projects that are driven by international timelines to ensure our domestic perspectives are effectively fed into any new international requirements we will be required to adopt. We note that the IASB and ISSB are due to complete a joint agenda consultation in 2027 and

therefore expect that the outcomes of this will impact on priorities and resource allocation for the domestic boards in the 2027-2031 period.

It is also critical for our stakeholders that the new boards can complete their existing projects in a timely manner before commencing new projects. To this end, it is important to recognise that “completion” of a project does not necessarily end with the release of a standard but includes the need for staff resources to support the ongoing implementation and production of essential educational materials once these standards are issued, particularly if the standards are Australian specific.

### **Project priorities – Accounting Standards**

We recommend that the following key projects be prioritised by the board charged with developing accounting standards, with sufficient resources allocated to ensure their timely completion and successful implementation.

- AASB 18 alignment for Tier 2, NFP private sector, and NFP public sector entities
- AASB financial reporting framework reform project, particularly:
  - NFP private sector financial reporting framework reform (Stage 2) involving issue of the Tier 3 accounting standard and implementation work with regulators and other stakeholders
  - Public sector financial reporting framework reform (Stage 3)

The consideration of other new projects arising from this consultation should occur only after these priorities, as well as our vital obligations to the development of the international standards referred to above, have been addressed.

### **Project priorities – Sustainability Standards**

We recommend that the current AASB project addressing sustainability reporting implementation and support (Group 1, 2 and 3 implementation) remains a high priority for the board charged with developing sustainability standards. A particular focus of this project needs to be to ensure that the implementation support needed for Group 3 entities to meet their reporting obligations is available in a timely manner.

Further, we recommend the elevation of the project on AASB S2: Proportionality to a high priority. We understand that the Board has not yet determined whether a different tier of reporting is needed within the mandatory disclosure regime. However, we consider it critical that this determination occurs late in 2026 to ensure sufficient time for an appropriate response, if required, prior to the commencement of reporting for Group 3 entities.

### **Conclusion**

Appendix A contains our responses to the specific questions raised in the ITC, distinguishing between accounting and sustainability standards projects in line with the planned ERA proposals referred to above. Appendix B provides more information about CA ANZ. Should you have any questions about the matters raised in this submission or wish to discuss them

further, please contact Amir Ghandar at [Amir.Ghandar@charteredaccountantsanz.com](mailto:Amir.Ghandar@charteredaccountantsanz.com) for financial reporting projects or Karen McWilliams at [Karen.McWilliams@charteredaccountantsanz.com](mailto:Karen.McWilliams@charteredaccountantsanz.com) for sustainability reporting projects.

Sincerely

**Amir Ghandar FCA**  
Reporting and Assurance Leader

**Karen McWilliams FCA**  
Sustainability Leader

# Appendix A

## Responses to consultation questions

### 1. Which projects do you think we should continue prioritising?

#### Accounting Standards

AASB Project	Existing Priority	Comments
AASB Agenda Consultation 2027–2031	High	We strongly support the AASB Agenda Consultation project as it is critical to aligning standard setting priorities with stakeholder needs, international developments and implementation capacity. Given the scale of current and forthcoming reforms, the project is essential to ensuring confidence, consistency and relevance in Australian financial and sustainability reporting.
PIR of AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities and AASB 2020-2 Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities	High	We support the AASB's efforts to bed down the framework reform project in the for-profit sector and promptly address the issues raised by the recently concluded PIR of AASB 1060 and AASB 2020-2, including dealing with the challenges posed by the IASB's release of IFRS 18, IFRS 19 and the 3 <sup>rd</sup> edition of the IFRS for SMEs Accounting Standard. We also support the February 2026 <a href="#">board decision</a> to fast track the AASB 18 update of AASB 1060 while continuing to work on the remaining feedback to this project.
Review of AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities	High	Given the significance of a simplified disclosure regime to the reporting cost-benefit equation for Tier 2 entities, we support the review of AASB 1060. In our <a href="#">recent submission to AASB ITC 56</a> we encouraged the AASB to issue an Exposure Draft aligning the presentation

		requirements of AASB 18 and AASB 1060 as soon as possible.
<p>AASB 18 application by the following entities preparing Tier 1 GPFS:</p> <ul style="list-style-type: none"> <li>▪ NFP private sector entities</li> <li>▪ NFP public sector entities</li> <li>▪ Superannuation entities</li> </ul>	High	The significant changes being introduced for Tier 1 entities by AASB 18 need a considered but proportionate response for Tier 2 and potential Tier 3 entities in the private, public and NFP sectors. We recognise that this work is already underway for Tier 1 entities and support expediting exposure drafts with proposals for Tier 2 entities to ensure timely consistent adoption of these reforms.
<p>Not-For-Profit Private Sector Financial Reporting Framework Reform</p> <p>Conceptual Framework: Not-for-Profit Amendments</p>	High	The removal of special purpose reporting and the implementation of a Tier 3 accounting standard is a critical improvement to the quality of reporting in Australia. However, the release of the standard and the supporting conceptual framework revisions in 2026 will then require active engagement by the AASB with both regulators and preparers as the standard moves into implementation phase. Educational materials and other support resources will be essential, as will significant engagement with all key regulators to ensure the impact of the new standard on regulated populations is clearly identified and communicated in a timely manner.
<p>PIR of AASB 16 Leases: NFP and Public Sector Entities</p>	High	We support the AASB conducting a PIR into the application of IFRS 16 in the NFP and public sectors. Our <a href="#">2025 IFRS Survey</a> (page 39) identified dealing with issues raised in the PIR of IFRS 16 as a high priority for 21% of our respondents and a medium priority for a further 47%. Our <a href="#">response to the IASB PIR IFRS 16 Leases</a> reveals that there is significant concern

		amongst stakeholders about the cost/benefit of applying IFRS 16.
PIR of AASB 1059 Service Concession Arrangements: Grantors	Medium	We are aware of concerns in the public sector about the application of this standard and support the AASB's decision to conduct a PIR to resolve them.
Intangible Assets	Low	It is important that when the IASB commences work on the planned revision of IAS 38 Intangible Assets that the AASB has the capacity to allocate resources to ensure that it can actively support the IASB in its work on this project by providing the Australian domestic perspective. Our <a href="#">2025 IFRS survey</a> (page 39) identified the updating of IAS 38 to address cryptocurrencies and related transactions as a high priority for 39% of respondents and a medium priority for a further 38%.
Statement of Cash Flows and Related Matters	Low	Cash flows did not appear as an issue of concern on our <a href="#">2025 IFRS Survey</a> . However, resources will need to be allocated to allow participation in the new IASB <a href="#">standard setting project</a> on this topic that was approved in January 2026.
Monitoring IASB Projects	Monitor/comment	Active monitoring of major IASB projects is important given their subsequent application and adequate resources need to be allocated to ensure this occurs and stakeholders are provided with sufficient time and information to be able to provide an Australian perspective to the board.
Monitoring IPSASB Projects	Monitor/comment	The growing international alignment of both IPSAS <sup>®</sup> Accounting Standards with IFRS Accounting Standards and IPSASB SRS <sup>™</sup> Standards with IFRS Sustainability Disclosure Standards, and the resultant improvements in public sector reporting globally will be an important source of

information as the AASB progresses its NFP public sector financial reporting framework reform project referred to in our response to Question 3.

### Sustainability Standards

AASB Project	Existing Priority	Comments
AASB S2: Implementation Support and Awareness Raising	High	We support the ongoing work of the AASB to develop and support the implementation of the new sustainability reporting standards and produce education and other material. Our <a href="#">2025 IFRS Survey</a> (page 39) identified this as a high priority for 34% of our respondents and a medium priority for a further 31%. It will also be important to ensure that learnings from Group 1 implementation are communicated to both Group 2 and 3 stakeholders, and to the ISSB, as part of the refinement process for S2 and to inform the post-implementation review of the legislation.
AASB S2: Proportionality	Medium	We believe the priority of this project needs to be elevated to “high”. We understand that the AASB has not yet determined whether a different tier of climate-related disclosures is needed within the mandatory reporting regime. However, we consider it critical that this determination occurs before the end of 2026 to ensure sufficient time for an appropriate response, if required, prior to the commencement of reporting for Group 3 entities.
AASB S2: Industry-based Information	Medium	Treasury have indicated that industry metrics will be considered by 2030. This project will provide input into the ISSB project on enhancing the SASB Standards and inform related domestic considerations.

ISSB: Nature-related Disclosures	Monitor	The ISSB have moved this project from the research phase to the standard setting phase. We consider the priority for this should be elevated accordingly to ensure appropriate engagement from Australian stakeholders. We also understand that there is some uncertainty as to the AASB's remit to consider standard setting beyond climate, which we recommend be resolved as a matter of urgency.
Monitoring ISSB Projects	Monitor/ Comment	Active monitoring of major ISSB projects is important given their subsequent application and to ensure that the Australian perspective on any reforms is adequately considered.
Climate-related Financial Disclosure Requirements for NFP Public Sector Entities	Low	There is a need to address climate-related financial disclosures in NFP public sector entities. However, we believe this could be addressed in collaboration as part of the wider Not-For-Profit Public Sector Financial Reporting Framework Reform project (see our response to Question 3 below) and through the AASB S2 Proportionality project above rather than as a standalone project.

## 2. Are there any projects currently on our Work Plan that you believe should be discontinued?

### Accounting Standards

AASB Project	Existing Priority	Comments
Service Performance Reporting (SPR)	Medium	Our stakeholders recognise that non-financial information is important for accountability and decision making, as well as telling the story of how value is created by the entity and there is a need for a consistent standard for such reporting. However, we are concerned that the AASB does not have a legislated mandate to introduce a standard on this topic. Therefore, imposing costs on the NFP sector

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without a supporting government policy decision is inappropriate.

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**3. Are there any projects or ideas that are not currently on our Work Plan that you believe we should begin exploring?**

**Accounting Standards**

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Proposed Project	Proposed Priority	Comments
Going Concern Disclosures	High	<p>There remains a significant need for the disparity between the accounting standard and auditing standards relating to going concern disclosures (detailed below) to be removed. Our <a href="#">2025 IFRS Survey (page 39)</a> identified this as a high priority for 45% of our respondents and a medium priority for a further 42%.</p> <p>While this project would preferably be an international one (see our <a href="#">submission to the IASB's Third Agenda Consultation</a>), the demonstrated lack of interest by the IASB is such that we believe the AASB should address this issue itself. This would be consistent with the NZASB approach, which has added such disclosure requirements to FRS-44 New Zealand Additional Disclosures, and so would promote trans-Tasman harmonisation.</p> <p>Our concerns relate to <a href="#">paragraph 19</a> of extant ASA 570 Going Concern, which remain in <a href="#">paragraph 33</a> of ASA 570 (Revised), coming into force in December 2026. They prescribe financial statement disclosure requirements when a material uncertainty exists. However, preparers are not required to comply with auditing standards which puts auditors in an untenable position.</p>
Audit Fee Disclosures	High	<p>There is a need to improve the transparency of the disclosure of audit and non-audit fees. Comparison with overseas jurisdictions shows</p>

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		<p>Australia currently requires disclosure of a relatively low level of disaggregation of auditor remuneration by type of allowed service. For example, New Zealand requires fees for ‘non-audit’ services to be disaggregated into four categories in FRS-44 New Zealand Additional Disclosures. Without clarity on what ‘non-audit’ services fees relate to, auditor independence can be perceived to be threatened. The Final Report of the Parliamentary Joint Committee on Corporations and Financial Services on the Regulation of Auditing in Australia, Recommendation 3, was to introduce defined categories and associated fee disclosure requirements in relation to audit and non-audit services by the end of the 2020–21 financial year.</p>
Public Sector Financial Reporting Framework Reform	High	<p>IPSAS developments in dealing with IFRS 16 and 18, along with challenges arising from the current Tier 2 framework, continue to make this project essential. It will be important to monitor progress of the IPSASB’s work as its alignment with IFRS Accounting Standards continues to improve.</p>
For-Profit Financial Reporting Framework Reform – Tier 3 For-Profit Standard	Medium	<p>Our members continue to express concerns that the full recognition and measurement requirements of IFRS Accounting Standards are inappropriate for many smaller for-profit entities who are required to report in accordance with accounting standards. As noted in our <a href="#">submission to AASB ED 335</a>, the work done to develop the Tier 3 NFP standard could be used to develop a simplified standard that results in a general purpose financial report for smaller for-profit entities.</p>
Review of Aus Paragraphs and Aus Specific Standards for Ongoing Relevance	Medium	<p>Reviewing whether Australia-specific additions to international standards are still relevant is important to ensuring our standards are easily</p>

understandable, internationally aligned but not unnecessarily complex.

### Sustainability Standards

Proposed Project	Proposed Priority	Comments
Roadmap to Broader Sustainability Reporting	Medium	When introducing mandatory climate-related disclosures, Government's messaging clearly indicated climate first, not climate only. Whilst we appreciate this is a matter for Government, we encourage the AASB to share the feedback received during this consultation which indicates market demand for a clearer roadmap for broader sustainability reporting. We also understand that there is some uncertainty as to the AASB's remit to consider standard setting beyond climate, which we recommend be resolved as a matter of urgency.
Connectivity between Sustainability Reporting and Financial Reporting	Medium	Part of the rationale for the IFRS Foundation establishing the ISSB was to facilitate connectivity between sustainability reporting and financial reporting. We encourage the AASB to engage with the ISSB and IASB to advocate for prioritisation of a joint project to provide guidance and implementation support on how and when disclosures between sustainability reporting and financial reporting should be connected.
A Conceptual Framework of Principles to Support Sustainability Reporting	Medium	There is a need for an overarching conceptual framework as other sustainability topics that are material are brought into the reporting regime. Our preference is for a conceptual framework for sustainability reporting to be integrated into the conceptual framework for financial reporting. This would help organisations understand their dependencies and impacts on natural, social, and human capital, leading to more holistic, value-driven decisions that benefit society, nature, and the

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economy. We encourage the AASB to engage with the IASB and the ISSB to prioritise this project.

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# Appendix B

## About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand (CA ANZ) represents more than 140,000 financial professionals, supporting them to build value and make a difference to the businesses, organisations and communities in which they work and live.

Around the world, Chartered Accountants are known for their integrity, financial skills, adaptability and the rigour of their professional education and training.

CA ANZ promotes the Chartered Accountant (CA) designation and high ethical standards, delivers world-class services and life-long education to members and advocates for the public good. We protect the reputation of the designation by ensuring members continue to comply with a code of ethics, backed by a robust discipline process. We also monitor Chartered Accountants who offer services directly to the public.

Our flagship CA Program, the pathway to becoming a Chartered Accountant, combines rigorous education with practical experience. Ongoing professional development helps members shape business decisions and remain relevant in a changing world.

We actively engage with governments, regulators and standard-setters on behalf of members and the profession to advocate in the public interest. Our thought leadership promotes prosperity in Australia and New Zealand.

Our support of the profession extends to affiliations with international accounting organisations.

We are a member of the International Federation of Accountants and are connected globally through Chartered Accountants Worldwide and the Global Accounting Alliance. Chartered Accountants Worldwide brings together members of 13 chartered accounting institutes to create a community of more than 1.8 million Chartered Accountants and students in more than 190 countries. CA ANZ is a founding member of the Global Accounting Alliance which is made up of 10 leading accounting bodies that together promote quality services, share information and collaborate on important international issues.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents more than 870,000 current and next generation accounting professionals across 179 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications.

24 March 2026

Mr Keith Kendall  
Chair  
Australian Accounting Standards Board  
Podium Level 14, 530 Collins Street  
Melbourne Vic 3000

Dear Keith

**Response to ITC 57: AASB 2027-2031 Agenda Consultation**

We welcome the AASB's 2027–2031 Agenda Consultation and appreciate the opportunity to contribute to the Board's deliberations.

Our views build on, and are informed by, our November 2025 submission to Treasury's consultation on its Treasury Laws Amendment Bill 2025: Financial Reporting System Reform (the 'Bill') (Link: [Positioning Australia's financial reporting system for the future - draft legislation - Positioning Australia's financial reporting system for the future – draft legislation - Consult hub](#)). We have not included detailed cross-references to that earlier submission, although the analysis here draws extensively on its evidence and arguments.

Following this covering letter is an Executive Summary of our submission, with key points on:

- The intangibles reporting gap
- Australian corporate reporting has become more fragmented and less integrated
- Need for an overarching Conceptual Framework for Corporate Reporting
- Integration is always better than fragmentation - and artificial intelligence can be a catalyst
- Treasury Laws Amendment (Financial Reporting System Reform) Bill 2026 – **A Unique Opportunity**

The Executive Summary is supported by four appendices:

1. Our key recommendations, using the AASB's Keep / Stop / Start approach
2. The Intangibles-Driven Economy – Closing the Gap - A Systemic Challenge
3. Learning from Leading Jurisdictions – Integrated Reporting Success Stories
4. Management Commentary Practice Statement – Why Australia Should Pursue a Different Path

Our submission identifies which projects we believe should be kept, stopped, and started, with brief context and recommendations for each in Appendix 1. The submission also offers comments on three cross-cutting areas of relevance to the AASB and more broadly, to reform within the Australian Financial Reporting System and ERA:

- strengthening alignment between the AASB's agenda and the core objectives of the Australian Financial Reporting System described in section 224 of the ASIC Act (the Act),



- proposed research priorities to position the AASB for success within the forthcoming External Reporting Australia (ERA) environment, and
- the need for an accountability and performance framework for the AASB.

Thank you for the opportunity to make this submission. For any clarification of the contents therein, please contact: Michael Bray, [m.bray@deakin.edu.au](mailto:m.bray@deakin.edu.au), 0404 257 226.

Yours sincerely

Michael Bray  
Executive Director  
Deakin Business Value Creation Centre

cc:

Mr Andrew Mills, Chair – Financial Reporting Council

Mr Doug Niven, Chair – Australian Auditing and Assurance Standards Board

Mr Kim Demarte, Director - Financial Reporting System Reform Unit, market Conduct Division, Treasury



## Executive Summary

Australia's Financial Reporting System has been well served for over 20 years by a strong focus on high-quality, internationally aligned accounting standards. That focus remains necessary, but it is no longer sufficient, because the way value is created in the economy has changed and, with it, the information investors and other stakeholders require.

