



Project:	AASB Agenda Consultation	Meeting:	AASB June 2026 (M221)
Topic:	Summary and analysis of feedback received from stakeholders	Agenda Item:	3.4
		Date:	4 June 2026
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		Decision-Making:	Medium
		Project Status:	Summary of feedback received from submissions, roundtables and outreach

The objective of this paper

- The objective of this paper is to:
 - summarise stakeholder feedback received through [Invitation to Comment ITC 57 AASB 2027–2031 Agenda Consultation](#) (ITC 57), relevant to projects which could be considered; and
 - provide staff recommendations and seek the AASB’s direction on which projects could be **‘started’**, with ‘started’ limited to further consideration or evidence gathering **only**, including in light of the possible transition to External Reporting Australia (ERA).
- Consistent with the purpose of the Agenda Consultation, this paper does not seek to analyse or resolve individual technical issues.
- Further, this paper does not seek to commit the AASB to adding any projects to the Work Plan at this time. Rather, staff seek the AASB’s views on whether there are any potential projects for which staff could undertake limited further evidence gathering or preliminary investigation to inform future discussions. A decision to ‘start’ work in this sense would not pre-empt a subsequent decision on whether to add a project to the Work Plan. Similarly, a decision not to commence further work at this stage would not rule out consideration of a potential project in the future. Any decisions on whether to add projects identified through the Agenda

Consultation process to the Work Plan would be made at a future meeting, having regard to the evidence obtained, the balance of the Work Plan and available resources.

- 4 The order in which topics are presented does not indicate relative importance or priority.

START: Are there any projects or ideas we could begin exploring?

- 5 Stakeholders identified a number of possible new topics that they considered the AASB could begin exploring with possible topics were generally framed as addressing emerging reporting gaps, reducing long-standing inefficiencies, or responding to new regulatory and market developments.
- 6 As noted in Agenda Paper 3.1, feedback cautioned that consideration of additional new projects should occur only after existing priority projects have been progressed and obligations relating to international standard-setting have been addressed, emphasising the importance of sequencing and completion before expanding the Work Plan further.¹
- 7 Some of the topics discussed in this section were previously included on the Work Plan but were subsequently removed as part of broader reprioritisation decisions. The removal of these topics did not constitute a formal decision to complete or discontinue the projects, but reflected a necessity to reprioritise due to resource constraints. Accordingly, where relevant stakeholder feedback received through the Agenda Consultation has been considered in relation to whether there is merit in reinstating these projects on the Work Plan.
- 8 Other topics have not previously been considered by the AASB and represent a new area for possible investigation.

PUBLIC SECTOR-SPECIFIC TOPICS

A. Public sector financial reporting framework project

- 9 The Public Sector Financial Reporting Framework (PS FRF) project was initially undertaken by the Financial Reporting Council's (FRC) Public Sector Advisory Group and was assigned to the AASB in 2022. The project aims to better align public sector financial reporting requirements with user needs across all levels of government, including improving connectivity with budget information. The AASB has not yet commenced detailed scoping of the project due to higher priority work currently underway.
- 10 Stakeholders broadly supported prioritising the PS FRF project. Stakeholders emphasised the need to reassess the appropriateness of existing Tier 1 and Tier 2 requirements for public sector entities, noting the cost of preparing general purpose financial statements (GPFS) for a large number of government departments and agencies, and the interaction between for-profit Australian Accounting Standards and Government Finance Statistics (GFS).²
- 11 Stakeholders also highlighted the importance of using the PS FRF project to reassess user needs, reporting tiers and the suitability of existing requirements in a more systemic and evidence-based way. Some stakeholders suggested that this could include consideration of

1 This includes a comment letter from CAANZ.

2 This includes comment letters from ACAG, CAANZ, CPA Australia and HoTARAC and feedback from roundtable participants in Melbourne, Sydney and Perth.

modifications to existing Tier 2 requirements or alternative tiering approaches to better balance user needs and reporting burden.

- 12 At the same time, stakeholders emphasised that any review of the PS FRF should be underpinned by robust research and extensive consultations with key public sector stakeholders, including a clear assessment of costs and benefits. Stakeholders cautioned against considering a Tier 3 public sector framework as a standalone project, noting that any such consideration would be more appropriately undertaken as part of the broader PS FRF project to avoid unnecessary complexity and fragmentation.

