



Subject: Minutes of the 188th meeting of the AASB
Venue: Dexus Place, Level 14, 385 Bourke Street, Melbourne and Videoconference
Held: Day 1 – Wednesday, 22 June 2022, 10.00 am – 4.00 pm
Day 2 – Thursday, 23 June 2022, 10.00 am – 1.15 pm

All agenda items were discussed in public, except for items 1 and 14. Public observers participated via videoconference.

Attendance

Members attending in person Stephen Taylor (Acting Chair)
James Grant
Dean Hanlon
Sean Osborn
Paul Rogers

Members attending via videoconference Carolyn Cordery
David Holland
Toby Langley
Caroline Spencer (except for parts of day 1 and day 2)
Alison White (Deputy Chair) (except for part of day 1)

Apologies **Day 1**
Keith Kendall (Chair)
Caroline Spencer (1.20 pm – 4.00 pm)
Alison White (3.20 pm – 4.00 pm)

Day 2
Keith Kendall (Chair)
Caroline Spencer (10.30 am – 12.15 pm)

In attendance
Staff

Clark Anstis
Patricia Au (via videoconference)
Aanchal Bhandari (via videoconference)
Kimberley Carney
Nikole Gyles
Fridrich Housa
Kathleen John
Eric Lee
Ao Li
Maggie Man
Helena Simkova (via videoconference)
James Wake (via videoconference)
Justin Williams

Other Todd Beardsworth, IPSASB – agenda item 3 (via videoconference)
Anne Driver, Deloitte – agenda item 11
Evelyn Ling – agenda item 6
Angus Thomson – agenda item 11



Agenda and Chair's Report

Agenda Item 1 – discussed in private

The Acting Chair noted the significant items on the agenda and provided the Board with an update on recent and future activities.

Apologies, Declarations of Interests, Minutes and Approvals Out of Session

Agenda Item 2

Apologies

An apology was noted from Keith Kendall for this meeting. An apology was also noted from Alison White for part of day 1 and from Caroline Spencer for parts of days 1 and 2.

Declarations of Interests

Members indicated that, in the normal course of their day-to-day professional responsibilities, they deal with a broad range of financial reporting issues. Members have adopted the standing policy in respect of declarations of interests that a specific declaration will be made where there is a particular interest in an issue before the Board.

Alison White and Paul Rogers both declared a specific interest in relation to auditor tenure disclosures under agenda item 5 (audit engagement disclosures).

Minutes

The Board approved the minutes of the one hundred and eighty-seventh meeting, held on 18 May 2022.

Approvals Out of Session

The Board noted that no documents had been approved out-of-session since the previous meeting report.

IPSASB Update

Agenda Item 3

Mr Todd Beardsworth, Assistant Auditor-General, New Zealand, and IPSASB member, presented to the Board on the recent activities and work program of the IPSASB, including major projects.

Sustainability Reporting

Agenda Item 4

The Board received an update on the key themes of the feedback from outreach events to date and responses to AASB Exposure Draft ED 321 *Request for Comment on ISSB [Draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and [Draft] IFRS S2 Climate-related Disclosures*.



The majority of the stakeholders were supportive of:

- (a) the scope and direction of the AASB's and the International Sustainability Standards Board's (ISSB's) work on sustainability-related financial reporting; and
- (b) implementing sustainability-related financial reporting in Australia.

Many attendees raised concerns about:

- (a) the scalability of the proposals in the ISSB's two initial Exposure Drafts – although the ISSB has stated that all entities in the for-profit sector can apply these proposals, small and medium-sized entities typically would be unable to implement and apply the proposals due to:
 - (i) the complexity of the proposals (for example, proposals for the disclosure of Scope 3 greenhouse gas emission disclosures and scenario analysis); and
 - (ii) the lack of sufficient and affordable resources available in the market (for example, the lack of sufficiently skilled personnel and the cost of software that would be needed to obtain the data required to comply with the proposals);
- (b) the current skill gap in the domestic and international markets – for example, these attendees said that the resources to implement the proposals currently do not exist (or exist only in a limited form in larger for-profit sector entities) and would need to be built over time through education; and
- (c) the auditability and enforceability of the ISSB's proposals – some attendees said that auditors would be unable to determine or test an entity's compliance with the proposals in [Draft] IFRS S1 given how open-ended the proposals are.