### The Intangibles Reporting Gap

Today, over 90% of the market value of major listed companies in the USA<sup>1</sup> is attributable to intangibles and other non-balance-sheet drivers of long-term value, as evidenced by the Nvidia case study and Ocean Tomo research (refer Appendix 2 and [Ocean Tomo Releases 2025 Intangible Asset Market Value Study Results - Ocean Tomo](#)).

Current accounting standards built on the Conceptual Framework for Financial Reporting focus on monies spent rather than value created and therefore cannot, by design, fully explain most intangible value, even if further refined. This results in a growing 'intangibles reporting gap' between what drives enterprise value and what is captured in financial statements. The gap leaves investors to seek information necessary for making decisions, which may not be accurate, or rely on assumption and extrapolation, to close the reporting gap and judge the extent to which the organisation in question is positioned strategically and exposed to market sentiment relative to its peers and competitors for capital.

### Australian corporate reporting has become more fragmented and less integrated

At the same time, Australian corporate reporting has become more fragmented and less integrated. Investors must navigate multiple overlapping reports – financial statements, directors' reports, operating and financial reviews (supported by ASIC's RG 247), now mandatory sustainability reports and other narrative disclosures – without any clearly designated primary report for investors that integrates disclosures about governance, strategy, risk, the business model (particularly the importance of intangibles)+-/ and in that context, the organisation's performance and prospects.

The introduction of mandatory sustainability disclosure standards and resulting stand-alone sustainability report has added yet another report and potential duplication of information, rather than driving genuine integration. International sustainability standards such as IFRS S1 and S2 and their Australian equivalents, AASB S1 and S2, will provide important, decision-useful information on specific sustainability-related risks and opportunities, but they can only address part of the intangibles reporting gap and do not have an underlying conceptual framework for sustainability which is comparable with the Conceptual Framework for Financial Reporting. We need an overarching Conceptual Framework for Corporate Reporting.

### Need for an overarching Conceptual Framework for Corporate Reporting

Without an underlying conceptual framework for all corporate reporting, Australia will fall short of fully realising the objectives in section 224 of the ASIC Act – including promoting efficient, effective and internationally competitive capital markets, reducing the cost of capital and enhancing the accountability of entities to investors and the broader community. The importance of public accountability has been further highlighted with explicit recognition of a broader range of stakeholders for the first time in the Bill.

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<sup>1</sup> The equivalent percentage for the ASX is estimated to be around 60-70%



Integration is always better than fragmentation - and artificial intelligence can be a catalyst

Our overriding philosophy is set out as follows. We believe this philosophy could be captured in the establishment of ERA:

**Integration is always better than fragmentation - and artificial intelligence can now be the catalyst for achieving it.**

In today's intangibles-driven economy where a broad range of stakeholders are interested in, the business and depend on credible, connected information about business performance and prospects, value is increasingly shaped by knowledge, innovation, relationships, and reputation - assets that rarely appear on the balance sheet but determine long-term success.

If fragmentation prevails - across systems, reporting regimes, and policy frameworks - that fragmentation hides value, weakens accountability, and limits productivity.

The way forward is clear: **adopting integrated reporting** as the unifying framework that connects business, financial, sustainability, and performance information; and connects different types of sustainability information from old and new approaches. Integrated reporting is not just a reform in disclosure - it's what drives **integrated thinking** inside organisations, aligning purpose, strategy, processes and outcomes. Supported by AI, it transforms data into insight and reporting into decision-useful intelligence.

**Integrated thinking and integrated reporting go hand in hand** - and together, they directly support the objectives of Australia's financial reporting system under section 224 of the ASIC Act: enhancing productivity, strengthening confidence in capital markets, and improving international competitiveness.

In short, if fragmentation drains momentum, adopting integrated reporting - powered by responsible use of AI - for augmenting the integrated reporting process which creates the integrated report as an outcome - creates coherence, foresight, and a clear national advantage in an economy where intangibles now define real value.

Treasury Laws Amendment (Financial Reporting System Reform) Bill 2026 – A Unique Opportunity

The Bill creates a unique opportunity to modernise the Financial Reporting System architecture through External Reporting Australia (ERA). Seizing this opportunity requires acknowledgement that:

- The AASB has made, and continues to make, a vital contribution through high-quality accounting standards, but it cannot lead the closure of the intangibles reporting gap while it is constrained by the existing Conceptual Framework for Financial Reporting. This framework requires that standards focus on better accounting and disclosure for money spent on intangibles rather than communicating value created from investments in intangibles.

The existing International Integrated Reporting Framework (IRF) already establishes a Conceptual Framework for Corporate Reporting grounded on integrated thinking. The application of the IRF is ideally suited to *unlocking* previously latent intrinsic value of intangibles through integrated thinking, and *revealing* that value to investors and other stakeholders in an independently assured integrated report.



Such an approach is suited to the simultaneous pursuit of *all* objectives of the Australian Financial Reporting System as set out in section 224 of the Act and the basis for establishing the role of ERA as set out in section 225 of the Act.

- The new Sustainability Reporting Standards Board will appropriately focus on a broader range of stakeholders as now recognised in the Bill, but it too cannot, in isolation, resolve questions about the primary report for investors, the necessary focus on intangibles and cross-cutting conceptual foundations of corporate reporting.
- No single standards board can, within its current remit, design and steward a coherent, integrated corporate reporting system that meets all of section 224's objectives in a digital and AI-enabled economy.

### Recommendations

We recommended to Treasury in November 2025 that ERA include, from Day One, an External Reporting Board (ERB), established by ministerial direction as contemplated in the Bill, with a mandate to:

- close the intangibles reporting gap by focusing on information about value created by investments in intangibles and other long-term value drivers, rather than trying to address intangibles through accounting recognition alone.

This will require research of the type recommended in our November 2025 submission to Treasury, and is likely to be closely connected to our recommendation on a Conceptual Framework for Corporate Reporting, one focus of which is likely to be value created by investments in intangibles.

- Informed by such research, develop and maintain a **Conceptual Framework for Corporate Reporting** that applies across accounting, auditing and assurance, and sustainability standards and other guidance, and that places intangibles and integrated thinking (including the multiple capitals) at its centre.
- designate an identifiable flagship **integrated report**<sup>2</sup> as the primary report for investors (and of interest to other stakeholders), supported by logical, technology-enabled linkages – including digital and AI-based navigation – to the broader portfolio of corporate reports.

This permanent ERB would not duplicate the work of the Accounting Standards Board or the Sustainability Reporting Standards Board. Instead, it would provide the cross-cutting conceptual, structural and integration backbone that individual standards boards cannot provide on their own, while remaining firmly anchored in the legislated objectives of section 224 and the functions of ERA under section 225 as set out in the Bill.

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<sup>2</sup> This will require urgent work in the short term to address the increased fragmentation with the introduction of the Sustainability Report at the same time as listed entities are still preparing Operating and Financial Reviews under ASIC guidance. The global trend as reported by IFAC is a move from standalone sustainability reports, with investor-material sustainability information being disclosed in integrated and annual reports ([The State of Play: Sustainability Disclosure and Assurance | IFAC](#) – refer page 9 in particular). Australia could start by preparing sustainability reports in accordance with the IRF and having ASIC repeal RG 247 or update it to guidance on preparing sustainability reports in accordance with the IRF.



ERA will need to work closely with the Productivity Commission, ideally through the ERB, given the productivity objectives captured in section 224 of the ASIC Act and the adverse productivity implications of the current lack of integration in, and volume, cost and complexity of reporting, along with the unexploited digital reporting and AI opportunities available to Australian organisations.

The Bill already gives External Reporting Australia the power to develop cross-cutting conceptual frameworks and to establish standard-setting boards of any specified name, so a fourth board titled External Reporting Board with a mandate over intangibles, the Conceptual Framework for Corporate Reporting and the primary report for investors can be created by determination under sections 225A and 230 of the Act without any further legislative change.

Within this architecture:

- the Accounting Standards Board would focus on its core strength – developing high-quality, internationally aligned accounting standards, derived from the Conceptual Framework for Financial Reporting, and guided by the ERB’s Conceptual Framework for Corporate Reporting.
- the Sustainability Reporting Standards Board would develop sustainability-related disclosure standards to meet the needs of investors and the broader range of stakeholders recognised in the draft ERA legislation, again within the ERB’s overarching Conceptual Framework for Corporate Reporting and primary report design.
- the ERB would act as custodian of section 224’s system-wide objectives, ensuring that Australia’s reporting architecture can adapt as intangibles, technology and stakeholder expectations evolve over time.

Our submission responds to the AASB’s 2027–2031 Agenda Consultation through the KEEP / STOP / START framework and sets out:

- specific agenda recommendations for the AASB in its transition to an ERA Accounting Standards Board
- proposed high-priority research projects for the ERA, through the ERB, on: the Conceptual Framework for Corporate Reporting; integrated reporting to deliver the primary report for investors, and the intangibles reporting gap. All projects are designed to equip ERA – and particularly the ERB – to succeed, and to which the AASAB can contribute and benefit from.
- an accountability and performance framework that aligns the AASB’s work program with the objectives of section 224 and the new ERA structure.

We ask the AASB to support Treasury and the Government in establishing the ERB as a permanent feature of the contemporary Australian Financial Reporting System. Doing so will position Australia to lead globally in integrated reporting, unlock currently latent productivity and competitiveness benefits from intangible value creation, and provide investors with a clear, integrated report that is fit for purpose of facilitating precision in investor capital allocation decision-making. The ERB would need to be equipped with the knowledge, skills and experience to achieve its objectives. While there will be some overlaps, the knowledge, skills and experience required by the ERB will be different to those of ERA’s Accounting Standards Board.



### **Why an ERB fits comfortably within the Bill**

The Bill deliberately takes the Australian Financial Reporting System beyond a standards-centric architecture by:

- retaining and sharpening the system-wide objectives in section 224, including cost of capital, capital markets, international competitiveness and the needs of a broader range of stakeholders, not just as a by-product of standards but as freestanding objectives that ERA must pursue.
- giving ERA express functions that extend beyond developing accounting, auditing / assurance and sustainability standards, including developing non-binding conceptual frameworks, formulating guidance and “other kinds of standards and guidance materials” (for example, relating to intangibles and the naming and positioning of the primary report for investors) to support markets, investors, businesses, consumers and other participants in the Australian economy and community.

Section 225A(1)(d) of the Act makes it clear that conceptual frameworks are a statutory function of ERA, “not having the force of standards”, and are to be used to evaluate standards across all three streams. Nothing in the Bill requires this work to be done by the ERA Governing Council itself or by any particular board; it simply vests the function in ERA as an entity. The Explanatory Memorandum (EM) for the Bill explicitly notes that conceptual frameworks are administrative, non-legislative instruments intended to support broader evaluative, strategic and interpretive roles, and not just the technical drafting of standards.

### **Why a board called ‘External Reporting Board’ is legally possible**

The Bill defines a “standard-setting board” functionally and by how it is established, not by its title:

- ‘Standard-setting board’ means a standard-setting board of ERA established under section 230 of the Act,
- Section 230 allows the ERA Governing Council, by legislative instrument, to determine “that a standard-setting board of a specified name is established”, the kinds of standards it is responsible for, and any additional functions and powers (including conceptual frameworks) that it is authorised to perform.

There is no naming convention in the Act that requires “External Reporting *Standards* Board” or similar wording. So long as the establishing determination:

- identifies the External Reporting Board as a standard-setting board of ERA for the purposes of section 230,
- allocates to it the cross-cutting conceptual framework function in relation to all categories of standards and related guidance, intangibles and fragmentation (using section 225A(1)(d), (1)(c) and 225A(1)(i)),
- and, if desired, relies on the Minister’s power to confer ‘additional functions’ under section 225A(1)(i) to reinforce that cross-cutting mandate, ...

... the title ‘External Reporting Board’ would be fully consistent with the Act and with the EM’s policy intent of flexibility and future-proofing.



Importantly, the 'standard-setting board' label in the Act does not require every board to formulate its own standards. Section 230B makes clear that a board can be authorised to perform *any* of ERA's functions for specified kinds of standards, including 'developing conceptual frameworks', and to exercise only those powers needed to support those functions. That allows one board's primary remit to be conceptual frameworks and system design, while the Accounting, Sustainability Reporting and Auditing & Assurance Standards Boards focus on drafting and revising specific standards.



## Appendix 1 - Our Key Recommendations

Assuming the ERA Bill is enacted, the AASB will transition to become the Accounting Standards Board within ERA, and its AASB S2 responsibilities will move to the proposed Sustainability Reporting Standards Board. This transition leaves several critical questions unresolved, including:

- which ERA board will be responsible for conceptual frameworks for corporate reporting
- where responsibility for the existing, and clearly inadequate, Conceptual Framework for Financial Reporting, will sit in an intangibles-driven economy
- which body will set standards and / or guidance on integrated reporting and intangibles
- who will determine the name, content and underlying conceptual framework for the primary investor report (integrated report, sustainability report, OFR or other)
- how to address sustainability-related risks and opportunities beyond AASB S1 / S2, most of which relate directly to intangibles.

Our recommendations assume that the AASB will take a proactive role in exploring and shaping answers to these questions, rather than allowing them to be resolved by default or left ambiguous.

### KEEP

We recommend the AASB continue and sharpen the following projects:

- Conceptual Framework Not-for-Profit Amendments – retain as high priority within the future Accounting Standards Board.
- Service Performance Reporting (SPR) – retain and elevate, aligning explicitly with an outcomes-focused, integrated reporting perspective.
- IASB Intangible Assets project – upgrade from passive monitoring to active engagement with the IASB, bringing Australian evidence and integrated reporting experience to the international debate.
- ISSB Biodiversity and Human Capital projects – continue monitoring ISSB progress, treating these as core ‘capitals’ issues within a broader value-creation lens.
- AASB S2 implementation support – maintain as a high-priority transition project, with a planned handover to the Sustainability Reporting Standards Board once ERA is established.

### STOP

We recommend the AASB consciously stop or not commence the following projects (with one exception, intangibles), which is the main focus of this submission:

- Australian adoption of the IASB’s Revised Management Commentary Practice Statement, which lacks a coherent corporate reporting framework, is poorly aligned with Australian law and governance practice, and would increase reporting fragmentation. Refer Appendix 4.
- lower-priority technical projects, which should be paused or deferred to free capacity for contributing to strategically critical work on ERA transition, **intangibles**, integrated reporting and a Conceptual Framework for Corporate Reporting.



In relation to intangibles and as set out in this submission, we recommend that a value creation-focused intangibles project be one of the priority projects of ERA, with the ERB taking the lead and the AASB contributing.

## START

### Simplifying Australia's Reporting Landscape

Over two decades, corporate reporting in Australia has evolved into an overloaded, fragmented, and costly system that obscures rather than illuminates what matters to investors. The proliferation of uncoordinated reporting requirements has created duplication, inconsistency, confusion, and unnecessary expense. The problems are compounded as no single body has ever had overall responsibility for the design of the external reporting system.

- **Origins:** Section 299A of the *Corporations Act* introduced requirements for directors' reports to discuss company strategy and prospects — a valuable step toward transparent accountability.
- **Regulatory Gap:** With no coherent framework for narrative reporting beyond generally worded *Corporations Act* requirements, ASIC - not a standard setter or report design body - stepped in by recommending *Operating and Financial Reviews (OFRs)* through RG 247. OFRs worked well initially but RG 247 never advanced from guidance to mandate and pre-dated the focus on intangibles.
- **Layer upon Layer:** Over time, remuneration reports, ASX corporate governance statements, and now sustainability reports were added. Each emerged from legitimate individual aims, but collectively, they have produced a sprawling and inefficient reporting landscape.
- **Duplication, Inconsistency, and Cost:** Significant overlaps now exist between OFRs and sustainability reports, remuneration disclosures, governance statements. Information is repeated, contradicted, or scattered across separate sections in different reports, driving unnecessary compliance cost and consuming board, management, and assurance resources — all without clear value to investors.
- **Structural Paradox:** Despite popular belief, there is **no legislative requirement for an "annual report"** under the *Corporations Act*. Yet companies routinely produce massive volumes of material under that label, combining six or more separate reports from different authorities, none harmonised by purpose or audience.
- **Global Picture:** Similar fragmentation exists elsewhere — Japan's *Yuho*, the U.S. *MD&A*, and Europe's *Management Report* each differ in approach, leaving investors with patchwork information and little comparability. This produces unnecessary work for:
  - Australian investors and analysts (and indeed investors and analysts in all jurisdictions) who must understand and interpret the reports of the various jurisdictions in which they or the Australian companies in which they invest; and
  - companies who raise money in international markets using different reports for largely the same but no identical content.
- **The Root Cause:** This is not a standards or accounting issue but one of *system governance*. It requires expertise in investor needs, materiality, and intangible value creation - capabilities beyond traditional accounting rulemaking.



- **The Way Forward:** AASB to support the establishment of an **External Reporting Board (ERB)** as a new, independent body to coordinate and rationalise Australia’s external reporting system. Its purpose: to remove duplication, reduce cost, and restore relevance and clarity for investors. The end goal would be a coherent Integrated Report, or in the short term, a Sustainability Report prepared in accordance with the IRF, a single, investor-focused report connecting performance, purpose, and value creation.

We recommend the AASB participate in the following new, strategically significant projects for handing over to the ERB on ERA inception:

- Conceptual Framework for Corporate Reporting Project (high priority) – to address the inadequacy of the existing Conceptual Framework for Financial Reporting in relation to intangibles and multi-report coordination, and to advise which ERA board (ideally the ERB) should own this broader framework.
- Integrated Reporting Research and Guidance Project (high priority) – to develop practical Australian guidance grounded in the IRF and integrated thinking and to provide the foundation for an ERB or other appropriate ERA body.
- Intangibles Reporting Gap Research Project (high priority) – to analyse and quantify the Australian intangibles gap, identify investor information needs and inform the allocation of responsibilities across ERA boards.
- ERA Transition Strategy Project (high priority) – to prepare the AASB for its role as the Accounting Standards Board within ERA and to clarify inter-board responsibilities for conceptual frameworks, intangibles, integrated reporting and primary investor reports.
- International Best Practice Study (new) – to examine integrated reporting (including independent assurance) and integrated thinking implementation in Japan, Brazil, India, Turkey, Malaysia and South Africa, and to distil lessons for the ERA context.
- Primary Investor Report Research Project (medium–high priority) – to determine empirically which report functions *in practice* as the primary investor report, and what this implies for ERA board responsibilities and assurance.