Staff analysis and recommendation

- 13 Stakeholder feedback indicates strong support for prioritising the PS FRF project, with an emphasis on reassessing reporting tiers, aligning requirements more closely with public sector user needs and addressing cost and complexity concerns. Stakeholders also emphasised that any work in this area should be undertaken in a structured and evidence-based manner, informed by research into user needs, reporting outcomes and interactions with related frameworks, including GFS.
- 14 Staff consider this feedback highlights the importance of a clearly articulated project approach if the PS FRF is added to the Work Plan. Such an approach would define the project's objectives, scope and sequencing, research and consultation activities and resourcing implications, and support an evidence-informed prioritisation of issues.
- 15 Accordingly, staff consider that it would be appropriate to develop a project proposal to inform a future decision on whether to add this topic to the Work Plan. Staff further consider that this work should also be informed by the outcomes of the post-implementation review (PIR) of selected public sector Standards (see below), given the relevance of issues such as administered items, disaggregated disclosures and budgetary reporting to decisions about public sector reporting requirements.

Questions for Board members

- Q1 Do Board members have any questions or comments about the feedback summarised in this section?
- Q2 Do Board members agree with the staff recommendation in paragraph 15 in relation to developing a project proposal for the PS FRF to inform future discussions? If not, what do Board members suggest?

B. PIR of selected public sector Standards

- 16 Several public sector-specific Standards have not been subject to a PIR.³ At its May 2023 meeting, the AASB approved the issue of an Invitation to Comment for the PIR of the following public sector specific pronouncements:

3 The AASB undertakes PIRs either where there is a regulatory requirement to do so, or, in the absence of such a requirement, where a PIR is necessary to meet the requirements of the *AASB Due Process Framework*. In the case of the public sector specific Standards, a PIR is not mandated by regulation but was initiated to fulfil the AASB's due process obligations.

- (a) AASB 1050 *Administered Items*;
 - (b) AASB 1051 *Land Under Roads*;
 - (c) AASB 1052 *Disaggregated Disclosures*;
 - (d) AASB 1055 *Budgetary Reporting* (in respect to entities within the General Government Sector);
 - (e) AASB 1004 *Contributions*; and
 - (f) Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*.
- 17 However, the project was subsequently removed from the Work Plan in June 2023 as part of the AASB's reprioritisation to focus on sustainability reporting and other high-priority financial reporting projects.⁴
- 18 Feedback on ITC 57 reflected mixed views on the relative priority of progressing PIR activity in this area. Feedback generally characterised further work on these older public sector-specific Standards as low to medium priority, noting that there are no pervasive concerns with core principles or routine application, notwithstanding that targeted improvements or clarifications could be beneficial over time. However, there was some support for continued PIR activity, highlighting the significance and complexity of public sector transactions and the persistence of practical application challenges.⁵
- 19 In relation to AASB 1055, for agencies, the importance of budgetary information for public sector accountability and decision-making was noted with feedback noting strong user demand for clear comparisons between planned and actual performance. Significant variation in current practice was also noted, with budget information not consistently included in annual reports and identified ongoing challenges relating to alignment between budget and accounting reporting entities, inconsistent treatment of administered items and the quality of variance explanations.⁶
- 20 Feedback also suggested that, while budgetary information for operating statements is generally useful, there may be scope to reduce cost and complexity by refining balance sheet and cash flow budget disclosures, provided that any changes are applied consistently across whole-of-government and agency-level reporting.⁷

Staff analysis and recommendation

- 21 Given the mixed views on the relative priority of progressing the PIR work for these public sector-specific Standards and the number of active projects currently on the Work Plan, staff recommend deferring a formal PIR until further progress has been made on the PS FRF project. This approach would ensure that available resources are directed toward higher-priority framework-level work. In the interim, targeted research on selected issues (such as administered items and budgetary reporting) could be undertaken to inform the PS

4 [June 2023 \(M196\) Action Alert](#)

5 This includes comment letters from ACAG, CPA Australia and HoTARAC.

6 This includes a comment letter from ACAG.

7 This includes a comment letter from ACAG.

FRF project. This would also enable any subsequent PIR to be more appropriately scoped and timed.

Questions for Board members

- Q3 Do Board members have any questions or comments about the feedback summarised in this section?
- Q4 Do Board members agree with the staff recommendation in paragraph **Error! Reference source not found.** in relation to the PIR of selected public sector specific Standards? If not, what do Board members suggest?