The Board appointed a sub-committee to finalise its submission to the ISSB due to the timing of the comment period, taking into account further feedback from stakeholders.

Action:	Staff
	Sub-committee

Audit Engagement Disclosures

Agenda Item 5

The Board noted a draft Exposure Draft being developed by the NZ Accounting Standards Board to propose the disclosure of fees for various categories of services performed by an entity's auditor. The Board will consider whether the draft NZ ED would be a suitable base for developing an Australian ED. Audit engagement disclosures were recommended by the Parliamentary Joint Committee on Corporations and Financial Services enquiry *Regulation of Auditing in Australia*, to which the Government has not yet responded.



The Board also noted draft guidance for audit committees prepared by the AICD, which includes a recommendation to disclose information about the auditor's tenure every five years.

Action: Staff

Post-Implementation Reviews

Agenda Item 6

The Board received an update on its Post-implementation Review project and considered the not-for-profit-specific guidance relating to control and consolidation requirements, and the application of the definition of a structured entity. The Board will consider draft consultation documents at future meetings.

Action: Staff

Research Update

Agenda Item 7

The Board noted a report of recent Research Centre activities, including:

- (a) dialogue series sessions held jointly with CPA Australia and CA ANZ – Task Force on Climate-related Financial Disclosures Implementation (23 March 2022), Intangible Assets (9 May 2022) and a forthcoming session on digital financial reporting (17 August 2022);
- (b) the AASB SSRN Working Papers Series, launched in April 2022;
- (c) a call, in partnership with the IASB, for academics interested in collaborating on research on making materiality judgements;
- (d) the 2022 AASB Research Forum, to be held jointly with RMIT University on 5 December 2022; and
- (e) progress on research projects:
 - (i) joint research with the Malaysian Accounting Standards Board on transition requirements and practical expedients in relation to lessees applying IFRS 16/AASB 16 *Leases*;
 - (ii) understandability of accounting standards; and
 - (iii) common transactions of Tier 3 not-for-profit entities.

Action: Staff



Agenda Consultation

Agenda Item 8

The Board considered its responses to the feedback received on Invitation to Comment ITC 46 AASB *Agenda Consultation 2022–2026* and decided to:

- (a) remove the following inactive projects from the work program:
 - (i) remuneration reporting;
 - (ii) crowd-sourced equity funding; and
 - (iii) definition of fundraising;
- (b) retain the public sector long-term discount rates project in the work program;
- (c) add the following projects to the standard-setting work program:
 - (i) service performance reporting; and
 - (ii) imputation franking credit disclosures
- (d) add the following projects to the research work program:
 - (i) intangible assets; and
 - (ii) going concern disclosures; and
- (e) monitor and influence the development of digital financial reporting as appropriate.

The Board supported the balance of the proposed 2022–2026 activities across the sectors and the proposed overall timelines for those projects added to the work program.

The Board will consider a draft feedback statement at the next meeting. The feedback statement is expected to be published in September 2022.

Action: Staff

Other Business

Agenda Item 9

The Board noted the IASB and IFRS Interpretations Committee updates, the appointment of new IASB members, a report on the March 2022 meeting of the International Forum of Accounting Standard-Setters (IFASS) and other items.



Open for Comment

Agenda Item 10

The Board decided not to comment on the IFRS Interpretation Committee Tentative Agenda Decision *Multi-currency Groups of Insurance Contracts* or the Request for Feedback *Staff draft of the IFRS Sustainability Disclosure Taxonomy*.