These recommendations are designed to:

- strengthen alignment with the section 224 ASIC Act objectives of productivity, international competitiveness and well-functioning capital markets
- support the AASB’s strategic focus on international alignment and stakeholder engagement
- advance the AASB’s mission to meet user needs and enhance external reporting consistency and quality, and
- respond to the AASB’s emphasis on balancing usefulness with cost and complexity, by reducing fragmentation and focusing effort where it delivers the most value.

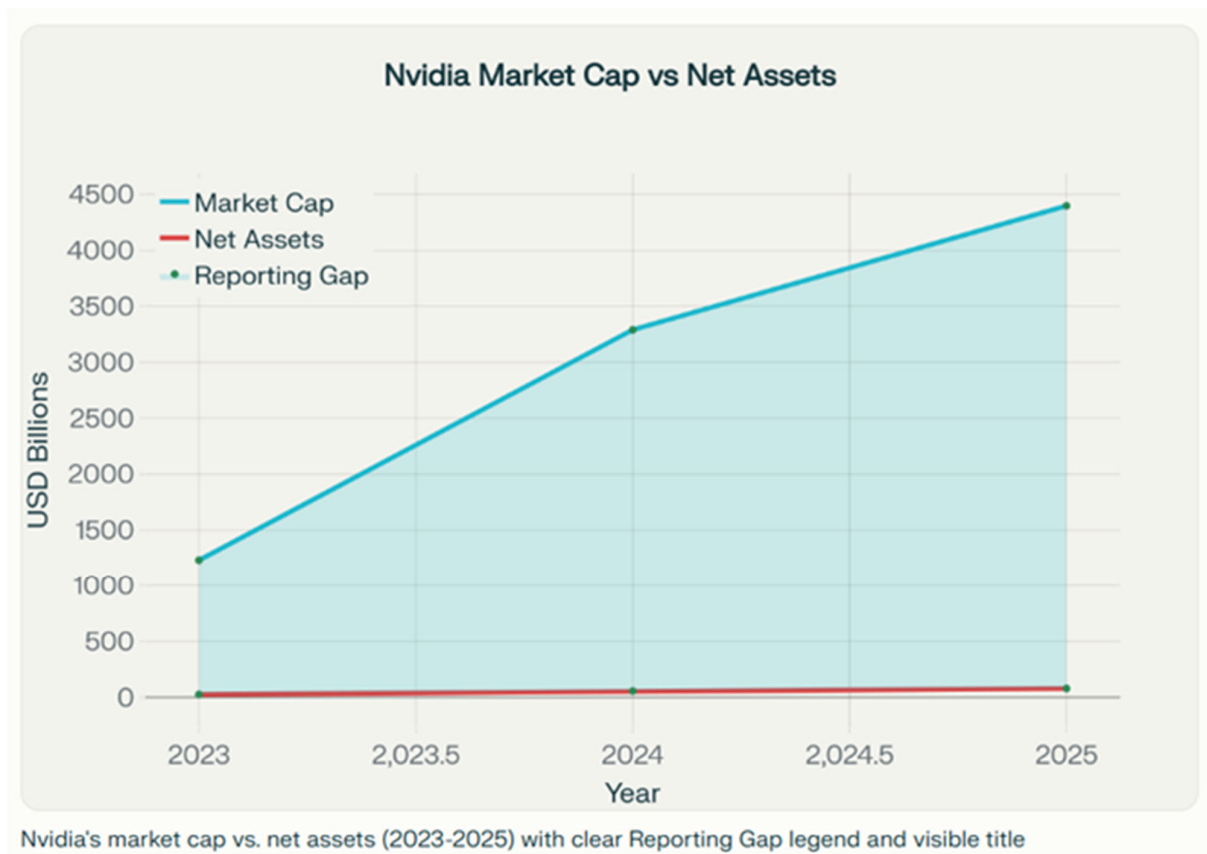


## Appendix 2: The Intangibles-Driven Economy – Closing the Gap - A Systemic Challenge

We live in an economy in which intangible assets dominate value creation. Traditional financial reporting frameworks, built for a tangible asset world, no longer provide investors with the information needed to assess enterprise value - that is, the net present value of future cash flows. This disconnect between market value and reported net assets has become one of the defining challenges for standard-setters and policy-makers.

### The Nvidia Case Study

Nvidia exemplifies the scale and nature of the reporting gap confronting modern economies. As illustrated in the Deakin Submission to Treasury (Figure 1), Nvidia’s market capitalisation increased from US \$1.2 trillion in 2023 to more than US \$5 trillion in 2025, exceeding the combined capitalisation of all ASX-listed entities. Over the same period, its audited net assets - verified by a Big 4 audit firm - rose from just US \$26 billion to US \$79 billion:



About 95 per cent of Nvidia’s market value is reflected in intangibles not captured in audited financial statements (the largely flat line at the bottom of the above Nvidia diagram), leaving a difference between book and market value of roughly US \$3 trillion unaccounted for - easily surpassing the entire Australian economy at almost twice Australia’s projected 2025 GDP (US \$1.9 trillion). Market pricing may respond to



sentiment or speculation about AI business models, but the scale of this gap underscores a structural limitation in financial reporting, rather than a transient valuation anomaly.

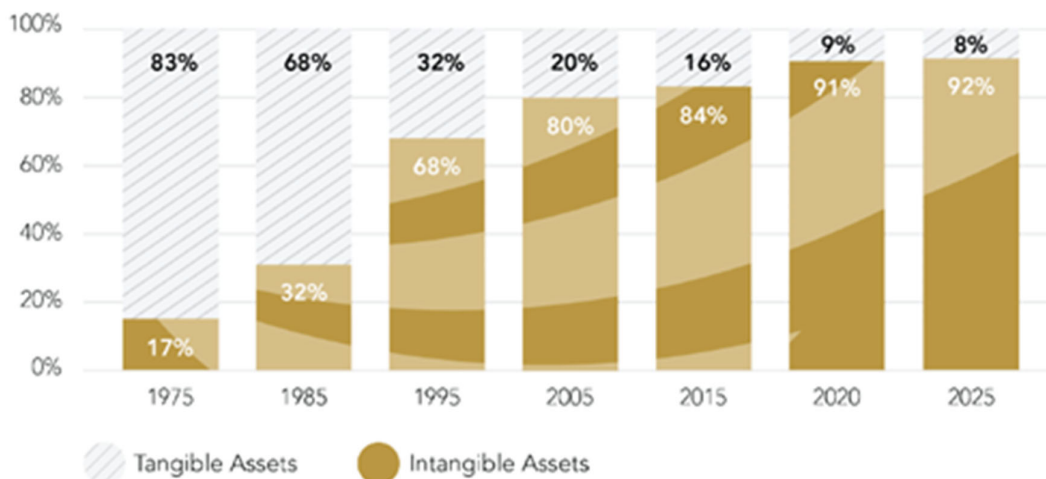
This phenomenon is not unique to Nvidia - it is pervasive across advanced economies and represents a systemic challenge for the accounting profession. Without a conceptual framework that explicitly recognises and communicates the contribution of intangible assets - such as data, intellectual property, human capital, and organisational capability - investors and other stakeholders cannot fully understand these critical drivers of long-term value. Integrated thinking and independently assured integrated reports can help to bridge this gap by converting latent intrinsic value into decision-useful information.

**Global Evidence: The Ocean Tomo Studies**

Ocean Tomo’s *Intangible Asset Market Value Study* demonstrates that this shift in corporate value extends well beyond technology firms. The 2025 edition incorporates five decades of longitudinal data and demonstrates:

- **1975:** Tangible assets comprised 83 % of the S&P 500’s market value; intangibles 17 %.
- **2025:** Intangibles now comprise 92 % of market value; tangibles 8 %.

**COMPONENTS of S&P 500 MARKET VALUE**



SOURCE: OCEAN TOMO, A PART OF J.S. HELD, INTANGIBLE ASSET MARKET VALUE STUDY, 2025

This 75-point reversal signifies what Ocean Tomo terms ‘economic inversion’ - a fundamental transformation whereby economic worth has migrated from physical assets and what can be *touched* to intellectual and relational capital and what can be *thought*.

Comparable trends emerge globally:

- **Europe (S&P Europe 350):** Intangibles account for 70–75 % of market value.



- **Japan:** Intangible representation rose from 32 % to 52 %, propelled largely by governance reforms such as integrated reporting adoption and the Stewardship Code.
- **China and Korea:** More moderate, regulation-driven growth in intangibles.

### **Implications for Australian Reform**

Treasury's *Exposure Draft of the ERA Bill* recognises a broad range of stakeholders as legitimate participants in value creation - an important policy inflection point that mirrors international developments. However, while the rapid adoption of AASB contributes to enhanced disclosure on governance, risk management, and aspects of sustainability, their limited treatment of intangibles highlights an ongoing gap.

Australia's position as an early adopter of International Sustainability Disclosure Standards through AASB S1 and S2 presents a strategic opportunity: to extend beyond basic sustainability reporting and lead in developing an integrated corporate reporting model that articulates enterprise value creation across financial and non-financial sustainability dimensions. Doing so would strengthen interoperability with global frameworks while directly addressing the intangibles reporting gap - a prerequisite for a credible, forward-looking reporting system in an ideas-driven economy.



### **Appendix 3: Learning from Leading Jurisdictions – Integrated Reporting Success Stories**

#### **Japan: Market-Driven Integrated Reporting Excellence**

Japan is widely recognised as the leading jurisdiction for market-driven integrated reporting adoption.

Key features include:

- Around 1,200 companies - representing close to 90 per cent of Tokyo Stock Exchange market capitalisation - identified by KPMG Japan and others as integrated reporting adopters.
- Adoption driven primarily by the stewardship activities of the Government Pension Investment Fund (GPIF), supported by broader corporate governance reforms.

#### **GPIF's model**

GPIF manages one of the world's largest retirement savings pools, with assets under management in the range of US \$1.7–2.0 trillion. As part of its stewardship responsibilities, GPIF:

- Requests its external equity managers to nominate each year the 'excellent' and 'most-improved' integrated reports among their investee companies.
- Publishes the resulting lists, together with commentary on reporting quality and areas for improvement, thereby clarifying expectations around integrated reporting.
- Creates clear market signals that reward better explanations of integrated thinking in business models, value creation and governance, and that encourage continuous improvement in integrated reporting practice.

GPIF's external managers include major global investors with an active presence in Australia, such as Allianz Global Investors, AXA Investment Managers, BlackRock, Fidelity, Goldman Sachs, JPMorgan, Morgan Stanley and State Street Global Advisors.

#### **Relevance for Australia**

- GPIF has sizeable holdings in major ASX-listed entities.
- Several of GPIF's external managers operate substantial Australian businesses and already engage with local issuers.
- Australia could encourage a similar investor-led mechanism (for example, coordinated expectations and public recognition of high-quality integrated reports) to drive market-based improvements in corporate reporting.

In addition, Japan hosts the World Intellectual Capital Initiative (WICI), a METI-linked Centre of Excellence providing freely available resources on intangibles, including:

- KPI methodologies aligned with integrated reporting.
- Sector-specific KPI libraries.
- Digital taxonomies and tools to support the structured reporting of intangibles.

These resources could be leveraged by Australian entities and standard-setters to accelerate the development of robust, decision-useful reporting on intangibles.



### **Brazil: Leading Jurisdiction for Integrated Reporting Assurance**

Brazil provides the leading public-interest precedent for integrated reporting assurance. The Brazilian Committee for Accounting Pronouncements (CPC) has issued guidance (locally referenced as CPC Guideline 09), requiring integrated reports to be prepared in accordance with the International Integrated Reporting Framework (IRF).

#### **CPC model**

- Integrated reporting assurance is mandated by the CPC for state-owned enterprises and specified federal public sector entities that choose to prepare integrated reports.
- Other public companies may opt into the regime. By 2025 an effective ‘steady state’ of voluntary adoption had emerged among large issuers.
- Assurance is provided by the same independent assurance practitioner (external auditor) who audits the entity’s financial statements, ensuring coherence and efficiency.
- The assurance conclusion is expressed in terms of the integrated report’s preparation in accordance with, and adherence to, the Integrated Reporting Framework.

#### **Relevance for Australia**

Brazil’s experience demonstrates that:

- Integrated reports prepared under the International Integrated Reporting Framework provide suitable criteria for assurance when supported by a clear “basis of preparation and presentation” and appropriate governance statements.
- Whole-of-report assurance over integrated reports is achievable and can be implemented at scale.
- An opt-in regulatory model can drive meaningful adoption and quality improvement without imposing an immediate obligation on all entities.
- Integrated reporting assurance engagements are compatible with, and fall within, the scope of ISSA 5000, the International Standard on Sustainability Assurance.

#### **Other Leading Jurisdictions**

Beyond Japan and Brazil, several jurisdictions offer additional lessons for Australia:

- **India:** Broad-based integrated reporting adoption among major corporates, particularly in sectors where business models rely heavily on brand, technology, human capital and other intangibles, driven by regulator recommendations.
- **Turkey:** Integrated reporting uptake supported by regulatory encouragement and guidance, illustrating how supervisory bodies can catalyse market practice without full mandates.
- **Malaysia:** Integrated reporting is required or strongly encouraged for certain categories of listed issuers, demonstrating the impact of a targeted regulatory mandate.



- **South Africa:** The longest-standing jurisdictional mandate for integrated reporting (JSE-listed companies since 2010), providing more than a decade of evidence on benefits, implementation experience.
- **Italy and France:** Integrated reporting-type disclosures are effectively brought within assurance scope via mandatory assurance over non-financial information and management reporting under the CSRD, which includes descriptions of the business, strategy and key performance indicators.

Taken together, these examples show that integrated reporting and integrated reporting assurance can be advanced through a mix of market-driven mechanisms (as in Japan), opt-in regulatory mandates (as in Brazil) and targeted listing or disclosure requirements (as in South Africa, Malaysia and parts of Europe). They provide a practical evidence base that Australia can draw on in designing its own path toward more comprehensive, intangibles-focused corporate reporting and assurance.

#### **Appendix 4: IASB Management Commentary Practice Statement – Why Australia Should Pursue a Different Path**

In May 2025, the IASB issued a revised IFRS Practice Statement 1 *Management Commentary* following a targeted overhaul. The revised Practice Statement organises management commentary into six content areas:

1. Business model
2. Management’s strategy
3. Resources and relationships
4. Risks
5. External environment factors and trends
6. Financial performance and financial position

This structure appears comprehensive and broadly aligned with integrated reporting principles. However, for the reasons set out below, we recommend that the AASB neither adopt nor adapt the IASB’s revised Management Commentary Practice Statement.

##### **1. Lack of an Underlying Conceptual Framework for Corporate Reporting**

The revised Practice Statement is not grounded in a coherent conceptual framework for corporate reporting. It effectively attempts to retrofit narrative reporting guidance into the existing *Conceptual Framework for Financial Reporting*, which was designed for recognition and measurement of assets and liabilities, not for explaining value creation from intangibles.

The core problem is well known: IAS 38 requires the cost of most internally generated intangibles - brands, customer relationships, human capital and organisational capabilities - to be expensed as incurred. This expenditure-based approach tells investors how much has been spent, but not the value created. For example, when Nvidia (or any advanced technology company) invests heavily in AI research, talent and ecosystem development, current accounting requirements treat most of those investments as period expenses rather than as the creation of enduring capabilities and competitive positions. Investors and other stakeholders need insight into the resulting algorithms, talent capabilities and market positions, not just the related expenditure line items.

By contrast, the IRF:

- Embeds a tested conceptual framework that has been implemented globally since 2013.
- Puts value creation, preservation and erosion over time - rather than expenditure recognition - at the centre of the reporting model.
- Encourages explanation of how investments in human, intellectual, and social and relationship capital contribute to future cash flows and enterprise value, irrespective of whether they meet recognition criteria under accounting standards.



- Treats all six capitals, or resources and relationships, of an organisation in an integrated way, demonstrated in practice (e.g. Brazil and other jurisdictions) as providing suitable criteria for assurance engagements.

The critical distinction is that the solution to the intangibles reporting challenge lies not in additional accounting for “monies spent” (which IFRS already largely expenses), but in better communication of the actual or potential value created by those investments. Integrated reporting is expressly designed to do this; the IASB Practice Statement is not.

## **2. Misalignment with Australian Corporate Law and Existing Reporting Structure**

The IASB Practice Statement is framed around “management commentary” as a report that accompanies financial statements. This construct sits awkwardly alongside Australian corporate law, which already requires and/or embeds:

- A Directors’ Report (including a remuneration report).
- A Sustainability Report for Group 1–3 entities under the new legislation.
- Various quasi-mandatory reports such as the Operating and Financial Review (OFR) and Corporate Governance Statement.

Adopting a separate “management commentary” requirement in Australia would risk creating an additional standalone narrative report in an environment already characterised by fragmentation and overlap. As explained in Deakin’s submission to Treasury, many Australian entities already produce at least six mandatory or quasi-mandatory reports within their annual reporting suite:

1. Audited Financial Report
2. Unaudited Directors’ Report
3. Audited Sustainability Report
4. Audited Remuneration Report
5. Unaudited Operating and Financial Review
6. Unaudited Corporate Governance Statement

This proliferation increases volume and cost for preparers, and heightens the risk of gaps and inconsistencies in information provided to investors and other stakeholders. It also misses a key governance insight: under Australian corporate law, the board - not “management” - is the primary voice to external stakeholders, with a distinct, non-delegable responsibility for the overall integrity of corporate reporting.