C. AASB 1049 and AASB 1055 (in respect of Whole of Government and General Government Sectors)

- 22 Stakeholders broadly agreed with the direction on how to address issues arising from the PIR of AASB 1049 *Whole of Government and General Government Sector Financial Reporting* and related matters that was discussed by the AASB at the August 2025 meeting.^{8,9}
- 23 Stakeholders again emphasised the importance of considering the interaction between GFS and other AASB projects (e.g. AASB 18 *Presentation and Disclosure in Financial Statements*, which is discussed in more detail in Agenda Paper 3.3 and expected updates to the Government Finance Statistics Manual (GFS Manual).

Staff analysis and recommendation

- 24 The PIR of AASB 1049 (and the related budgetary reporting requirements in AASB 1055) commissioned by the FRC in 2020–2021, considered the extent to which harmonisation between GFS and Generally Accepted Accounting Principles (GAAP) has been achieved, the associated costs and benefits, whether any improvements are required and whether a dedicated Australian Accounting Standard remains necessary.
- 25 Staff note the feedback received in response to ITC 57 did not identify new issues or alternative approaches to responding to the FRC’s PIR findings where outstanding matters will be addressed as appropriate, through the broader public sector financial reporting reforms and GAAP-GFS alignment activities, with consideration of the amendments proposed in ED 338 *Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation* remaining a priority. As such, staff recommend not to add a project on this topic to the Work Plan.
- 26 Further, in relation to comments concerning the GFS Manual, staff also recommend not to add a project on this topic to the Work Plan.

Questions for Board members

8 [August 2025 \(M214\) Action Alert](#)

9 This includes comment letters from ABS, ACAG and CPA Australia and feedback from public sector roundtable participants.

- Q5 Do Board members have any questions or comments about the feedback summarised in this section?
- Q6 Do Board members agree with the staff recommendations in paragraphs 25 and 26 not to add a project to the Work Plan on AASB 1049 and AASB 1055 in respect of Whole of Government and General Government Sectors? If not, what do Board members suggest?

D. Accounting for transfer expenses by an NFP public sector entity

- 27 In relation to accounting for transfer expenses by not-for-profit (NFP) public sector entities, feedback from indicated that there is no clear or compelling need to commence a standard-setting project on this topic at this time and that, if a project were to be undertaken, it should be regarded as a low priority relative to other matters on the AASB's Work Plan.¹⁰

Staff analysis and recommendation

- 28 Staff note that there is currently no Australian Accounting Standard that specifically addresses the recognition and measurement of transfer expenses from the perspective of the resource provider. Staff also note that the requirements in IPSAS 48 *Transfer Expenses* differ from current Australian public sector practice and that Australian stakeholders have previously expressed concerns about aspects of the International Public Sector Accounting Standards Board's (IPSASB) approach. Staff further note that the External Reporting Board (XRB) is currently undertaking work in this area.
- 29 Notwithstanding the absence of a dedicated Australian Accounting Standard and these international developments, staff consider that the feedback received does not demonstrate sufficient support or urgency to justify the commencement of a dedicated project on accounting for transfer expenses by NFP public sector entities. In particular, Australian stakeholders did not identify widespread or systemic deficiencies in existing practice.
- 30 While the XRB's work may provide useful insights in due course, staff recommend not to add a project on this topic to the Work Plan at this time, given the absence of strong domestic demand and given competing priorities. Instead, staff recommend monitoring any developments in this area.

Questions for Board members

- Q7 Do Board members have any questions or comments about the feedback summarised in this section?
- Q8 Do Board members agree with the staff recommendation in paragraph 30 not to add a project to the Work Plan in relation to accounting for transfer expenses by an NFP public sector entity and instead to monitor any developments? If not, what do Board members suggest?

