



<b>Project:</b>	<b>AASB Agenda Consultation 2022–2026</b>	<b>Meeting:</b>	AASB May 2022 (M187)
<b>Topic:</b>	<b>AASB Agenda Consultation Roundtable feedback received</b>	<b>Agenda Item:</b>	3.3
		<b>Date:</b>	2 May 2022
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		<b>Decision-Making:</b>	None
		<b>Project Status:</b>	Consider feedback received

## Objective of this paper

- 1 The objective of this paper is to summarise the feedback received from a two-hour AASB virtual roundtable on 17 February 2022 to gather feedback on the [ITC 46 AASB Agenda Consultation 2022–2026](#).
- 2 Feedback received from the roundtable is considered and included in Agenda Paper 3.2.
- 3 17 individuals from the for-profit and NFP sectors participated, including:
  - (a) 5 representatives from professional bodies;
  - (b) 4 preparers from the for-profit entities;
  - (c) 3 preparers from the not-for-profit public sector;
  - (d) 4 representatives from large and medium audit firms; and
  - (e) a representative from the AUASB.
- 4 This paper is for information purposes only and does not ask the Board to make any decisions.

## Feedback received

### *Inactive projects*

#### Question 1 – Inactive projects

Are there any inactive projects you think should be retained in the AASB 2022–2026 work program?

- 5 The ITC included the following inactive projects for stakeholder feedback:
  - (a) remuneration reporting;
  - (b) crowd-sourced equity funding;
  - (c) definition of fundraising;

- (d) long term discount rates; and
- (e) co-operatives and mutual entities.

#### Remuneration Reporting

- 6 One participant commented that the Board should monitor remuneration reporting and investigate whether the concerns about the complexities of remuneration reporting have been resolved. The participant also commented that, relative to other parts of the financial report, preparing remuneration reporting is onerous and requires excessive effort. The participant also acknowledged that this project requires the AASB to work with the Treasury.
- 7 Another preparer participant agreed with the comment that remuneration reporting is often overloaded with information and suggested the Board identify whether any information could be relocated or streamlined.
- 8 However, another participant commented that bringing this matter to the AASB could mean complicating things further. It should be dealt with in the Corporations Act.

#### Definition of fundraising

- 9 One participant was of the view that the accounting profession should not get involved in the definition of fundraising and noted that the ACNC has provided guidance on this matter.
- 10 Another participant noted that the Treasury recently decided to review the national fundraising framework and suggested the Board monitor the progress of Treasury work.

#### Long term discount rate

- 11 One participant from the public sector was of the view that the Board should not retain this project in the work program. The participant commented that, regardless of the discount rate used, the public sector would encounter the same problem with the impact of discount rates. The participant commented that the only real concern is in a situation when there is a negative interest rate in Australia.
- 12 There was no other feedback provided for crowd-sourced equity funding and co-operatives and mutual entities.

#### **Potential projects**

##### **Question 2 – Potential projects**

- (a) Do you agree that the AASB should add any of the proposed external reporting projects to the work program? Include any feedback as to the scope of the proposed external reporting projects.
- (b) Are there any other projects you think the AASB should include as part of its work program for 2022–2026? Specify the scope of these projects and take into consideration the AASB's capacity for additional projects.
- (c) What priority would you give to each of the potential projects – high, medium or low?

- 13 The ITC included the following potential standard-setting projects for stakeholder feedback:
  - (a) sustainability reporting;
  - (b) service performance reporting; and
  - (c) digital financial reporting.

## Sustainability Reporting

- 14 Feedback received for sustainability reporting was discussed by the Board at the February 2022 meeting<sup>1</sup>. For completeness, staff have also included a brief summary of the feedback received below.
- 15 Almost all participants were of the view that the AASB is best placed to develop requirements for sustainability reporting. Some expressed concerns about the lack of sufficient AASB resources. Many participants commented that international alignment is important to them.
- 16 Following is a summary of comments provided by participants:
- (a) A separate board or department of sustainability reporting specialists should be created. The participant was concerned that accounting standards and sustainability standards require different skills and knowledge.
  - (b) Having access to resources and relevant skills for the Sustainability Reporting project (including in other areas of sustainability such as human rights and value-driven intangibles) is important.
  - (c) The Board should strongly encourage entities to take up the TCFD Recommendations as the recommendations are commonly used around the globe.
  - (d) The Board should consider the benefit of integrated reporting while developing a sustainability reporting framework.
  - (e) The Board has the right framework and infrastructure to be taking on the Sustainability Reporting project, even if it is just for the initial stage of considering sustainability reporting in Australia. With other jurisdictions already making progress towards mandatory sustainability reporting frameworks, the Sustainability Reporting project should not be delayed.
  - (f) It would be helpful to be educated on how the Global Reporting Initiative (GRI) and TCFD Recommendations differ from (or are similar to) the approach of the International Sustainability Standards Board (ISSB).
  - (g) The Board should further research international investor and user needs.
  - (h) There are uncertainties with the interaction between the proposed work of the ISSB and IFRS Accounting Standards.
  - (i) International investors who use IFRS-compliant general purpose financial statements may prefer that entities also comply with IFRS Sustainability Disclosure Standards.
  - (j) If sustainability reporting standards are required to be applied to listed entities or publicly accountable entities in other jurisdictions, the same standards should also be applied to Tier-1 entities in Australia.

## Service Performance Reporting

- 17 A participant commented that the public sector seems to have some sort of framework in almost every jurisdiction, and each jurisdiction has its requirements. In some cases, the service performance reporting of public sector entities focuses on activities and outputs but not on outcomes. The participant is of the view that the Board should start the project focusing on the public sector before developing guidance for the NFP private sector.

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<sup>1</sup> See February 2022 (M185) Agenda Papers [3.4 Feedback summary—ITC 46 AASB Agenda Consultation 2022-2026](#) and [3.5 Feedback summary—ITC 48 Extended External Reporting](#).

- 18 One participant commented that it is not the AASB’s role to develop service performance reporting requirements. The participant however suggested the Board consider developing guidance for Tier-1 NFP entities, and it should be up to the regulators such as ACNC to decide if such should be made mandatory or not.

#### Digital Financial Reporting

- 19 One participant commented that entities would not implement digital financial reporting unless it is mandated by regulators. The participant is of the view that the Treasury, ASIC, and ASX have the responsibility to mandate digital financial reporting and educate stakeholders.
- 20 Some participants commented that further consultation is needed to identify whether there is a demand for digital financial reporting. In addition, many participants are of the view that education is needed and suggested professional bodies such as the CPA Australia and CAANZ develop education material.
- 21 A participant also noted that any changes to the accounting standards may affect the progress of implementing digital financial reporting.

#### **Research projects**

##### **Question 3 – Research projects**

- (a) Do you agree that the AASB should add any of the proposed research projects to the work program?
- (b) Are there any other research projects you think the AASB should include as part of its work program for 2022–2026? Specify the scope of these projects and take into consideration the AASB’s capacity for additional projects.
- (c) What priority would you give to each of the potential projects – high, medium or low?

- 22 A participant suggested the Board focus on the definition of intangible assets for the next phase of the intangible assets research project. No other views were provided.

#### **Other comments**

##### **Question 4 – Other comments**

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

- 23 Participants provided the Board following further suggestions:
- (a) consider adding a tax transparency project, including finalising the guidance on tax transparency disclosure; and
- (b) consider reviewing whether the accounting standards are appropriate for NFP Tier-2 entities. For example, these entities are struggling with merger accounting, financial instruments, and potentially other accounting requirements.