## **3. Misalignment with Contemporary Governance Practice**

The revised Practice Statement is explicitly framed around “management’s” perspective, strategy and commentary. This emphasis is increasingly out of step with contemporary governance thinking, which recognises that:

- Directors and executives play distinct but interdependent roles in value creation.



- Boards must contribute their own judgement on purpose, strategy, risk and culture, beyond approving management proposals.
- Each director brings specific knowledge, skills and experience; collectively the board adds value by exercising independent oversight and integrated thinking.

The IRF, now the responsibility of the IFRS Foundation, explicitly requires disclosure of:

- The board's role in determining and overseeing the organisation's purpose, mission and vision.
- How the board monitors implementation of strategy and the management of risks.
- Board composition, diversity and skills.
- Remuneration and incentive structures linked to value creation over time.

In contrast, a "management commentary" framing risks marginalising the board's accountability for the integrity, connectivity and completeness of the overall narrative. This is inconsistent with both Australian expectations of directors legal requirements, and global best practice in reporting governance.

#### **4. Timing: Australia Has Better Alternatives Available**

Australia is in a strong position to leapfrog the IASB's revised Management Commentary Practice Statement by leveraging existing tools and upcoming reforms:

##### **1. Immediate use of the Integrated Reporting Framework**

- The IRF is already available and widely used.
- It directly addresses the intangibles challenge through a value-creation lens and is supported by substantial global implementation experience and assurance practice.

##### **2. Preparing for the ERA structure**

- Treasury's proposed External Reporting Australia (ERA) model provides an institutional platform for developing a comprehensive conceptual framework for corporate reporting that integrates financial, sustainability and narrative reporting.

##### **3. Reducing fragmentation rather than adding reports**

- Drawing on Japanese experience, Australia can consolidate corporate disclosures into fewer, better integrated reports, rather than adding a separate management commentary layer.
- This approach would better align with the integrated reporting concept of a single, coherent communication that explains the governance, strategy, performance and prospects of an organisation and how it creates value over time.

#### **5. What Can Be Done Now: A Practical Alternative Approach**

Rather than adopting the IASB Practice Statement, the AASB (together with Treasury, ASIC and AUASB) can support immediate progress within existing legislative and regulatory settings:

##### **a) Guidance on sustainability reports using integrated reporting concepts**



- The 2024 sustainability reporting legislation permits voluntary disclosures provided they are clearly identified as such.
- Entities should be encouraged to prepare sustainability reports “in accordance with”, “using the concepts of”, or “with reference to” the International Integrated Reporting Framework.
- This would produce more coherent, decision-useful communication of how intangibles and sustainability-related factors contribute to current performance and future value creation.
- Over time, this approach could support a reduction in the number of separate narrative reports (for example, by absorbing the OFR content into a single integrated or sustainability-plus-strategy report).

**b) Withdrawal of ASIC Regulatory Guide 247 (RG 247)**

- ASIC RG 247 on the OFR is now dated and does not reflect current developments in sustainability, intangibles and multi-stakeholder reporting, nor the ERA Bill’s recognition of multiple stakeholders.
- RG 247 gives limited guidance on governance and virtually none on the role of intangibles in value creation.
- Withdrawing RG 247 would remove an overlapping narrative template and enable entities to focus on concise, integrated sustainability and value-creation reports that provide suitable criteria for assurance under ASSA 5000 and related standards.

Taken together, these steps would move Australia towards a coherent, intangibles-aware corporate reporting framework that is better aligned with domestic law, governance expectations and global best practice, without importing a “management commentary” construct that risks adding complexity and fragmentation without improving Australia’s reporting landscape.



Dr. Keith Kendall  
Chair  
Australian Accounting Standards Board  
PO Box 204  
Collins Street West VIC 8007

via submission portal: <https://www.aasb.gov.au/current-projects/open-for-comment/>

30 March 2026

Dear Keith,

**RE: AASB Invitation to Comment - ITC 57 AASB 2027–2031 Agenda Consultation**

PricewaterhouseCoopers Australia (**PwC**) appreciates the opportunity to provide input on the Invitation to Comment (**ITC**) on AASB 2027–2031 Agenda Consultation.

We note that Manuel Kapsis, Partner – Corporate Reporting Services, attended the Sydney roundtable on 13 March 2026 and shared his feedback during the session. This letter confirms and supplements the views expressed at that session.

We have reviewed the AASB's current work plan and consider the existing project portfolio to be appropriately calibrated to the key reporting challenges facing Australian preparers and users. In terms of priorities, our experience with Australian preparers suggests sustainability reporting can be challenging for smaller and less complex entities. We would welcome the AASB's continued focus on proportionality to help ensure sustainability disclosure requirements are meaningful and decision-useful, without placing undue costs on entities that are smaller and do not have public accountability.

We would welcome the opportunity to address any questions you may have. Please feel free to contact me at [ashley.s.wood@au.pwc.com](mailto:ashley.s.wood@au.pwc.com) or Manuel Kapsis at [manuel.kapsis@au.pwc.com](mailto:manuel.kapsis@au.pwc.com).

Yours sincerely,

A handwritten signature in black ink that reads 'Ashley Wood'. The signature is written in a cursive style with a horizontal line underneath.

Ashley Wood  
Assurance Risk and Quality Leader

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## **ABS SUBMISSION TO AASB**

Hi AASB,

Please find feedback from the ABS on AASBs Agenda Consultation for your Forward Work Program 2027-31. This is in alignment with feedback we provided as part of a questionnaire AASB circulated late last year.

### **KEEP**

- Sustainability reporting standards, as these are areas of growing interest to ABS due to increased demands for more sustainability measurement and data. AASB can assist in that space by enabling and ensuring good reporting standards on measures around sustainability.

### **START**

- Digital Financial Reporting, which is increasingly a valuable tool for ABS data collections as ABS moves towards a greater use of administrative data sets and the automation of collection using AI.
- Accounting for commodities (Exploring how to account for commodities like gold, oil, or agricultural products—especially when held as trading or strategic reserves).
- Accounting for Interests in Other Entities. ABS see this as an important topic because how public sector entities report relationships with subsidiaries, joint ventures, and associates affects the data quality and statistical outputs of ABS. This is important to ABS as this would improve the transparency and public understanding of relationships between entities and investment vehicles that cross different sectors of the economy.
- Data Asset Recognition & Measurement Standards. SNA 2025 and BPM7 (International Statistical Standards) have been reviewed and are in the process of being implemented, along with other shifts in policy from government on the digital economy.
- Readability, simplification, or usability assessments of standards, so that they are easily understandable to a wider audience.

Kind regards

**Shane Johnston**

Economic Standards | Statistical Standards and Infrastructure Section

Australian Bureau of Statistics

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2 April 2026

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

Via online submission: [www.aasb.gov.au](http://www.aasb.gov.au)

Dear Keith

### **Invitation to Comment 57 – AASB 2027-2031 Agenda Consultation**

As one of the largest professional accounting bodies in the world, CPA Australia represents the diverse interests of more than 175,000 members working in over 100 jurisdictions and regions around the world, working in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally. We provide the following feedback on the above Invitation to Comment 57 (ITC 57) on behalf of our members and in the public interest.

#### **Key recommendations**

The [Treasury Laws Amendment \(Financial Reporting System Reform\) Bill 2026](#) (the Bill) is progressing through the Australian Parliament and is expected to establish External Reporting Australia (ERA) later this year. The Bill would replace the Australian Accounting Standards Board (AASB) (and the Financial Reporting Council and the Auditing and Assurance Standards Board) with a new structure under ERA. We have been assured by the AASB and Australian Treasury that the operational aspects of the AASB, including its current and upcoming standard-setting and other projects, will continue into the new structure. In that context, some of the recommendations in our [joint submission](#) (with Chartered Accountants Australia and New Zealand) are relevant to ITC 57.

ERA is also proposed to include a dedicated sustainability standards board, alongside accounting and auditing standards boards. Comments and recommendations in this submission that relate to sustainability reporting are therefore relevant to the agenda and work plan of the proposed sustainability standards board.

On the basis that the AASB's current work plan and priorities will be carried forward into ERA, we make the following key recommendations for the 2027–2031 agenda:

- Adopt a more proactive, forward-looking standard-setting approach, with greater emphasis on longer-term projects and Australian leadership in shaping international developments, rather than primarily responding to consultations and timelines of the IASB, ISSB and IPSASB.
- Prioritise publication of the Tier 3 reporting standard for not-for-profits (NFPs), with a clear transition period and a guidance and education pathway for adoption. Continue to actively advocate for appropriate eligibility criteria to be established in legislation, and consider short-term options to support application while legislative change is progressed.

- Develop a Tier 3 reporting standard for for-profit entities to provide a reliable and consistent framework for general purpose financial reporting by smaller for-profit entities.
- Address high-impact public sector and NFP reporting issues, including:
  - Undertake a dedicated project on the continued application of AASB 16 *Leases* (AASB 16) by the public and NFP sectors, reflecting feedback from the sectors in our [submission](#) to the post-implementation review (PIR) of AASB 16.
  - Commence the public sector financial reporting framework project, as recommended in our [submission](#) to AASB Invitation to Comment 56 (PIR of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and Further Update of Tier 2).
  - Conduct PIR of a number of public sector-specific standards.
- Support effective implementation of sustainability reporting and public sector applicability by providing practical guidance, implementation support and targeted refinements based on early-stage feedback, while continuing to monitor and contribute to international developments. This should include aligning efforts with existing work underway in the public sector (refer to our detailed comments in the **Attachment**) and considering public sector-specific challenges, such as the applicability of sustainability frameworks at a whole-of-government level, the balance between costs and benefits, and pragmatic, fit-for-purpose approaches for private sector NFP and public sector entities.
- Focus on research and other outreach activities to support emerging and high-value reporting areas, including intangible assets, statement of cash flows, provisions, and sustainability reporting, where Australia can actively contribute to and influence international research and standard-setting activities on these topics.
- Reassess the project on service performance reporting, by clearly identifying user demand, problem definition and expected benefits before progressing any further.

Further detail on our above comments, including our responses to questions in ITC 57 are included in the **Attachment**. If you require further information, please contact me at [ram.subramanian@cpaaustralia.com.au](mailto:ram.subramanian@cpaaustralia.com.au).

Yours sincerely

**Ram Subramanian FCPA**  
**Financial Reporting Lead**  
**CPA Australia**

# ATTACHMENT – CPA AUSTRALIA’S RESPONSES TO QUESTIONS

## Overall Position and Strategic Direction

Implications arising from the establishment of External Reporting Australia (ERA)

We note the Australian Government has introduced legislation into Parliament to establish ERA, representing a significant reform to Australia’s financial reporting framework, consolidating the standard-setting functions of the AASB, AUASB and Financial Reporting Council into a single body responsible for accounting, auditing, assurance and sustainability standards, supported by dedicated technical boards for each of these areas.

Our recommendations in response to ITC 57 are made based on the current AASB Work Plan, with the expectation that key projects and priorities, including those informed by stakeholder feedback, will be carried forward into ERA. We also understand that existing standards will continue under ERA until amended or replaced, ensuring continuity through the transition.

We further note the proposed establishment of a dedicated board for setting sustainability reporting standards under ERA. This structural change is expected to enable more targeted resourcing across both financial reporting and sustainability reporting, compared to the current model where these responsibilities are largely undertaken within the AASB. The comments we have made in this submission as they relate to sustainability reporting will be relevant to the new sustainability reporting standards board to be established as part of ERA.

Proactive standard-setting and global leadership

Based on feedback we have received, we encourage the AASB to adopt a more proactive standard-setting approach that reflects Australian-specific needs while contributing to international developments. Feedback received from stakeholders indicates there is a perception that several projects outlined in ITC 57 are relatively short-term in nature and, in some cases, rely on the progress of international standard-setting bodies (e.g. the IASB, ISSB and IPSASB) before being advanced domestically.

In our view, this approach risks limiting Australia’s influence in shaping global standards. Historically, Australia has played a leading role in international standard-setting by leveraging local practical experience to inform global developments. We recognise that the AASB plays such a role through its representation on multiple international standard-setting forums including the Accounting Standards Advisory Forum, the International Forum of Accounting Standard-Setters and the Asia-Oceania Standard Setters Group. Accordingly, we recommend that the AASB continues to take a leadership role by proactively identifying and progressing priority standard-setting areas that benefit Australia through represented forums and other avenues.

Balance between cost and benefits, and principles-based standards and guidance

We recommend the AASB continues to highlight a focus on balancing the usefulness of information for users, with the cost and complexity of reporting, for example by way of more vigorous cost benefit analysis. We also highlight the importance of maintaining an appropriate balance between principles-based standards and the provision of guidance.

Through our outreach in developing responses to consultations including ITCs and Exposure Draft (ED), we have consistently received feedback from stakeholders seeking additional guidance and practical examples to support the application of standards (e.g. [ITC 55 PIRs of AASB 16 leases](#) and [ED 338 on application of AASB 18 and AASB 107 by superannuation and NFP and Operating Cash Flow Reconciliation for entities preparing Tier 1 general purpose financial statements](#)). While we acknowledge that overly prescriptive guidance may undermine the principles-based nature of Australian Accounting Standards, there are circumstances where targeted guidance is undeniably necessary to support consistent and practical implementation across industries. Accordingly, we recommend that the AASB continue to consider stakeholder demand for guidance and practical examples, adopting a balanced approach that supports application without introducing undue complexity or rules-based outcomes.

## Priority Projects

### Tier 3 reporting standard for small Not-for-profit (NFP) entities

We support establishment of a Tier 3 financial reporting standard for NFP entities, consistent with our previous submissions on [ED 334 Limiting the Ability of NFP Entities to Prepare Special Purpose Financial Statements](#) and [ED 335 General Purpose Financial Statements – NFP Private Sector Tier 3 Entities](#), with the aim of improving transparency and accountability by smaller NFPs through the transition from preparing Special Purpose Financial Statements (SPFS) to fit-for-purpose general purpose financial statements (GPFS).

We emphasise that the effectiveness of the Tier 3 standard is highly dependent on clearly defining its scope and applicability—in particular, establishing which entities should and can apply the standard, how eligibility is determined, and how the standard is structured within the broader reporting regime for NFPs. Our previous feedback highlights that the absence of clear scoping, including appropriate thresholds that establish which NFP entities can apply the standard, creates uncertainty for preparers and risks inconsistent application across the sector.

The AASB has stated that the responsibility for setting thresholds to determine which NFP entities qualify as “small” rests within legislation, and therefore lawmakers who have carriage over such legislation will need to make necessary amendments to allow qualifying NFP entities to apply the new Tier 3 standard when preparing financial statements for statutory purposes. Whilst we acknowledge this statement, we believe the AASB still has a responsibility to ensure there is clarity as to which NFP entities can apply the standard, once it is issued. Given the AASB has signalled the intention to publish the new standard later this year, we recommend the AASB makes it a high priority to address the matter of scope and applicability of the new Tier 3 NFP standard through the following approaches:

- Proactively advocate with Commonwealth and State/Territory lawmakers to make necessary amendments to legislation to recognise the new standard and who can apply it.
- Develop an interim, short-term measure through a suitable provision in the standard that gives an indication as to which NFP entities may qualify as “small” and therefore can apply the standard.
- To provide necessary guidance to those who can apply the new standard to transition from their existing financial reporting practices to the new standard.

### Tier 3 reporting standard for small For-profit entities

Similar to the Tier 3 NFP standard that has been developed by the AASB, we continue to recommend the development of a Tier 3 reporting standard for smaller for-profit entities. Evidence from state-based regulatory developments, including the Minimum Financial Requirements (MFR) regime regulated by the Queensland Building and Construction Commission (QBCC) and the proposed Building Amendment (Minimum Financial Requirements) Regulations 2026 in Victoria, highlights that accounting-standards-based statutory financial reporting requirements can sometimes place an unnecessary regulatory impost on smaller for-profit entities. These examples demonstrate a clear need for simplified, proportionate financial reporting tailored to smaller for-profit entities, rather than compliance with Tier 1 or Tier 2 requirements, both of which require application of full recognition and measurement requirements of all applicable Australian Accounting Standards.

In addition to fulfilling a need for a simpler financial reporting framework for statutory financial reporting purposes, a Tier 3 for-profit standard could also benefit other entities preparing financial statements for non-statutory purposes including compliance with bank covenant requirements and other contract-based reporting obligations. Although self-managed superannuation funds are not required to comply with Australian Accounting Standards when fulfilling their statutory financial reporting obligations, a Tier 3 for-profit standard could introduce consistency in reporting by such entities.

Accordingly, there is a case for establishing a well-defined and operational Tier 3 reporting framework for for-profit entities that provides a proportionate alternative to Tier 2, reduces unnecessary compliance costs, and supports a consistent transition away from SPFS towards GPFS. Such a framework is critical to ensuring reporting requirements are appropriately calibrated to the size and complexity of entities, while maintaining transparency, comparability and the integrity of the financial reporting system.

## Commence the public sector financial reporting framework project

As noted in our [submission](#) in response to ITC 56, we recommend the AASB undertakes further outreach and research, to further explore whether the current financial reporting framework based on Tier 1 and Tier 2 Australian Accounting Standards remain fit for purpose for financial reporting by the Australian public sector. In particular, stakeholders have questioned the user-relevance of continuing with an approach of using the IFRS for SMEs Standard as the basis for AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (AASB 1060).

When AASB 1060 was developed and issued, it was intended as a temporary standard whilst the AASB undertook its NFP private sector and public sector financial reporting framework projects. Although the NFP private sector financial reporting framework project has been progressed and nearing its conclusion, we are not aware of any significant progress in respect of the equivalent public sector financial reporting framework project.

We recommend the AASB includes the public sector financial reporting framework project on its agenda with a view to considering the matters raised above and identifying whether any changes are necessary to the existing financial reporting framework, as it relates to financial reporting by the Australian public sector.