10 This includes a comment letter from ACAG.

E. AASB 16 – Concessionary leases in the NFP public sector

- 31 In Agenda Paper 3.3, staff noted the AASB’s decision to pause broader domestic PIR activity in relation to AASB 16 *Leases* pending completion of the IASB’s PIR, and recommended that the AASB keep the project on the Work Plan.
- 32 In response to ITC 57, stakeholders provided feedback about the costs and complexity of lease accounting for NFP and public sector entities.¹¹ During the AASB’s PIR of AASB 16, stakeholders provided feedback about concessionary leases in the NFP public sector. However, the topic of concessionary leases was not raised again in response to the Agenda Consultation. Accordingly, the discussion of this topic in this paper reflects staff consideration only.
- 33 Staff consider there is a discrete and well-defined issue that could be addressed independently of the broader PIR, namely the accounting policy choice for concessionary leases in the NFP public sector.
- 34 Staff consider that this issue is specific to the NFP public sector, falls outside the scope of the IASB’s PIR and has been the subject of targeted stakeholder feedback that staff consider sufficiently mature to support a domestic decision, without the need for further outreach or additional due process.

Staff analysis and recommendation

- 35 Feedback received through the PIR of AASB 16 indicated strong and widespread support among public sector stakeholders for making permanent the existing accounting policy choice that permits concessionary right-of-use assets to be measured at either cost or fair value. Stakeholders also identified the temporary nature of this policy choice as a source of ongoing uncertainty.
- 36 Staff consider that this issue could be progressed efficiently and separately from the broader PIR of AASB 16. While addressing the issue would constitute work distinct from the PIR, staff consider that the limited scope of the work means it would not require adding a new project to the Work Plan.
- 37 Accordingly, staff do not seek to commit the AASB (or ERA in light of a possible transition), to add a project to the Work Plan. Rather, staff seek the AASB’s direction on whether they wish staff to bring forward an analysis of this specific issue for consideration at a future meeting in the short term noting the limited scope of the work.

Questions for Board members

- Q9 Do Board members have any questions or comments about the feedback summarised in this section?
- Q10 Do Board members wish to consider the topic of concessionary leases in the NFP public sector at a future meeting in the short term as set out in paragraph 37 or do Board members prefer to complete this work as part of the broader PIR or is there another option Board members prefer?

11 This includes comment letters from ACAG, CAANZ and CPA Australia and feedback from roundtable participants.

TOPICS CURRENTLY SUBJECT TO MONITORING

F. Tier 3 for for-profit private sector entities

- 38 There was strong support from some stakeholders for the AASB to commence work on a Tier 3 financial reporting framework for for-profit private sector entities. Feedback argued that many smaller for-profit entities are subject to accounting-standards-based reporting requirements that are disproportionate to their size and complexity and the development of a Tier 3 NFP Standard (AASB 1061 *General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities*) highlighted a comparable unmet need in the for-profit sector. Feedback supported exploring a simplified, proportionate framework to reduce compliance costs while maintaining decision-useful information.¹²
- 39 It was also noted that such a framework could be useful for entities preparing financial statements for non-statutory purposes, such as bank covenants and self-managed super funds.¹³
- 40 Stakeholders suggested that research into the size, characteristics and reporting needs of smaller for-profit entities would assist in assessing the feasibility and design of a Tier 3 framework.
- 41 This feedback is consistent with feedback obtained in response to Section 1 of Invitation to Comment ITC 56 *Post-implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and Further Update of Tier 2*, the PIR of AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*, about the need for a third tier of general purpose financial reporting for smaller for-profit private sector entities that is simplified and proportionate.

Staff analysis and recommendation

- 42 Feedback received through the Agenda Consultation reaffirmed ongoing stakeholder interest in the development of a third tier of general purpose financial reporting for for-profit private sector entities.
- 43 However, staff note that the AASB has previously considered this issue and has not identified any compelling evidence of a systemic or widespread unmet reporting problem that is not already addressed by the existing Tier 1 and Tier 2 frameworks. Feedback from the PIR of AASB 1060 similarly reflected mixed views regarding the costs and benefits of requiring smaller for-profit entities to prepare GPFS.
- 44 While some stakeholders again suggested that an approach similar to AASB 1061 could be considered, staff consider that the policy rationale underpinning AASB 1061 does not translate directly to the for-profit sector, given the different economic characteristics, user needs and reporting environment.

12 This includes comment letters from CAANZ and CPA Australia, feedback from roundtable participants in Melbourne, Sydney and Brisbane and survey responses.