The Board noted its previous decisions about commenting on the consultative documents already issued by international standard-setting bodies.

Action: Staff

Insurance Transition Resource Group

Agenda Item 11

Anne Driver, TRG Chair, provided an update on the activities of the TRG and its focus groups. The TRG does not give advice or reach conclusions, but provides a forum for discussion and consensus.

Not-for-Profit Private Sector Financial Reporting Framework

Agenda Item 12

The Board decided to include the following proposals in the Discussion Paper (DP) on Tier 3 reporting requirements for not-for-profit (NFP) private sector entities.

Financial instruments

Tier 3 reporting requirements should specify the financial instruments that would be within its scope, including those that are simpler in nature, and direct an entity to apply AASB 9 *Financial Instruments* for other financial instruments.

For financial instruments within the scope of Tier 3, the requirements should:

- (a) require interest income and expense to be calculated by reference to the contractual interest rate;
- (b) require any initial premium or discount to be amortised over the expected life of the instrument;
- (c) require impairment to be recognised when it is probable that the carrying amount will not be collectible (an 'incurred loss' model);
- (d) apply the fair value definition in AASB 13 *Fair Value Measurement*;
- (e) not permit hedge accounting;
- (f) require the derecognition of a financial asset when either the contractual rights to the cash flows from the financial asset expire or are settled or the entity otherwise loses control of the asset; and



(g) not address exchanges of debt instruments or the modification of the terms of financial liabilities.

The Board decided to seek feedback through the DP to consider the extent of embedded derivatives in arrangements entered into by smaller NFP entities and the need for specific Tier 3 requirements.

Approach to disclosure requirements

Tier 3 disclosure requirements should be developed based on the following principles:

- (a) for transactions with the same or similar recognition and measurement (R&M) requirements to Tier 2 reporting requirements for NFP private sector entities, the disclosure requirements should be based on the corresponding requirements in AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*; and
- (b) for transactions with different R&M requirements to Tier 2:
 - (i) adopt appropriate disclosure requirements from other jurisdictions with comparable R&M requirements corresponding to Tier 3 requirements; or
 - (ii) develop specific disclosure requirements in the absence of appropriate international precedents.

The DP will include examples of possible disclosure requirements for some transactions in the scope of the Tier 3 reporting requirements to illustrate the application of the above principles.

The Board decided to seek stakeholder feedback through the DP on possible simplifications to disclosure requirements based on those in AASB 1060 for application to transactions expected to be in the scope of the Tier 3 requirements.

Action:

Staff

Accounting Policy Disclosures in SPFS of Certain For-Profit Private Sector Entities

Agenda Item 13

The Board voted to make Accounting Standard AASB 2022-4 *Amendments to Australian Accounting Standards – Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities*. The Standard applies to annual periods ending on or after 30 June 2022.

AASB 2022-4 amends AASB 1054 *Australian Additional Disclosures* and AASB 1057 *Application of Australian Accounting Standards*. The amendments are relevant to for-profit private sector entities that are required only by their constituting document or another document (being a document created before 1 July 2021 and not amended on or after that date) to prepare financial statements that comply with Australian Accounting Standards.

When such entities prepare special purpose financial statements (SPFS) that are required to comply with Australian Accounting Standards, the amendments require the financial statements to include disclosures that inform users of the basis upon which they were prepared. This includes disclosing information about the



material accounting policies applied in the SPFS and the extent of compliance or otherwise of those accounting policies with the recognition, measurement, consolidation and equity accounting requirements in Australian Accounting Standards. Some of the existing disclosure requirements in AASB 1054 are also made applicable to such SPFS.

Action: Staff

Review of the Meeting

Agenda Item 14 – discussed in private

The Board reviewed the conduct of the meeting.

Close of the Meeting

The Acting Chair closed the meeting at 1.15 pm on Thursday, 23 June 2022.

Approval of Minutes

Signed by the Chair as a correct record,
this 3rd day of August 2022