### AASB 16 Leases (AASB 16) for public sector entities

We support the prioritisation of commencing a project focusing on the ongoing impact of AASB 16 on public sector entities, informed by feedback received by the AASB in response to its PIR of AASB 16. Our recommendation is informed by feedback from our [Public Sector CFO Roundtable on IFRS 16 Leases](#), which brought together senior finance executives across Commonwealth agencies to discuss the implementation and impact of the standard. Participants consistently highlighted that AASB 16 is largely misaligned with public sector operations and accountabilities, noting that the standard is primarily designed for private sector for-profit entities and does not reflect the budget-driven nature of public sector decision-making.

Feedback from the roundtable indicates that the costs and complexity associated with implementing and maintaining AASB 16 are significant, often requiring substantial internal resources, specialised expertise and ongoing reliance on external advisors, with some agencies reporting implementation costs in the millions. Despite this, there is limited evidence of corresponding benefits, as lease-related disclosures and balance sheet recognition have not led to increased engagement or interest from key stakeholders. More broadly, AASB 16 has introduced additional complexity in financial reporting, including data and system challenges, increased judgement in application, and reduced clarity for non-expert users, in some cases obscuring rather than enhancing understanding.

Accordingly, we consider the ongoing application of AASB 16 by public sector entities should remain a high priority for the AASB, with a need to reassess its cost-benefit balance and explore potential simplifications or modifications to better align with the public sector context.

## Projects to Continue

As noted in our Overall Position and Strategic Direction above, we encourage the AASB to adopt a more proactive and forward-looking approach to its work program, including undertaking longer-term projects and playing a leadership role in shaping international research and standard-setting projects and activities. In this context, we outline below a few key projects that we consider should be prioritised.

### Intangible assets

We consider the accounting for intangible assets to be a critical and timely area for standard-setting. Intangible assets are increasingly central to value creation in the modern economy, particularly with the rise of digital technologies, data, software and AI-driven business models. It is critical to explore whether existing recognition and measurement requirements under current standards (including AASB 138 *Intangible Assets*) adequately capture the economic substance of these assets or reflect how they are created and utilised in practice.

We note that the IASB has commenced a high-priority project on intangible assets following feedback from its Third Agenda Consultation, with a focus on improving the usefulness of information provided to users and updating IAS 38 to better reflect newer types of intangible assets and evolving business models. The project includes assessing user information needs, reconsidering the definition and recognition criteria of intangible assets, and exploring

improvements to disclosures and comparability between acquired and internally generated intangibles. In our view, this presents an important opportunity for the AASB to actively contribute to, and where appropriate lead, international developments in this area, while also considering Australian-specific implications.

#### Statement of cash flows

We consider improvements to the statement of cash flows to be an important next-stage major project of relevance both internationally and in Australia. The significant structural changes to the income statement resulting from IFRS/AASB 18 *Presentation of Financial Statements* has highlighted that there is now an opportunity to consider the statement of cash flows to further enhance the usefulness, consistency and transparency of information in this statement.

The AASB will be aware that the IASB has recently progressed its project on *IAS 7 Statement of Cash Flows* from the research programme to its standard-setting work plan, focusing on areas such as:

- improving the disaggregation of cash flow information
- enhancing transparency around non-cash transactions and non-IFRS cash flow measures
- addressing inconsistencies in classification between operating, investing and financing activities
- the definition of cash equivalents.

In our view, this project will be critical in strengthening the linkage between profit or loss and cash flow information and presents an opportunity for the AASB to actively contribute to international developments and consider Australian-specific implementation issues.

#### Provisions

We recommend closely monitoring the IASB's 'Provisions—Targeted Improvements' project and consider it an important area for ongoing engagement by the AASB. In our joint submission (with CA ANZ) on [IASB ED: Provisions – Targeted improvements, proposed amendments to IAS 37](#), we expressed overall support to improve *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*, particularly in enhancing measurement requirements and providing clearer guidance. However, feedback from our outreach when developing our submission also indicates that certain proposed amendments to the recognition criteria may introduce additional complexity and unintended consequences, potentially creating new uncertainties in practice rather than clarifying existing principles. We therefore recommend that the AASB continue to actively monitor and contribute to this IASB project, particularly in relation to the practical application of the potential revised recognition criteria and the need for additional guidance and illustrative examples.

#### Sustainability Reporting

We support the AASB continuing to play a leadership role in sustainability reporting, both domestically and internationally. As one of the first jurisdictions to introduce mandatory climate-related disclosures based on ISSB standards, Australia is well positioned to influence global developments and contribute to the evolution of globally consistent sustainability reporting frameworks.

Domestically, we note that the first year of reporting for Group 1 entities is nearing completion, with Group 2 entities now entering their initial reporting phase and Group 3 entities preparing for implementation. In this context, we encourage the AASB to prioritise facilitative measures to support adoption, including practical guidance, implementation support and targeted improvements based on early-stage feedback.

Our engagement with members indicates that the cost of implementation for Group 1 entities, and preparatory work for Group 2 entities, has been significant, and that there is a need for additional guidance and support. Group 3 entities, typically smaller and less resourced, may face additional and disproportionate challenges compared to Group 1 and 2 entities. We note existing concerns on the proportional application of the requirements of AASB S2 for Group 3 entities; in this regard, there is also confusion for Group 1 entities operating in similar sectors where reporting outcomes may differ due to the complexity and composition of their value chains.

Internationally, while Australia has taken a leading position on climate-related reporting, we consider it timely to look beyond initial implementation and contribute to the next phase of sustainability reporting. This includes supporting the development of emerging areas such as connectivity between sustainability and financial reporting, nature-related and human capital disclosures, as well as influencing improvements in report quality, comparability and decision-

usefulness. In doing so, the AASB can continue to shape international standard-setting while ensuring Australian perspectives and practical experience are reflected in global frameworks.

#### Climate-related financial disclosure requirements for NFP public sector entities

From a public sector perspective, we note that the AASB's current work plan includes climate-related financial disclosure requirements for NFP public sector entities as a lower-priority project, and we consider this prioritisation appropriate at this stage.

We are aware of the Commonwealth Government's proposed rollout of climate-related reporting that is based on the requirements of AASB S2, with Tranche 1 entities requiring full compliance with the requirements from FY 2026–27. We are also aware of the Commonwealth Government's range of support materials and application guidance.

At the same time, we note ongoing developments at the IPSASB level that highlight important considerations for the AASB's future work in this area. These include clarifying the objectives of sustainability reporting (beyond climate-related) in the public sector and achieving an appropriate balance between costs and benefits, particularly where climate-related impacts may arise indirectly from broader policy decisions. There are also practical challenges in defining an appropriate scope, including the applicability of frameworks such as AASB S1 and S2 at a whole-of-government level, where entity-level approaches may not be readily transferable. Further considerations include the feasibility of annual assurance and the inherent difficulty in measuring outcomes, as opposed to inputs, in the public sector context. We encourage the AASB to continue monitoring international developments and retain this project on its agenda, with a view to developing pragmatic and fit-for-purpose approaches over time.

#### Accounting standards for public sector and NFP entities

We note that there are relatively limited PIRs proposed in the AASB's agenda consultation for public sector-specific accounting standards. In particular, several previously identified projects appear to have been omitted from the current plan.

The PIRs of AASB 1049 Whole of Government and General Government Sector Financial Reporting and AASB 1055 Budgetary Reporting (in respect of Whole-of-Government and General Government Sector) was conducted by the Financial Reporting Council in 2021 and the outcomes of the project were considered at the [August 2025 meeting](#) of the AASB. We recommend including this project as part of the upcoming agenda and progress it as previously planned.

In addition, further public sector standards such as AASB 1050 Administered Items, AASB 1059 Service Concession Arrangements: Grantors, AASB 1051 Land Under Roads, AASB 1052 Disaggregated Disclosures, and AASB 1004 Contributions have not been subject to a PIR as far as we are aware. Given the significance of the public sector to the Australian economy, and the unique and complex nature of its transactions compared to commercial entities, we consider there is a need for the AASB to continue PIRs of these standards, if not all of them. This is further supported by the level of stakeholder engagement and feedback observed in recent consultations (for example, in relation to AASB 18 adoption and the PIR of AASB 16), indicating that these sectors continue to face practical challenges and would benefit from targeted PIRs of public sector-specific accounting standards.

## Projects to Reconsider

### Service Performance Reporting (SPR)

We recommend that the AASB reconsider the direction of the project on SPR. Based on our stakeholder engagement, there is insufficient evidence around user needs from service performance reporting and how a potential new standard (or other pronouncement) might satisfy such user needs. This is particularly the case where a new standard (or other pronouncement) may duplicate or replace existing, well-established public sector reporting practices as they relate to SPR. This raises fundamental questions regarding the identification of primary users, the specific information gaps that remain unaddressed, and whether the proposed reporting would meaningfully enhance decision-making or accountability.

While improving consistency is often cited as an objective, it is unclear whether this is a priority concern for stakeholders in the public sector, or whether the benefits of standardisation would outweigh the associated costs and implementation challenges. In practice, many public sector entities already provide service performance information through established reporting channels aligned with their operational and accountability frameworks. Accordingly, we

suggest the AASB reassess the underlying problem definition and user demand before progressing further and consider whether resources would be better directed towards higher priority areas.

Similar views as noted above have also been expressed by private sector NFP stakeholders we have consulted in relation to this project.



12 April 2026

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

Submitted via email: [standard@asb.gov.au](mailto:standard@asb.gov.au)

Dear Dr Kendall

### **AASB ITC 57 AASB 2027-2031 Agenda Consultation**

The Institute of Public Accountants (IPA) welcomes the opportunity to provide comments on Invitation to Comment 57 (ITC 57).

#### **OVERARCHING COMMENT**

IPA appreciates the Australian Accounting Standards Board (AASB) undertaking an agenda consultation for the 2027-2031 financial reporting standard-setting program. However, we question the timing and effectiveness of the content and approach of the ITC. Further, we are concerned that more urgent matters may have been overlooked, such as progressing the “AASB 2 Proportionality” project. As the AASB transitions to being an integral part of the External Reporting Australia (ERA), it is imperative that agenda considerations are undertaken in a more holistic and integrated manner to achieve the functions and powers of the new standard-setting entity. On this basis, the agenda consultation appears premature and uncoordinated with the other standard-setting functions of the ERA.

#### **1. New standard-setting structure**

The *Treasury Laws Amendment Bill (Financial Reporting System Reform) 2026* introduces a new standard-setting regime under the ERA. Under the ERA, the standard-setting functions of the existing AASB are likely to remain substantially similar. However, how the “new AASB” Board members and staff are resourced, the Board’s charter and work program may vary, all of which may affect the work program of the “new AASB”. It is, therefore, likely that the “new AASB”, once operational, will review its current and future work program to align with its resources (including funding, staff and Board members) and undertake its own agenda consultation.

IPA notes that the ITC 57 states that

“... the Treasury has consulted on a potential restructure of the AASB; however, this Agenda Consultation remains focused on identifying priority topics to guide our standard-setting activities and Work Plan. The outcome of this Agenda Consultation will help the AASB plan for the future and shape the Work Plan over its five-year cycle ...”

While we applaud the AASB in undertaking agenda consultation to assist the “new AASB”, given the impending commencement of the new standard-setting regime in the coming months, we question the effectiveness of the timing of ITC 57. This is especially with the brevity of the content of ITC 57 (refer to our comments below). Given these considerations, ITC 57 appears ill-placed and premature.

## **2. Content of ITC 57 and stakeholder consultation**

### ***Content of ITC 57***

We find the content of ITC 57 differs considerably to previous agenda consultation documents, which contain more targeted projects and questions for which the Board is seeking stakeholders’ comments. That is, previous agenda consultation documents have provided the AASB, with its technical expertise as a standard-setting body, has reviewed the reporting environment in Australia and internationally and assessed the possible projects that warrant stakeholder feedback to guide its future work program. Previous agenda consultation documents also outline the reasons why the AASB is considering the projects as part of its work program. This approach was adopted, for example, in ITC 46 *Agenda Consultation 2022-2026*, which comprised 37 pages.

In contrast, ITC 57 (comprising of eight pages) essentially reproduces the AASB’s Work Plan as at 16 December 2025 and seeks stakeholder input on which projects the AASB should:

- continue prioritising
- discontinue and
- begin exploring.

We find the brevity of ITC 57 opens the AASB to criticism that it lacks thought leadership and is relying on stakeholders to undertake its role and function.

### ***Stakeholder consultation roundtables***

The ITC 57 roundtables were initially in the form of one in-person session at each of the major Australian capital cities. The AASB later added virtual “drop-in” sessions of thirty-minute durations. This contrasts with the two-hour in-person sessions.

IPA acknowledges that there are benefits of in-person consultations compared to virtual sessions and that the AASB may be exploring other avenues to increase stakeholder engagement and input. However, not all stakeholders can attend the in-person sessions. This was the case with IPA, who could attend but not in the available capital cities. However, we were able to participate in the virtual “drop-in” session, which comprised two stakeholders and AASB staff. IPA appreciates that the small forum meant we could provide one-on-one feedback to AASB staff for most of the session duration. However, an important part of stakeholder engagement is not only for the AASB to gather input from its stakeholders but also for stakeholders and the AASB to ventilate collective ideas to better inform ERA’s forward-looking agenda. Further, the role and function of ERA are broader than accounting standard-setting and need to integrate with its other standard-setting functions. In this sense, a meaningful agenda consultation should have considered a more holistic and integrated approach to better coordinate the overall forward-looking agenda of ERA. This should have included a combination of all relevant stakeholders at each agenda consultation session, in which each in-person session should have enabled virtual participation.

### **SPECIFIC COMMENT**

Overall, IPA supports the projects outlined in the “Appendix – AASB Work Plan” of ITC 57 and offers comments on the following projects:

### **“AASB S2 Proportionality” project – elevate project from medium to high priority**

IPA acknowledges that the current priority is to support Group 1 and 2 entities in implementing the AASB S2 and S1<sup>1</sup>. IPA also understands that the first mandatory climate-related disclosures for Group 3 entities are for reporting periods commencing 1 July 2027.

However, Group 3 entities are the group of entities that require the most assistance in preparing their first mandatory climate report. This is because Group 3 entities, unlike Groups 1 and 2 entities, are currently not involved in preparing climate reporting and would need to implement AASB S2 from a zero base. Group 3 entities are also the group to have the least resources (both technical and financial) to do so, and therefore are likely to require more lead time to implement AASB S2. Consequently, it is imperative the “AASB S2 Proportionality” project be elevated from medium to high priority.

### **Research projects**

The AASB’s research activities play an important role and function in meeting its standard-setting objectives. This is stated in the *AASB Evidence-Informed Standard-Setting Framework*, in particular, paragraph 5, which states:

- “5. AASB has an evidence-informed approach to setting standards as a key enabler of its strategy .... The AASB’s evidence-informed approach is to:
- (a) obtain appropriate evidence for all key projects to improve the relevance and timeliness of information available to AASB for its decision-making activities; and
  - (b) encourage and/or produce research that will clarify, illuminate and provide leadership in national and international thinking on standard-setting issues.”

IPA notes that the “Appendix – AASB Work Plan” of ITC 57 consists of two sections. The first section lists the existing projects and their priorities, and the second section lists the international projects that the AASB is commenting on and monitoring. The appendix does not include any research projects for consideration. We encourage the existing and new AASB to ensure research activities remain an integral part of standard-setting.

For any questions relating to this submission, please contact Vicki Stylianou, Group Executive Advocacy and Professional Standards, Institute of Public Accountants at [vicki.stylianou@publicaccountants.org.au](mailto:vicki.stylianou@publicaccountants.org.au).

Yours sincerely

[signed V Stylianou]

Vicki Stylianou

Group Executive, Advocacy & Professional Standards

Institute of Public Accountants

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<sup>1</sup> AASB S1 *General Requirements for Disclosure of Sustainability-related Financial Information*  
AASB S2 *Climate-related Disclosures*



14 April 2026

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

Dear Dr Kendall

**AASB Invitation to Comment ITC 57 AASB 2027–2031 Agenda Consultation**

On behalf of the Australasian Council of Auditors-General (ACAG), thank you for the opportunity to comment on AASB Invitation to Comment ITC 57 AASB 2027–2031 *Agenda Consultation*. The views expressed in this submission represent those of all Australian members of ACAG, unless otherwise specified.

We have included our views on the prioritisation, with related discussion, for specific financial reporting and sustainability projects:

- current active projects
- previous projects omitted from current plan
- possible additional projects.

ACAG recommend that the following projects be allocated a high priority. The rationales for the projects are explained in the attachment:

- 8b. Conceptual Framework: Not-for-Profit Amendments
- 8d. PIR of AASB 1059 Service Concession Arrangements: Grantors
- 9a(i). Public Sector Financial Reporting Framework – Excluding Tier 3
- 9b. Amendment of AASB 1049 Whole of Government and General Government Sector Financial Reporting for AASB 18 changes.

ACAG appreciates the opportunity to comment and trusts you find the attached comments useful.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Rachel Vagg', written in a cursive style.

Rachel Vagg  
**Chair**  
**ACAG Financial Reporting and Accounting Committee**

## QUESTIONS FOR RESPONDENTS

The following is a summary of the projects considered by ACAG and the respective proposed priorities.