13 This includes a comment letter from CPA Australia.

- 45 Staff consider that the population of for-profit entities that could reasonably apply a third reporting tier is likely to be small. Where compliance with Australian Accounting Standards is required by legislation, staff consider that decisions about reporting thresholds and obligations are more appropriately addressed by legislators and regulators. Where compliance arises from non-legislative requirements, such as lending arrangements or governing documents, staff consider that entities and users are best placed to determine the appropriate level of reporting.
- 46 Staff also note the recent Federal Government proposals to reduce reporting burden, including to increase monetary thresholds for large proprietary companies, which will significantly reduce the number of for-profit private sector entities required under the *Corporations Act 2001* to prepare financial statements that comply with Australian Accounting Standards. This further reduces the cohort for which a third tier of general purpose financial reporting might be relevant.
- 47 Staff consider that introducing an additional reporting tier for for-profit entities would have system-wide cost and benefit implications, including increased complexity for preparers, auditors, regulators, users, education and training and digital reporting systems. On balance, staff consider that these broader system-wide costs may also outweigh any potential benefits at this time.
- 48 Accordingly, staff recommend not to add a project to the Work Plan on this topic.

Questions for Board members

- Q11 Do Board members have any questions or comments about the feedback summarised in this section?
- Q12 Do Board members agree with the staff recommendation in paragraph 48 not to add a project to the Work Plan in relation to a Tier 3 for for-profit private sector entities? If not, what do Board members suggest?

G. Review of the requirements in AASB 15 and AASB 1058 for NFP entities

- 49 Feedback reiterated several matters arising from the PIR of AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* for NFP entities that were deferred for future consideration. These include issues relating to the application of the 'sufficiently specific' concept and deferral or matching, grants received in arrears and the subsequent measurement of statutory receivables, including consideration of developments in IPSAS 41 *Financial Instruments* and IPSAS 47 *Revenue*. The interaction of AASB 15 and AASB 1058 was also noted as a continuing challenge for NFP preparers and practitioners, involving significant judgement and resulting in reduced comparability between entities.¹⁴
- 50 It was noted that the AASB had previously indicated that further work would be undertaken on these matters in the future and feedback agreed that they should remain on the AASB's radar, while emphasising that they represent longer-term issues that should be progressed only once sufficient implementation experience has been obtained. It was also indicated that, while short-term changes would not be supported given the time invested by preparers and

14 This includes comment letters from ACAG and Pitcher Partners.

auditors in applying the current requirements, there may be merit in a longer-term project to examine these issues further.¹⁵

- 51 Feedback further suggested that given international timing and expected implementation experience, these matters should be treated as low priority over the 2027–2031 period and revisited as part of a future agenda consultation rather than addressed in the near term.¹⁶

Staff analysis and recommendation

- 52 Staff note that feedback received in response to ITC 57 largely aligns with the feedback from the PIR of AASB 15 and AASB 1058 in respect of NFP entities. When concluding those PIRs, the AASB noted that potential future project proposals could be developed in relation to specific issues.¹⁷ The AASB also decided that consideration of these matters should occur only after completion of, or significant progress on, other cross-cutting NFP projects, including the NFP Financial Reporting Framework project and NFP and public sector considerations arising from AASB 18.
- 53 Staff consider that it remains too early to progress these matters further. The NFP Financial Reporting Framework project has been approved but not yet implemented, and AASB 18 has similarly not yet been applied in practice by NFP entities. In addition, the XRB is proposing to develop a new Revenue Standard for public benefit entities (PBE) based on IPSAS 47.
- 54 Staff recommend not to add a project on this topic to the Work Plan, and instead continue to monitor these matters and consider progressing the project proposals once the NFP Financial Reporting Framework, AASB 18 and the forthcoming New Zealand public benefit entity Revenue Standard have been implemented.

Questions for Board members

- Q13 Do Board members have any questions or comments about the feedback summarised in this section?
- Q14 Do Board members agree with the staff recommendation in paragraph 54 not to add a project to the Work Plan in relation to potential future project proposals following the PIR of AASB 15 and AASB 1058 for NFP entities? If not, what do Board members suggest?

H. Digital financial reporting

- 55 Stakeholders also supported the AASB commencing work on digital financial reporting. For example, digital reporting was identified as increasingly important to support the use of administrative data and automation. Stakeholders also noted productivity benefits from machine-readable reporting, improved data consistency and enhanced accessibility for users

15 This includes comment letters from ACAG and Pitcher Partners.

16 This includes comment letters from ACAG and Pitcher Partners.

17 A summary of the potential future project proposals in relation to this PIR are summarised in this [Feedback Statement](#)

and it was also suggested that digital tagging and standardisation could reduce reporting burden over time.¹⁸

- 56 Increasing momentum toward mandating digital financial reporting in Australia was noted, including that the AASB could have an important influencing role, notwithstanding that digital reporting does not sit within its direct remit. It was also recommended that the AASB advocate with regulators to mandate digital financial reporting and consider a how to support its implementation, including issues related to the use and ongoing maintenance of the IFRS AU Taxonomy.¹⁹
- 57 However, it was noted that such a project would not be a priority for the public sector and that, while a private-sector taxonomy could be used as a base, modifications would be required to reflect differences in accounting between the public and private sectors.²⁰

Staff analysis and recommendation

- 58 Staff note broad support for the AASB giving greater attention to digital financial reporting, reflecting growing interest in the productivity, accessibility and data-quality benefits of machine-readable financial information.
- 59 Staff also note that digital financial reporting does not sit within the AASB's remit. Decisions to mandate digital reporting, including the choice of technologies, scope of application and enforcement mechanisms, are primarily matters for regulators and other policy bodies, such as ASIC. Accordingly, staff consider that the AASB's role in this area is limited and indirect, focusing on coordination, technical input and alignment rather than mandate-setting.
- 60 Notwithstanding these limitations, staff consider that stakeholder feedback highlights a supporting role for the AASB in maintaining the integrity and usability of accounting taxonomies and ensuring alignment with accounting and sustainability disclosure requirements as Standards evolve. Staff also note feedback that public sector use of digital reporting may require sector-specific modifications, reinforcing the need for coordinated rather than a one-size-fits-all approach.
- 61 Staff therefore recommend not to add a project on this topic to the Work Plan. Staff consider the feedback received suggests that this topic is more appropriately positioned as a thought-leadership and research opportunity rather than a standard-setting project, given the rapidly evolving nature of digital reporting technologies and the emerging role of artificial intelligence in transforming general purpose financial reporting processes and consumption. Stakeholders also noted that the costs and benefits of digital financial reporting, particularly for preparers, remain uncertain and are still being assessed across jurisdictions.
- 62 Given this feedback, staff consider the AASB's role should be limited to acknowledging stakeholder interest, recognising the limits of the AASB's remit and continuing to monitor developments in digital financial reporting. This would also include engaging, as appropriate, with regulators and other relevant bodies and drawing on research and external initiatives to

18 This includes a comment letter from the ABS, feedback from roundtable participants in Canberra, Brisbane, Sydney and Perth and survey responses.

19 This includes a comment letter from KPMG.

20 This includes a comment letter from ACAG.

inform future consideration should clearer evidence of demand, feasibility and net public benefit emerge.

Questions for Board members

- Q15 Do Board members have any questions or comments about the feedback summarised in this section?
- Q16 Do Board members agree with the staff recommendation in paragraph 61 not to add a project to the Work Plan in relation to digital financial reporting and instead continue to monitor developments? If not, what do Board members suggest?

I. Artificial intelligence (AI)

- 63 A number of stakeholders suggested that the AASB commence work on AI and assurance considerations for AI-enabled reporting systems. Some stakeholders also expressed concerns about the reliability and auditability of AI-generated general purpose financial reports, particularly where reporting systems rely on overseas data sources.²¹
- 64 It was also recommended that the AASB undertake research into the impact of AI on general purpose financial reporting, including implications for automation and the application of IFRS-based standards to AI-related assets, valuation and risks and consider whether any clarification or referral to the IFRS Foundation may be required.²²
- 65 Stakeholders also considered that such work could support confidence in emerging reporting practices and improve the accessibility and usability of standards and guidance.

Staff analysis and recommendation

- 66 Staff acknowledge stakeholders' emerging interest in the implications of AI for general purpose financial reporting, particularly in relation to the reliability, auditability and governance of AI-enabled reporting systems.
- 67 However, staff consider that many of the issues raised sit at the intersection of general purpose financial reporting, assurance, systems governance and technology. While some stakeholders suggested that the AASB undertake work in this area, staff note that questions relating to assurance, audit methodologies and controls over AI-generated information fall primarily within the remit of assurance standard-setters, regulators and audit oversight bodies. Similarly, matters relating to the development, deployment and governance of AI systems extend beyond the AASB's core role as a financial reporting and sustainability disclosures standard-setter.
- 68 Staff nevertheless recommend not to add a project on this topic to the Work Plan, and instead continue to monitor developments and engage with international standard-setting bodies and domestic stakeholders as appropriate to understand any potential implications on Australian Accounting Standards and Australian Sustainability Reporting Standards. Staff will also share the feedback received with the Australian Auditing and Assurance Board staff.