### Accounting projects

Project	Current AASB priority	Proposed priority
<b>Current projects</b>		
8a. Service Performance Reporting	Medium	Low (majority of jurisdictions) Medium – one jurisdiction. Include assessment of need for project in Public Sector Financial Reporting Framework project
8b. Conceptual Framework: Not-for-Profit Amendments	High	High
8d. PIR of AASB 1059 Service Concession Arrangements: Grantors	High	High
8e. PIR of AASB 16 Leases: NFP and public sector entities	High	Medium
<b>Previous projects omitted from current plan</b>		
9a(i). Public Sector Financial Reporting Framework – Excluding Tier 3	N/A	High
9a(ii). Public Sector Financial Reporting Framework – Tier 3	N/A	Include assessment of need for project in the Public Sector Financial Reporting Framework project
9b. PIR of AASB 1049 <i>Whole of Government and General Government Sector Financial Reporting</i> and AASB 1055 <i>Budgetary Reporting</i> (in respect to WoG and GGS)		High – ED338 AASB 18 changes PIR dependent on other changes
9c(i) PIR AASB 1050 <i>Administered Items</i>	N/A	Medium
9c(ii) PIR AASB 1051 <i>Land Under Roads</i>	N/A	Low
9c(iii) PIR AASB 1052 <i>Disaggregated Disclosures</i>	N/A	Low
9c(iv) PIR AASB 1004 <i>Contributions</i>	N/A	Medium
9c(v) PIR Interpretation 1038 <i>Contributions by Owners Made to Wholly-Owned Public Sector Entities.</i>	N/A	Medium
9d. PIR AASB 1055 <i>Budget Reporting</i> (agencies)	N/A	Medium
9e. Review of AASB 15 and AASB 1058 for NFPs.	N/A	Medium (longer term)
9f. Comparison of AASB and IPSASB	N/A	Selected standards included in above projects Others low
9g. Long-term discount rates to apply in measuring public sector liabilities	N/A	Low
<b>Possible additional projects</b>		
10(b) Accounting for interests in other entities	N/A	Low
10(c) Accounting for transfer expenses by a not-for-profit public sector entity:	N/A	Low

Project	Current AASB priority	Proposed priority
10(d) Australian-specific paragraphs included in Australian Accounting Standards:	N/A	Don't add
10(e) Digital financial reporting:	N/A	Include assessment of need for project for public sector in Public Sector Financial Reporting Framework project
10(f) Ongoing relevance of certain domestic Australian Accounting Standards and Interpretations:	N/A	Don't add
10(g) Other projects	N/A	No specific consensus

### Sustainability Projects

Project	Current priority	Proposed priority
<b>Current projects</b>		
8c. Climate-related financial disclosure requirements for NFP public sector entities	Low	Medium
<b>Possible additional projects</b>		
10(a) A Conceptual Framework of principles to support sustainability reporting: Developing guiding principles for consistent, high-quality sustainability disclosures.	N/A	Don't add

### Section 1 – Current Active Projects

As ITC57 does not have any specific questions, the question numbering below follows that of the online submission.

**Question 7** Are there any projects currently on our [Work Plan](#) that you believe should be discontinued?

ACAG has no recommendations for projects to be discontinued.

**Question 8.** Which projects do you think we should continue prioritising?

For each of the projects identified below, please provide the following information:

- **Sector relevance** — Does the topic affect for-profit, public sector or not-for-profit entities?
- **Nature and urgency of the issue** — What specific problems should the AASB address in relation to this topic? In your view, how urgent, pervasive and prevalent are these issues?
- **Supporting evidence** — Are there any data, examples or research that support the importance of this topic?



Projects covered below:

- 8a. Service Performance Reporting
- 8b. Conceptual Framework: Not-for-Profit Amendments
- 8c. Climate-related financial disclosure requirements for NFP public sector entities
- 8d. PIR of AASB 1059 *Service Concession Arrangements: Grantors*
- 8e. PIR of AASB 16 *Leases: NFP and public sector entities*
- 8f. Any other specific projects we should highlight?

## 8a. Service Performance Reporting

**Sector relevance — Does the topic affect for-profit, public sector or not-for-profit entities?**

NFP entities.

**Nature and urgency of the issue — What specific problems should the AASB address in relation to this topic? In your view, how urgent, pervasive and prevalent are these issues?**

Urgency – The majority of ACAG jurisdictions recommends that the public sector Service Performance Reporting (SPR) project be lowered from medium to low priority, or possibly stopped, pending completion of the Public Sector Financial Reporting Framework project, when its ongoing relevance should be reviewed.

One jurisdiction while supporting consideration of SPR as part of the Public Sector Financial Reporting Framework project, believes that the project should retain its current medium priority to ensure continued focus on this area.

Nature - Development of a Service Performance Reporting pronouncement suitable for the Australian context. There is currently no standard for service performance reporting for the NFP private and public sectors in Australia. Public sector entities are focused on the performance of the services they provide, including the connection between government policies and programs and the results and impacts achieved. Service performance information is important for users to understand management's stewardship of economic resources and for making decisions.

### Specific AASB staff questions

**Ongoing relevance** (e.g., considering jurisdictional public sector requirements are already in place, how relevant is it that the AASB develop SPR requirements?);

More outreach should be undertaken, including with preparers, regulators (such as treasuries and central agencies) and users of financial reports as part of the Public Sector Financial Reporting Framework project to understand their perspectives.

We note that the public sector already has forms of service performance reporting, albeit different in each jurisdiction.

Given there are existing reporting frameworks, jurisdictions are not likely to be supportive of any proposed standard. .

ACAG notes that public sector agencies publish (including in annual reports and on websites) a wide range of financial and non-financial measures that are commonly used to communicate government performance and financial sustainability. Some of these measures are mandated by government (i.e. the accounting parent).



One jurisdiction believes that the AASB should explore whether MPM-like transparency and comparability requirements should be applied to these disclosures.

ACAG agrees with the SPR Project Advisory Panel Insight 4 as reported in AASB November 2025 meeting agenda paper 11.1 “Service Performance Reporting - Insights from Targeted Stakeholder Outreach”:

58 A strong view was expressed that “... the public sector and NFP sector, while sharing some characteristics, are so different in terms of users and context that sector neutrality is likely to be an abstract goal that leads to impractical and potentially unworkable outcomes”. It was argued that the scope of the SPR project should be limited to private sector NFPs, with the public sector dealt with at a later stage, if needed. There was a sense that prescribed SPR already exists in the public sector, albeit differing across jurisdictions, and therefore the need is less urgent than in the private sector.

While noting:

60 The Panel did not identify any conceptual reasons for treating the two sectors and two tiers differently.

**Scope** (e.g., which public sector entities should apply SPR requirements (if any); should there be tiered or phased requirements, etc.)

ACAG believes that this is best left to regulators to determine the outcomes for each jurisdiction, which should be informed by the outcomes of the AASB’s outreach with preparers, regulators and users, as noted above.

**Approach** (e.g., further research required (such as user needs and accountability, comparison of current public sector requirements, need for common framework etc.), continue standard setting project for public and/or private sector, develop voluntary framework, discontinue project, etc.).

We refer to our comments above for outreach to preparers, regulators and users of the financial reports.

ACAG suggests that the AASB includes in its literature review the deficiencies identified by Auditors-General reports on service performance reporting, and consider whether such deficiencies have been rectified. For example, those prepared by the Auditors-General of Queensland (and a follow-up report) and Tasmania.

ACAG notes that the AASB research to date has not addressed, as per AASB November 2025 meeting agenda paper 11.3 “Service Performance Reporting - Project Update - Progress against the Project Plan”:

- Comparison and analysis of Australian state, territory and local government SPR frameworks.
- Update of current practice in the public sector.
- An investigation into whether there is any direct or indirect implementation experience with IPSASB RPG 3 Reporting Service Performance Information in private or public sectors in other jurisdictions.



## 8b. Conceptual Framework: Not-for-Profit Amendments

**Sector relevance — Does the topic affect for-profit, public sector or not-for-profit entities?**

NFP public and private sector entities.

**Nature and urgency of the issue — What specific problems should the AASB address in relation to this topic? In your view, how urgent, pervasive and prevalent are these issues?**

Apply the Conceptual Framework for Financial Reporting to NFP entities.

Urgency of the issue - High priority. The project is almost complete

### Commentary

The AASB should look to ways to have only one conceptual framework. The “Framework for the Preparation and Presentation of Financial Statements”, which currently applies to for-profit public sector entities and various entities preparing special purpose financial reports, does not seem to be needed.

ACAG notes there may be unintended consequences to preparers using the old conceptual framework with the impending issue by the IASB of its targeted improvements to the provisions standard (IAS 37) that is based on the new conceptual framework.

## 8c. Climate-related financial disclosure requirements for NFP public sector entities

**Sector relevance — Does the topic affect for-profit, public sector or not-for-profit entities?**

NFP public sector entities.

**Nature and urgency of the issue — What specific problems should the AASB address in relation to this topic? In your view, how urgent, pervasive and prevalent are these issues?**

Climate-related financial disclosure requirements for NFP public sector entities.

### Commentary - general

ACAG notes the current AASB research (referred to in AASB November 2025 meeting agenda paper 9.1 “Public Sector Climate Reporting - Preliminary findings and next steps”. Paper 9.2 was not made public):

- An analysis of the IPSASB public-sector-specific modifications and guidance to the IFRS S1 and IFRS S2 text – Expected June 2026 AASB meeting.
- A research report summarising the findings of the research work, with publication planned for H1 2026. The report will consolidate evidence on:
  - current climate-related reporting practices of Australian NFP public sector entities;
  - users and user needs of climate-related information; and
  - potential implications for the future application of AASB S2 in the public sector.

We cover the following topics below:

- Commentary – S2 requirements
- Commentary – Policy Programs

## Commentary – S2 requirements

ACAG notes the divergent approaches across jurisdictions as to the adoption of whole-of-economy (i.e. jurisdiction) vs whole-of-government (General Government Sector (GGS) and Total State Sector (TSS) reporting entities) climate-related reporting, and whether agency level reporting is required.

### Specific AASB staff questions

- which types of NFP public sector entities (if any) should be subject to some or all AASB S2 disclosure requirements;

ACAG believes that the regulators of individual jurisdictions should determine which entities should be subject to none, some or all S2 disclosure requirements, in line with what they consider as their jurisdictional needs.

- whether there are any other aspects of AASB S2 requiring public-sector-specific guidance, and the relative priority of public-sector-specific modification to AASB S2 compared with other public sector projects

ACAG agrees with the priority areas as identified by Treasury representatives in the AASB research reported at the AASB November 2025 meeting. In particular, they identified the following:

- “Entity’s prospects” terminology
- Materiality
- Proportionality and reduced disclosures:
- Scope 3 GHG emissions
- Cross-agency programs
- Financed emissions and insurance:

In relation to Scope 3 emissions reporting, ACAG continues to believe that Scope 3 should be voluntary until the AASB conducts a comprehensive analysis of the costs and benefits of these disclosures.

We note that many jurisdictions are already reporting whole-of-economy emissions, which incorporate Scope 3 type supply-chain concepts.

While we note that the IPSASB has made Scope 3 voluntary in their SRS 1 for the first three years, this still does not clarify the relevance of the disclosures, or how to apply the concept of value chain for public sector entities.

- whether any AASB S2 required disclosures could be provided less frequently than annually to address cost-benefit concerns;

This question is best answered by preparers, and the applicable jurisdiction regulators and any insights from the AASB’s research on user needs. For example, regulators may determine that scope 3 emissions are not required to be disclosed at the agencies or whole-of-government level; or only disclosed every X amount of years.

Comparability between reports and jurisdictions should be a factor in the analysis

### Priority

ACAG believes that this project could be increased from the current low priority to a medium priority, given the issues raised by Treasuries, and that some jurisdictions are moving to mandate S2 for WOG and some agency reporting. Some of the research that the AASB is undertaking on user needs for climate reporting information may also inform some of the aspects of the Public Sector Financial Reporting Framework project.

### Commentary – Policy Programs

#### Specific AASB staff questions

- whether the AASB should prescribe reporting requirements for climate-related policy programs, and the urgency of such work.

ACAG agrees, subject to the views of regulators, that the AASB should continue to monitor the IPSASB's Sustainability – Climate-related disclosures – Phase 2 project, as part of the AASB work plan to monitor IPSASB's developments.

- whether reporting on climate-related policy programs should be prepared at the program level, the WoG level, or agency level

This question is best answered by preparers, and the applicable jurisdiction regulators and any insights from the user needs research undertaken by the AASB. For example, regulators of jurisdictions with frequent machinery-of-government changes may determine that agency level reporting of policy programs is not meaningful, and only WOG disclosures will provide value for readers of the report.

ACAG notes above the issues raised by Treasury representatives in relation to S2 sustainability reporting on cross-agency programs when more than one agency is involved.

- whether climate-related policy programs should be reported within the annual report, and whether less frequent (than annual) reporting on these programs would be appropriate.

This question is best answered by preparers, and the applicable jurisdiction regulators and any insights from the user needs research undertaken by the AASB.

Matter 5: Insights on what information would be useful to improve the linkage between climate, financial and budget information.

This question is best answered by preparers, and the applicable jurisdiction regulators. Additionally, this will also be informed by the overall research and work undertaken by the AASB on the Public Sector Financial Reporting Framework project.

We recommend that consistency in language, measurement and metrics will help ensure that linkages are clear and reporting comparable.

Matter 6: Views on the urgency of developing nature-related risk and opportunity reporting requirements for NFP public sector entities.

Currently jurisdictions are focused on climate-reporting, with some entities within jurisdictions preparing climate-related financial disclosures and having these assured. We believe that the Public Sector Financial Reporting Framework project should be the focus and addressing issues in financial reporting before focusing on expanding sustainability reporting.

If a separate sustainability standards setting board is established under the proposed FRC / AASB / AUASB restructure, we believe that there should be no additional work on expanding sustainability reporting beyond monitoring the ISSB work until completion of the replaced AASB's Public Sector Financial Reporting Framework project.



## 8d. PIR of AASB 1059 *Service Concession Arrangements: Grantors*

**Sector relevance — Does the topic affect for-profit, public sector or not-for-profit entities?**

Public sector entities

**Nature and urgency of the issue — What specific problems should the AASB address in relation to this topic? In your view, how urgent, pervasive and prevalent are these issues?**

ACAG agrees with the current high priority (per November 2025 AASB Action Alert) to address the most significant issues raised during the AASB 1059 PIR being those identified at the November 2025 AASB meeting including:

- the scope and asset control criteria in paragraphs 2 and 5 of AASB 1059 (including secondary assets)
- scoping into AASB 1059 arrangements where the operator does not provide the service concession asset (i.e. the operator operates and maintains the grantor's existing assets)
- the mandatory use of the cost approach to fair value in AASB 13 *Fair Value Measurement* to measure service concession assets (a specific override of IFRS standards introduced by the AASB)
- the requirement to recognise intangible assets (e.g. data assets) at fair value when there is no active market for the asset (a specific override of IFRS standards introduced by the AASB).

While not listed in the Action Alert, ACAG believes that the AASB should include clarifying which entity is the grantor when multiple public sector entities are involved in a service concession arrangement including the application of AASB 1050 (AASB November 2025 staff meeting paper 5.2 "Summary of main issues and staff preliminary views" Issue 6).

In addition to the above, the AASB should address as a high priority the requirement under AASB 1059 to recognise intangible assets (e.g. data assets), that would not otherwise be recognised under Australian accounting standards (a specific override of IFRS standards introduced by the AASB).

### Commentary

ACAG believes the other various matters identified in the PIR can be undertaken as a medium priority project. ACAG has previously recommended that the AASB avoid re-writing parts of the standard that could cause unintentional consequences requiring the standard to be applied afresh to all arrangements.

These matters include:

- accounting for additions made to the service concession asset by the operator during the service period, variable consideration and contract modifications.
- whether an arrangement can be accounted for as a service concession arrangement at a consolidated whole of government level, when this has not been accounted for as a service concession arrangement at the individual agency level
- residual interest
- applying the concept of implied funding costs
- lifecycle payments
- accounting for assets under construction
- upgrades, including linking to other service concession assets
- application issues with unwinding of GORTO liability
- partly regulated assets and the interpretation of the phrase 'whether 'enough of services' are regulated' and practical challenges associated with it.



## 8e. PIR of AASB 16 Leases: NFP and public sector entities

**Sector relevance — Does the topic affect for-profit, public sector or not-for-profit entities?**

Not-for-profit entities.

**Nature and urgency of the issue — What specific problems should the AASB address in relation to this topic? In your view, how urgent, pervasive and prevalent are these issues?**

### Specific AASB staff questions

#### 3.1 PIR of AASB 16 Leases

In addition to identifying areas where further guidance or examples could enhance clarity and promote more consistent application of AASB 16 in the public sector, ACAG's submission on ITC 55 noted that the implementation of AASB 16 in public sector agencies has presented numerous audit challenges, particularly regarding the completeness and accuracy of lease data, documentation of accounting judgments, and quality assurance processes.

Matter 1: Practical insights on how AASB 16 could be amended to better address these challenges, and views on the relative priority of any future AASB 16 standard-setting work compared with other public sector projects.

ACAG included in its submission on ITC55 public sector issues in relation to AASB 16 including:

- Interpretation of "insignificant penalty"
- Determining whether there is a lease and related lease term
- Implementation issues under a master / umbrella agreement for PPP arrangements
- Lessor accounting and non-cash consideration
- Perpetual leases / in-substance purchases (finance leases).

Urgency of the issue – ACAG believes that the priority of this project could be lowered from its current high priority to medium to allow the AASB to focus on higher priorities.

**Question 9. Are there any projects or ideas that are not currently on our Work Plan that you believe we should begin exploring??**

**For each of the projects identified below, please provide the following information:**

- **Sector relevance — Does the topic affect for-profit, public sector or not-for-profit entities?**
- **Nature and urgency of the issue — What specific problems should the AASB address in relation to this topic? In your view, how urgent, pervasive and prevalent are these issues?**
- **Supporting evidence — Are there any data, examples or research that support the importance of this topic?**

We consider below the following projects:

### Previous projects omitted from current plan

- 9a(i). Public Sector Financial Reporting Framework – Excluding Tier 3
- 9a(ii). Public Sector Financial Reporting Framework – Tier 3
- 9b. PIR of AASB 1049 *Whole of Government and General Government Sector Financial Reporting* and AASB 1055 *Budgetary Reporting* (in respect to WoG and GGS)
- 9c. PIR of Selected Public Sector Pronouncements including:
  - 9c(i) PIR AASB 1050 *Administered Items*
  - 9c(ii) PIR AASB 1051 *Land Under Roads*
  - 9c(iii) PIR AASB 1052 *Disaggregated Disclosures*
  - 9c(iv) PIR AASB 1004 *Contributions*
  - 9c(v) PIR Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*.
- 9d. PIR AASB 1055 *Budget Reporting* (agencies)
- 9e. Review of AASB 15 and AASB 1058 for NFPs.
- 9f. Comparison of AASB and IPSASB
- 9g. Long-term discount rates to apply in measuring public sector liabilities

### Possible additional projects

- 10(a) A Conceptual Framework of principles to support sustainability reporting: Developing guiding principles for consistent, high-quality sustainability disclosures.
- 10(b) Accounting for interests in other entities: Considering how public sector entities report relationships with subsidiaries, joint ventures, and associates. [Seems to be next steps from ITC51 PIR of AASB 10, 11, 12]
- 10(c) Accounting for transfer expenses by a not-for-profit public sector entity: Developing accounting requirements on the recognition and measurement of expenses from the resource providers' perspective.
- 10(d) Australian-specific paragraphs included in Australian Accounting Standards: Reviewing whether Australia-specific additions to international standards are still relevant.
- 10(e) Digital financial reporting: Advancing the use of digital formats (like XBRL) to make financial reports machine-readable.
- 10(f) Ongoing relevance of certain domestic Australian Accounting Standards and Interpretations: Reviewing older Australian-specific Standards to see if they're still needed.

## 9a(i). Public Sector Financial Reporting Framework (Excluding Tier 3)

### Sector relevance — Does the topic affect for-profit, public sector or not-for-profit entities?

Public sector entities.

### Nature and urgency of the issue — What specific problems should the AASB address in relation to this topic? In your view, how urgent, pervasive and prevalent are these issues?

Nature of the issue - Understand the information needs of users of public sector entities. This information will help inform:

- the indicative level of reporting that is needed for each level of government. This may help jurisdictions find opportunities to reduce the reporting burden when setting the financial reporting framework
- whether any public sector amendments are required in other Australian Accounting Standards.

Urgency of the issue – High. ACAG has raised the issue of whether information is relevant to public sector users in a number of recent submissions. This includes ITC 55, ITC 56 and ED 338.

ACAG notes that in relation to the specific public sector PIRs the outreach that has already been undertaken by the AASB, that it was ready in May 2023 to issue an Invitation to Comment.



ACAG believes that the AASB can progress with many of the public sector PIRs either before, or during the Public Sector Financial Reporting Framework project.

## Commentary

### Specific AASB staff questions

Matter 3: Suggestions on the appropriate approach and timing for progressing the public sector financial reporting framework and the PIR of Selected Public Sector Pronouncements projects.

As noted above, ACAG believes this should be a high priority project.

ACAG suggests that as part of its further research focus on user needs, the AASB uses the work the IPSASB has done with their recent conceptual framework updates. The IPSASB conceptual framework is similar to the current Australian framework, and the IPSASB is also aligned with IFRS Accounting Standards.

ACAG notes the CPA Australia research on the insights from stakeholders of annual reports of Australian public sector organisations. The purpose of that report was to examine how:

- public sector organisations across the three levels of government use the annual report, including the financial statements, to show they are accountable,
- the information in the annual report of public sector organisations across the three levels of government, including the financial statements, is used by external stakeholders to:
  - hold management and those charged with governance accountable in the discharge of their duties,
  - assess management's and those charged with governance stewardship of the resources of the organisation, and
  - make other decisions.

Source:

Jubb, C., Muir, J., Pathirana, N. and Shying, M., 2022. Annual Reports of Australian Public Sector Organisations – Insights from stakeholders, CPA Australia

<https://www.cpaaustralia.com.au/-/media/project/cpa/corporate/documents/tools-and-resources/financial-reporting/reporting-research-initiatives/annual-reports-of-australian-public-sector-organisations.pdf>

The report received responses from the following categories of user:

- Audit Committee member
- Councillor
- Media
- Member of the public
- Monitor
- Parliamentarian
- Report preparer

We believe that there is existing research and outreach available for the AASB to build on, including its research report number 6 and the related discussion paper released in 2018.



### **9a(ii). Public Sector Financial Reporting Framework (Tier 3)**

Urgency of the issue – As noted below, ACAG recommends including these issues in the Public Sector Financial Reporting Framework project. Otherwise, the priority should be low.

#### **Specific AASB staff questions (23 February 2026)**

- (a) Views on whether the appropriateness of Tier 1 and Tier 2 GPFS reporting requirements for public sector entities should be reassessed, and, if so, the level of urgency for undertaking this work.**

We recommend that the appropriateness of Tier 1 and Tier 2 (after updates arising from ITC56) be included in the Public Sector Financial Reporting Framework project. Also, the AASB should discuss with preparers and regulators what can be achieved with the existing Tier 2 framework and the appropriate application of materiality to achieve focussed financial reporting.

Similar to the AASB not pursuing a cut-down disclosure framework (and same recognition and measurement framework) for the private not-for-profit sector, ACAG does not believe that such a framework would meet the cost vs benefits test for the public sector.

In particular, there is no existing framework to determine Tier 3 disclosures using the same recognition and measurement framework. The upcoming private-sector Tier 3 disclosures are based on different recognition and measurement requirements.

- (b) In respect to a potential Tier 3 framework for public sector entities, views on:**

- (i) the eligibility for Tier 3 reporting – the types of entities that should be permitted to apply Tier 3 reporting requirements, and the criteria that should be used to determine eligibility for Tier 3;**

This is best answered by preparers, regulators and users in the Public Sector Financial Reporting Framework project.

ACAG view is that there is only likely to be a small number of entities that will benefit from Tier 3 compared to special purpose financial reports.

- (ii) expected application – an estimate of the number of entities in each jurisdiction likely to apply Tier 3 reporting requirements; and**

The answer to this question will depend on the broader work as part of the Public Sector Financial Reporting Framework project. Having said that, some jurisdictions are of the view that the number of entities that might adopt Tier 3 will depend on whether the same recognition and measurement requirements as Tier 1 and Tier 2 are adopted, or whether different requirements (for example, expansion of the NFP Tier 3) are used.

These jurisdictions believe that the numbers would be small. As noted in our submission on ITC 56, some jurisdictions have limited the adoption of Tier 2 to a very small number of entities.

If Tier 3 involved different recognition and measurement criteria, the likely numbers are expected to be small. For example, in Queensland where approximately 70 local government-controlled entities are audited, the likely entities to adopt Tier 3 would be those currently not consolidated by the parent council. Even then, there is likely to be resistance to a different measurement framework, as the resources for preparing the statutory financial reports are often from the parent council, that would be familiar with the Tier 1 and Tier 2 requirements. Other jurisdictions have minimal (or nil) local government-controlled entities.

(iii) **the design of the Tier 3 framework, including:**

- **whether Tier 3 should retain the same recognition and measurement requirements as Tier 1 and Tier 2 GPFS;**

Subject to the outcomes of the broader research as part of the Public Sector Financial Reporting Framework project, at this stage it appears that a Tier 3 based on different recognition and measurement criteria is unlikely to be useful for entities that are consolidated into a public sector entity reporting under Tier 1 or Tier 2.

- Consequently, such a Tier 3 would likely only be useful for entities that are not consolidated based on materiality.
- As noted above, Queensland where approximately 70 local government-controlled entities are audited, is likely to have the most entities eligible for possible use. Though as noted, demand is likely to be low.
- If a Tier 3 were to be considered for the public sector, the easiest approach is likely to be the expansion of the private NFP sector Tier 3. This should be considered as part of the Public Sector Financial Reporting Framework project.
- **which specific Tier 2 disclosures could be omitted for Tier 3; and**

This is best answered by preparers, regulators and users in the Public Sector Financial Reporting Framework project.

- **whether additional information should be required to meet user needs (e.g. budget variance reporting).**

This is best answered by preparers, regulators and users in the Public Sector Financial Reporting Framework project, including discussion on the existing Tier 2 framework and the appropriate application of materiality.

**9b. PIR of AASB 1049 *Whole of Government and General Government Sector Financial Reporting* and AASB 1055 *Budgetary Reporting* (in respect to WoG and GGS)**

**Sector relevance — Does the topic affect for-profit, public sector or not-for-profit entities?**

Public sector - general government sector and whole-of-government.

**Nature and urgency of the issue — What specific problems should the AASB address in relation to this topic? In your view, how urgent, pervasive and prevalent are these issues?**

Various issues raised in the Post-Implementation Review of AASB 1049 (2021).

**Commentary**

ACAG agrees with the decisions of the AASB at its August 2025 meeting to address the issues:

- with an exposure draft on addressing AASB 18 issues
- by addressing GFS issues with the IMF update
- by linking other issues to other PIRs where relevant
- with the items identified for no further action

The proposed changes under ED 338 addressing AASB 18 issues with AASB 1049 should retain its current high priority in order to meet the 1 January 2028 deadline.



The issues linked to other PIRs should have the respective PIR priority.

### **9c(i) PIR AASB 1050 *Administered Items***

**Sector relevance — Does the topic affect for-profit, public sector or not-for-profit entities?**

Public sector entities

**Nature and urgency of the issue — What specific problems should the AASB address in relation to this topic? In your view, how urgent, pervasive and prevalent are these issues?**

Nature of the issue - A key issue faced by the NFP public sector is the application of the principal versus agent concepts when applying AASB 1050 *Administered items*. The AASB carried forward the differentiation in accounting treatment of administered items of government departments from AAS 29 *Financial Reporting by Government Departments*, which was only meant to be a short-term measure. The lack of guidance and the extent of judgment required in applying AASB 1050 leads to challenges in its consistent application by government entities.

There is a need to reconsider:

- the scope of AASB 1050 as this does not reflect government structures where agencies other than departments manage administered items on behalf of the government, for example in NSW, Treasury mandates the application of AASB 1050 to all general government sector entities.
- giving the disclosure of administered items more prominence in the financial statements where appropriate, rather than give an unrestricted choice.

There are inconsistencies in how administered items are currently disclosed across different jurisdictions and between entities within the same jurisdiction. For example:

- whether administered items are presented as similar to primary financial statements or as note disclosure, particularly where administered activities are more significant than controlled activities. In some jurisdictions in such circumstances the administered items are presented as full primary financial statements (in the notes) , whereas in other jurisdictions, administered items are only included as note disclosures.
- the level of detail included within the administered items disclosures varies. Some entities apply and disclose accounting policies and relevant disclosures that are consistent with those applied to controlled items, while others do not always disclose the accounting policies used and relevant disclosures. In one jurisdiction, discussions have arisen between an agency and its auditor about whether the disclosure requirements in other standards apply to material administered items, such as AASB 119 when an agency administers the Crown's total unfunded superannuation liability. Auditors have challenges in requesting additional disclosures for what are considered material administered items, when such items are not part of the primary financial statements.

ACAG believes that additional guidance on minimum disclosure requirements for administered items would help improve consistency and comparability across jurisdictions and entities.



It would also be beneficial to include guidance on:

- key criteria for 'controlled' or 'administered', including how these terms link to an entity's potential role as merely an 'agent' responsible for administering items on behalf of the government
- controlled versus administered for grants programs. While the guidance in AASB 15 is useful in determining principal versus agent it is very private sector focused. For NFP entities, one of the main areas of difficulty in classification is the provision of funding for grants and loan programs (including transfer payments). These programs involve difficulties as there is often little discretion in making the transfer, if the recipient meets the eligibility criterion (indicating agent), while the program manager being responsible for the program and any failures (indicating principal). Another difficulty is that the guidance in AASB 15 and AASB 1058 indicates that performance obligations to deliver cash are within the scope of AASB 9, an issue ACAG raised concerns about in our submission on Exposure Draft 318 *Illustrative Examples for Income of Not-for-Profit Entities and Right-of-Use Assets arising under Concessionary Leases*.
- the disclosure requirements when more than one agency may administer the item.

Urgency of the issue – Medium. ACAG believes that the AASB can progress with this project given the outreach that has been undertaken by the AASB and given the May 2023 intention to issue an Invitation to Comment. Those issues should be updated for the issues described above. ACAG believes that this project can be progressed before, or during, the initial work of the Public Sector Financial Reporting Framework, and other projects. ACAG believes that some of the issues above, should also be considered in the Public Sector Financial Reporting Framework project.

### **9c(ii) PIR AASB 1051 *Land Under Roads***

**Sector relevance — Does the topic affect for-profit, public sector or not-for-profit entities?**

Public sector entities (local governments, government departments, General Government Sectors (GGSs) and Whole of Governments).

**Nature and urgency of the issue — What specific problems should the AASB address in relation to this topic? In your view, how urgent, pervasive and prevalent are these issues?**

ACAG believes that the topic of the usefulness of valuations of land under roads should be a low priority, commenced after the relevance of the valuations are considered in the Public Sector Financial Reporting Framework project.

### **9c(iii) PIR AASB 1052 *Disaggregated Disclosures***

**Sector relevance — Does the topic affect for-profit, public sector or not-for-profit entities?**

Public sector entities (departments and local government entities).

**Nature and urgency of the issue — What specific problems should the AASB address in relation to this topic? In your view, how urgent, pervasive and prevalent are these issues?**

ACAG believes that the topic of the usefulness of disaggregated disclosures should be a low priority, commenced after the relevance of the disclosures are considered in the Public Sector Financial Reporting Framework project.



### **9c(iv) PIR AASB 1004 Contributions**

#### **Sector relevance — Does the topic affect for-profit, public sector or not-for-profit entities?**

Local governments, government departments, other government controlled not-for-profit entities and whole of governments.

#### **Nature and urgency of the issue — What specific problems should the AASB address in relation to this topic? In your view, how urgent, pervasive and prevalent are these issues?**

Urgency of the issue – Medium. ACAG believes that the AASB can quickly progress with this project given the outreach that has been undertaken by the AASB and given the May 2023 intention to issue an Invitation to Comment. ACAG believes that this project can be progressed before, or during, the initial work of the Public Sector Financial Reporting Framework project.

### **9c(v) PIR Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities.**

#### **Sector relevance — Does the topic affect for-profit, public sector or not-for-profit entities?**

All public sector entities preparing GPFS.

#### **Nature and urgency of the issue — What specific problems should the AASB address in relation to this topic? In your view, how urgent, pervasive and prevalent are these issues?**

Issues include Machinery of Government changes and restructures of administrative arrangements and equity allocations (i.e. freezing of asset revaluation reserve). The private sector, and IPSAS 40 allow the asset revaluation (and other reserves) to be transferred / rolled-over to the new entity using business combinations under common control (BCUCC) accounting.

It is also common to have differences in balances between the transferor and transferee, from changed circumstances (e.g. different employee leave policies) and different valuation approaches (cost vs fair value, NPV vs replacement cost, different current use expectations).

Urgency of the issue – Medium. ACAG believes that the AASB can progress with this project given the outreach that has been undertaken by the AASB and given the May 2023 intention to issue an Invitation to Comment. ACAG believes that this project can be progressed before, or during, the initial work of the Public Sector Financial Reporting Framework project.

### **9d. PIR AASB 1055 Budget Reporting (agencies)**

#### **Sector relevance — Does the topic affect for-profit, public sector or not-for-profit entities?**

Public sector entities. The CPA Australia research on public sector annual reports stakeholders found that all interviewees felt budget information was important to better understand entities' planned activities and their execution. However, the report noted that the inclusion of budget information in annual reports varied, meaning that actual figures could not always be compared with budget.

- Councillors noted that budget information was available online but not in annual reports, so there was no comparison with budget.
- Media representatives consider budget information and the ability to compare what was announced with how it was implemented as fundamental to the principle of accountability.
- Members of the public indicated budget figures were not included in annual reports but felt they should be so they could use the annual report to assess value for money.



- Parliamentarians argued that budget information is very important as it can be used to reflect on and ask important questions about how performance compares with expectation.
- Report preparers noted that budget figures were important to communicate to stakeholders but are required by legislation in only some jurisdictions.

**Nature and urgency of the issue — What specific problems should the AASB address in relation to this topic? In your view, how urgent, pervasive and prevalent are these issues?**

In our submission on the FRC PIR of AASB 1055 for whole of government reporting, we stated that while the AASB 1055 budgetary information in relation to the Operating Statement is considered useful, there is merit in considering whether the budgetary reporting relating to the Balance Sheet should only focus on items like capital expenditure, borrowings and unusual or particularly significant items. Additionally, in ACAG's view, budgetary information on the Statement of Cash Flows provides little relevant information.

These suggestions were included in the FRC PIR on AASB 1049 and AASB 1055 (WOG). The suggestions are also relevant for non-WOG AASB 1055 reporting.

ACAG believes that any changes to reduce costs for WOG budget reporting should be made at the same time for agency budgetary reporting.

Additional implementation challenges with AASB 1055, particularly those prepared at an agency or department level, include the budget not being prepared on a like-for-like basis as for accounting, such as the budget being prepared for a different group that is different from the reporting entity. For example, the budget is prepared on a portfolio approach including a department and other statutory bodies not controlled by the department. In practice, a jurisdiction may not prepare a comparison between budgetary and actual information or may prepare a comparison between budgetary and actual and include the information in the unaudited notes.

Based on ACAG's experience, the quality of budgetary reporting disclosures requires improvement. Explanations (variance analyses) are often brief and do not fully explain the driver(s)/source of the variation from the budget.

Other issues:

- Duplication of existing accountability to parliament and additional cost

Many jurisdictions already have a process of budget vs actual being reported to parliament as part of the budgetary process. For example, in Queensland it is the Service Delivery Statements that are tabled with the budget, normally in May / June after the federal budget.

It is noted that the accounting standard disclosures relate to the whole financial year, including events occurring in May and June, and the variances are audited.

- Lack of consistency – Departments

The budget comparisons for administered items are inconsistent amongst departments across jurisdictions. This appears partly because the administered budget group is different to the accounting group, and some jurisdictions not preparing all primary financial statements for the budget.

In some cases, similar departments across some jurisdictions did not report administered items while other jurisdictions did, without obvious reasons.

- Lack of consistency – Statutory bodies

Similarly, there are inconsistent disclosures for similar statutory bodies across jurisdictions.



Urgency of the issue – Medium. ACAG believes that the AASB can quickly progress with this project given the outreach that has been undertaken by the AASB (and FRC) and given the May 2023 intention to issue an Invitation to Comment. Those issues should be updated for the issues described above. ACAG believes that this project can be progressed before, or during, the initial work of the Public Sector Financial Reporting Framework project. ACAG believes that some of the issues above, should also be considered in the Public Sector Financial Reporting Framework project.

## 9e. Review of AASB 15 and AASB 1058 for NFPs.

**Sector relevance — Does the topic affect for-profit, public sector or not-for-profit entities?**

Not-for-profit entities.

**Nature and urgency of the issue — What specific problems should the AASB address in relation to this topic? In your view, how urgent, pervasive and prevalent are these issues?**

Nature of the issue - There were issues raised by stakeholders in the ITC50 PIR which have not been addressed by the AASB. For a number of these the Board indicated further work would be performed. These include:

- sufficiently specific and deferral / matching – including review of IPSAS 47
- grants received in arrears – including review of IPSAS 41 and IPSAS 47
- statutory receivables (subsequent measurement) – including review of IPSAS 41 and IPSAS 47.

Urgency of the issue - This is a longer-term project and should only commence once there is sufficient implementation of the standard by individual agencies.

ACAG notes that the IPSASB is proposing that their PIRs commence at least 5 years after commencement of the standard (per IPSASB work program 2024-28 consultation). This would be after 1 January 2031.

ACAG also notes that if New Zealand adopts IPSAS 47, this will provide implementation experience by individual public sector agencies. As the intended commencement date is planned to be 1 January 2029, and therefore a post-implementation review would be unlikely to commence before 1 January 2031.

Urgency of the issue – Based on the expected timing above, where practical implementation experience is not expected until 2031, this should be a low priority over the 2027-2031 agenda consultation period and reviewed for the next agenda consultation.

### **Commentary – sufficiently specific and deferral / matching**

We note from the AASB Feedback Statement on ITC50 *PIR for Income of Not-for-Profit Entities* (NFP amendments to AASB 15 and AASB 1058) that:

- ‘Sufficiently specific’ was an unclear concept - Many stakeholders raised concerns about the lack of clarity on the ‘sufficiently specific’ concept. They find it difficult to interpret and apply, leading to inconsistencies and confusion in practice.
- Some stakeholders suggested the matching concept for income recognition would provide more useful information and would be consistent with the requirements for the private sector.
- The AASB stated its intention to consider IPSAS 47 *Revenue* (May 2023), which was issued after the review commenced. IPSAS 47 commenced 1 January 2026.



- The AASB noted that “many stakeholders indicated that significant costs have already been incurred implementing the Standards and any changes to the Standards might outweigh the benefits”.

ACAG believes that IPSAS 47, with its wider definition of performance obligation (under the compliance obligation concept) may reduce the judgement required, a “key concern raised by most stakeholders” and would also allow a greater scope for deferral of revenue.

However, ACAG notes that IPSAS 47 defines ‘capital transfers’ (capital grants) and recognises them as construction occurs (like AASB 1058), an approach that results in the distorting of financial results, and does not align with ‘matching’ (of revenue from the grant against the related depreciation expense) expectations of stakeholders.

ACAG also notes that IPSAS 47 has an apparent inconsistency where capital transfers (grants) to acquire or construct an asset are recognised upfront as construction occurs, while a grant of already constructed PPE may be recognised over time (IPSAS 47 Example 52).

### **Commentary – Grants received in arrears**

We note that in the ITC50 Feedback Statement that the AASB stated its intention to undertake a benchmarking comparison of AASB 9 and IPSAS 41 for any useful guidance to address the subsequent measurement of statutory receivables (and implicitly grants received in arrears) (refer below).

ACAG believes that IPSAS 47 may provide useful accounting requirements for grants received in arrears. IPSAS 47 includes ‘binding arrangements’ which not only covers rights and obligations in relation to performance obligations (equivalent to AASB 15), but other rights and obligations.

Consequently, IPSAS 47 covers rights and obligations under binding arrangements (such as grants) without sufficiently specific performance obligations. IPSAS 47 has specific recognition provisions for a ‘binding arrangement asset’ (IPSAS 47 definitions, paragraph 164) that would appear to include grants received in arrears.

Those provisions require that IPSAS 41 be applied by analogy.

ACAG believes that to resolve the issue of grants in arrears, such as by requiring the application of AASB 9 by analogy, an Australian standard is needed equivalent to IPSAS 47 that deals with binding arrangements with rights and obligations beyond AASB 15 performance obligations. That does not stop entities choosing a voluntary accounting policy to apply AASB 9 by analogy, given the current lack of an Australian standard on that topic.

ACAG recommends that this issue be considered at the same time as ‘sufficiently specific’ is addressed.

### **Commentary – Statutory receivable.**

We note that in the ITC50 Feedback Statement that the AASB stated its intention to undertake a benchmarking comparison of AASB 9 and IPSAS 41 (including after the recent IPSASB Public Sector Specific Financial Instruments project) for any useful guidance to address the subsequent measurement of statutory receivables.



ACAG does not believe that the IPSASB Public Sector Specific Financial Instruments project will provide useful guidance, as the 2020 amendments covered:

- monetary gold
- currency in circulation
- International Monetary Fund (IMF) quota subscriptions
- Special Drawing Rights (SDRs).

ACAG believes that as IPSAS 47 covers statutory arrangements as binding arrangements, and has provisions relating to a 'binding arrangement asset', that it covers statutory receivables. It appears that it is IPSAS 47 that requires non-contractual receivables to be recognised by analogy under IPSAS 41, rather than specific amendments to IPSAS 41 (IPSAS 47 paragraph 31, Implementation Guidance F.1 Subsequent Measurement for Non-Contractual Receivables, BC105-BC108).

ACAG recommends that this issue be considered at the same time as 'sufficiently specific' and 'grants received in arrears' is addressed.

## 9f. Comparison of AASB and IPSASB standards

### **Sector relevance — Does the topic affect for-profit, public sector or not-for-profit entities?**

NFP public sector entities.

### **Nature and urgency of the issue — What specific problems should the AASB address in relation to this topic? In your view, how urgent, pervasive and prevalent are these issues?**

The past project assessed IPSASB pronouncements against Australian standards in accordance with the AASB's Approach to International Public Sector Accounting Standards.

ACAG believes that the AASB should not undertake an updated detailed comparison of AASB to IPSASB pronouncements, on a standard-by-standard basis, as it would not provide additional useful information to the previous comparison.

The previous study identified the benefits of the current AASB approach of sector neutral standards (allowing easy movement of staff between public and private sectors and vice versa), and new standards (like revenue and leases) commencing in Australia to the public and private sectors at, or near, the same time.

The previous comparison did identify that there may be useful guidance in public sector standards (e.g. for concessionary loans, and public sector specific illustrative examples). These could be followed-up on a high-level basis, without repeating the detailed standard-by-standard comparison.

Any new comparison is likely to involve documenting many known differences arising from the introduction of IPSAS 46 *Measurement* and IPSAS 47 *Revenue*. Identifying such differences, and their effect, standard-by-standard is not likely to provide any additional useful information.



We recommend that the AASB:

- Not commence a detailed standard-by-standard comparison project similar to the previous project, given the outcomes of the previous project.
- In line with our recommendations above:
  - assess the potential use of IPSAS 47 in Australia relating to NFP income recognition
  - assess provisions in IPSAS 40 in relation to the transfer of equity components for businesses under common control in the PIR for Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*.
- Consider a low priority project, based on the previous standard-by-standard comparison to improve examples and guidance.
- Consider a low priority project, based on a high-level review of new IPSAS standards issued since the last comparison, that might be useful for existing standards. This would include a review of IPSAS 41, for example concessionary loan guidance. This would not likely include IPSAS 43 *Leases*, as the IPSAS uses a strict contract definition, rather than the Australian binding agreement approach. Similarly, IPSAS 46 *Measurement* is unlikely to be helpful given the IPSASB's introduction of their Current Operational Value concept.

## 9g. Long-term discount rates to apply in measuring public sector liabilities

**Sector relevance — Does the topic affect for-profit, public sector or not-for-profit entities?**

Public sector entities

**Nature and urgency of the issue — What specific problems should the AASB address in relation to this topic? In your view, how urgent, pervasive and prevalent are these issues?**

Consider the effect of the volatility of discount rates for public sector reporting, including defined benefit funds.

FRAC members have not identified any significant concerns in these areas that would warrant specific public sector provisions. Consequently, if this project was to commence, it should be given a low priority after the Public Sector Financial Reporting Framework project has been completed.

## 10(a) A Conceptual Framework of principles to support sustainability reporting: Developing guiding principles for consistent, high-quality sustainability disclosures.

**Sector relevance — Does the topic affect for-profit, public sector or not-for-profit entities?**

All sectors

**Nature and urgency of the issue — What specific problems should the AASB address in relation to this topic? In your view, how urgent, pervasive and prevalent are these issues?**

ACAG believes that the AASB should not start its own project on this topic. ACAG believes that the AASB's current plan to monitor ISSB and IPSASB projects, and our recommendation to undertake the Public Sector Financial Reporting Framework project will be sufficient.



## 10(b) Accounting for interests in other entities

**Sector relevance — Does the topic affect for-profit, public sector or not-for-profit entities?**

Public sector entities.

**Nature and urgency of the issue — What specific problems should the AASB address in relation to this topic? In your view, how urgent, pervasive and prevalent are these issues?**

### Commentary

ACAG raised various issues in our response to ITC51 and AASB staff follow-up, including:

- Control assessment of charitable foundations and fundraising arms, especially where the potential controlling entity does not have voting power (and/or ability to amend that voting power).
- Assessing variable returns in respect of similar/congruent objectives and non-financial returns or furthering the objectives of the investor and achieving social policy objectives.
- Assessing control when State or local government body initiates the establishment of the entity, and wish to stay 'involved'. Being involved often involves some sort of review or approval of budgets and plans.

Urgency of the issue – Low.

## 10(c) Accounting for transfer expenses by a not-for-profit public sector entity

**Sector relevance — Does the topic affect for-profit, public sector or not-for-profit entities?**

Public sector entities.

**Nature and urgency of the issue — What specific problems should the AASB address in relation to this topic? In your view, how urgent, pervasive and prevalent are these issues?**

Nature - Developing accounting requirements on the recognition and measurement of expenses from the resource providers' perspective.

### Commentary

ACAG does not believe that there is a clear need for accounting similar to IPSAS 48, being recognition of transfer right assets, representing unspent monies already transferred to funding recipients.

Any consideration of starting a project, should be a low priority after the completion of the Public Sector Financial Reporting Framework project.

## 10(d) Australian-specific paragraphs included in Australian Accounting Standards

**Sector relevance — Does the topic affect for-profit, public sector or not-for-profit entities?**

Not-for-profit and public sectors.

**Nature and urgency of the issue — What specific problems should the AASB address in relation to this topic? In your view, how urgent, pervasive and prevalent are these issues?**

Reviewing whether Australia-specific additions to international standards are still relevant



## Commentary

ACAG noted above for project 8d. PIR of AASB 1059 Service Concession Arrangements: Grantors that the AASB should address the following Australian specific paragraphs that override IFRS standards:

- the mandatory use of the cost approach to fair value in AASB 13 *Fair Value Measurement* to measure service concession assets
- the requirement to recognise intangible assets (e.g. data assets), that would not otherwise be recognised under Australian accounting standards
- the requirement to then measure those intangible assets (e.g. data assets) at fair value when there is no active market for the asset.

ACAG is not aware of any other specific issues with the Australian paragraphs that currently exist, and does not believe that the project should be added to the AASB's agenda.

## 10(e) Digital financial reporting

**Sector relevance — Does the topic affect for-profit, public sector or not-for-profit entities?**

All sectors.

**Nature and urgency of the issue — What specific problems should the AASB address in relation to this topic? In your view, how urgent, pervasive and prevalent are these issues?**

Advancing the use of digital formats (like XBRL) to make financial reports machine-readable

## Commentary

This project is not a priority for the public sector and should be considered as part of Public Sector Financial Reporting Framework project.

While the Productivity Commission report focused on private sector disclosing entities (mainly listed entities) for digital financial reporting, the technology could be used by the public sector once implemented for the private sector.

We acknowledge that even though the public sector could use the private sector “taxonomy” as a base, there would need to be NFP and public sector modifications to cater for differences in accounting.

## 10(f) Ongoing relevance of certain domestic Australian Accounting Standards and Interpretations

**Sector relevance — Does the topic affect for-profit, public sector or not-for-profit entities?**

All sectors.

**Nature and urgency of the issue — What specific problems should the AASB address in relation to this topic? In your view, how urgent, pervasive and prevalent are these issues?**

Reviewing older Australian-specific Standards to see if they're still needed.



### Commentary

ACAG is not aware of any specific issues with domestic Australian standards and interpretations (other than the PIR for the public sector issues discussed above) and does not believe that the project should be added to the AASB's agenda.

### 10(g) Other projects

The following projects were suggested by individual jurisdictions, with no consensus from ACAG as to priority:

Artificial Intelligence in external reporting	Investigating how Artificial Intelligence affects financial reporting, including automation, assurance and ethics.
Implementation support for AASB 18 Presentation and Disclosure in Financial Statements	Supporting stakeholders in applying the new Standard
The understandability of Australian Accounting Standards and Australian Sustainability Reporting Standards	Investigating whether the AASB's Standards can be made easier to read, apply and explain



Ref: Sean Osborn  
(02) 9228 5932

24 April 2026

Dr Keith Kendall  
Chair  
Australian Accounting Standards Board  
PO Box 204  
Collins Street West  
VIC 8007 Australia

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**Re: ITC 57 AASB 2027–2031 Agenda Consultation**

Dear Keith,

The Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) welcomes the opportunity to provide input into the *AASB 2027–2031 Agenda Consultation*. HoTARAC is an intergovernmental committee that advises Australian Heads of Treasuries on accounting and reporting issues. The Committee comprises senior accounting policy representatives from all Australian states and territories, and the Australian Government.

HoTARAC expects that projects and priorities will evolve over the four years covered by the AASB Work Plan. In this letter, we have indicated where a project is important, but will require sufficient lead time for research and engagement. For example, a third-tier public sector reporting framework.

**AASB 18**

We agree that the application of AASB 18 by superannuation and public sector entities is a high short-term priority. For-profit public sector entities will adopt AASB 18 from 2027-28 financial years and will need to make any system adjustments in advance. Not-for-profit entities will follow in 2028-29. Differences in presentation between for-profit and not-for-profit entities will require careful consideration for whole-of-government consolidations and publication of consolidated financial statements for each government sector.

**AASB 1060**

Consideration of changes to AASB 1060 as a result of AASB 18 should be a priority. Consistency between the primary statements in AASB 1060 and AASB 18 makes more sense for users of financial statements and will avoid unnecessary adjustments during consolidation.

## **AASB 1059**

Amendments to AASB 1059 following the post-implementation review are a high priority for HoTARAC jurisdictions with significant service concession arrangements. The standard broadly achieves its objectives. However, some requirements of AASB 1059 are difficult to apply in practice. HoTARAC has previously recommended the AASB consider amendments to certain requirements and additional application guidance for other requirements. Given the range of public-private partnerships, the exercise of professional judgement will always be particularly necessary when applying AASB 1059. Therefore, we also recommend the AASB consider providing more guidance on the conceptual principles and objectives of the standard. For example, the concept of 'on behalf of'.

The post-implementation review identified several complex issues with AASB 1059. Therefore, HoTARAC acknowledges it will require time and resources to consider these and recommends the AASB continues to engage directly with preparers and auditors to further understand the application and audit challenges.

## **Climate-related financial disclosures**

Guidance and amendments on the application of AASB S2 *Climate-related Financial Disclosures* to the not-for-profit public sector should be a high priority. Several jurisdictions have introduced reporting frameworks based on AASB S2 for public sector entities. The resources and effort to report under AASB S2 are considerable and certain features of AASB S2 are difficult to interpret in a public sector context. These public sector specific challenges include proportionality, cross industry metrics, climate resilience, and defining the boundary for scope 3 emissions

HoTARAC recommends that climate reporting beyond the application of AASB S2 should be a lower priority. This includes standard setting on the impacts of an entity's climate risks and opportunities on external parties. For example, the International Public Sector Accounting Board is evaluating reporting on climate-related public policy programs and their outcomes.

Sustainability reporting is a relatively new standard-setting topic. Therefore, HoTARAC recommends the AASB continues to reassess the evolving demand for reporting across the 2027-2031 Work Plan.

## **Public sector reporting framework**

There is a substantial cost in preparing general purpose financial statements for a large number of government departments and agencies in each jurisdiction. HoTARAC recommends the AASB considers a review of elements of the financial reporting framework. For example, whether a third tier of financial reporting could provide significant cost savings and continue to provide relevant information to potential users of those financial statements. Or whether the existing second tier reporting requirements could be modified to provide greater relief from disclosure obligations. This type of review will require extensive consultation with potential users and auditors, as well as an assessment of the potential costs and benefits. Therefore, HoTARAC members recommend this is an important, but not urgent priority.

### **Long-term discount rates to apply in measuring public sector liabilities**

This is not universally a topic of interest for all states and territories. Therefore, the topics listed above are generally considered a higher priority.

### **Post-Implementation reviews of public sector pronouncements**

Several public sector standards have not been reviewed for many years and could benefit from improved drafting. However, the majority of HoTARAC members consider this a low to medium priority. For most of these standards, there are not significant concerns with practical application or the core principles.

### **Assessing IPSASB pronouncements**

HoTARAC members endorse the current sector-neutral approach to setting AASB standards. Applying International Financial Reporting Standards to the not-for-profit public sector presents challenges. However, most standards can be readily applied with some consideration of not-for-profit concepts, such as service potential. For a few standards, such as AASB 15, AASB 10 and AASB 13, not-for-profit application guidance has generally met its objectives. Therefore, consideration of IPSASB standards is not a priority for HoTARAC.

### **Service performance reporting**

Service performance reporting is not a priority project for HoTARAC. State, territory and the federal governments already report on objectives in a range of publications, including annual report and budget papers.

Thank you for the opportunity to provide feedback on the AASB Work Plan. If you or your staff would like to discuss the content of this letter, please contact Sean Osborn ([sean.osborn@treasury.nsw.gov.au](mailto:sean.osborn@treasury.nsw.gov.au)).

Sincerely,



### **Andy Hobbs**

Chair, Heads of Treasuries Accounting and Reporting Advisory Committee  
Executive Director, Financial Stewardship & Public Reporting, NSW Treasury