21 This includes one ACAG jurisdiction and feedback from roundtable participants in Perth and Melbourne.

22 This includes a comment letter from KPMG.

Questions for Board members

- Q17 Do Board members have any questions or comments about the feedback summarised in this section?
- Q18 Do Board members agree with the staff recommendation in paragraph 68 not to add a project to the Work Plan in relation to AI and instead continue to monitor developments? If not, what do Board members suggest?

J. Audit engagement disclosures

- 69 Feedback was received on audit and non-audit fee disclosures, with specific concerns about the limited level of disaggregation currently required in Australia and the implications for perceptions of auditor independence being raised. It was noted that, compared with overseas jurisdictions such as New Zealand, Australian requirements provide relatively little transparency into the nature of non-audit services, which can make it difficult for users to assess whether independence threats exist. Other stakeholder feedback on this topic was limited. Further, greater transparency could enhance comparability and user understanding, there was no clear or widespread support for near-term action.²³
- 70 Additionally, separate feedback has been received on whether sustainability assurance fees should be disclosed as a separate line item within the audit fees disclosure. In this context, stakeholders noted the International Auditing and Assurance Standards Board's view that sustainability assurance fees should be presented separately but under the broader audit fees category. It was also noted that the disclosure requirements in AASB 1054 *Australian Additional Disclosures* are unclear in this respect, as they refer to disclosure of fees paid to each auditor separately for the audit of the financial statements and for all other services, without explicitly addressing the treatment of sustainability assurance services. This lack of clarity was identified as a potential source of inconsistency in practice and uncertainty for both preparers and users when considering the relationship between audit, sustainability assurance and auditor independence.

Staff analysis and recommendation

- 71 Stemming from the Parliamentary Joint Committee on Corporations and Financial Services (PJC) inquiry, the AASB historically had a project on the Work Plan on auditor remuneration to improve transparency of auditor independence and the visibility of fees paid to audit firms.
- 72 However, in June 2022, the AASB decided to monitor international developments as well as the Australian Government's response to the PJC inquiry into audit quality. While the Government released its formal response to the inquiry in December 2022, it did not give rise to legislative or regulatory reforms in relation to auditor remuneration or audit and non-audit fee disclosures.
- 73 In relation to the broader concerns raised in paragraph 69 regarding the level of disaggregation of audit and non-audit fee disclosures, staff note the limited feedback received

23 This includes comment letters from CAANZ and KPMG and a small number of survey responses.

on this topic, staff recommend not to add a project on this topic to the Work Plan but to continue to monitor relevant developments

- 74 Staff note that the feedback summarised in paragraph 70 raises a more specific issue regarding the treatment of sustainability assurance fees within the existing disclosure requirements in AASB 1054 *Australian Additional Disclosures*, including potential diversity in interpretation and application. Staff further note that this issue was not contemplated at the time of the PJC inquiry, which pre-dated the introduction of mandatory climate-related financial disclosures and associated assurance requirements. Staff consider that it would therefore be appropriate to undertake evidence gathering to assess whether diversity in practice exists and, if so, whether clarification or other action by the AASB may be warranted. Staff therefore recommend that this issue be explored through targeted outreach and information-gathering activities, without committing to a standard-setting project at this stage.

Questions for Board members

- Q19 Do Board members have any questions or comments about the feedback summarised in this section?
- Q20 Do Board members agree with the staff recommendation in paragraphs 73 and 74 not to add a project to the Work Plan in relation to audit engagement disclosures, but continue to monitor developments in relation to the disaggregation of audit and non-audit fee disclosures and gather evidence in relation to the separate disclosure of sustainability assurance fees? If not, what do Board members suggest?

K. Going concern disclosures

- 75 Feedback was received on going concern disclosures, with specific concerns about the ongoing misalignment between accounting and auditing requirements, which create practical challenges for auditors and preparers being raised. While a preference for addressing this issue internationally was expressed, the IASB decided not to add a project on this topic to the Work Plan during the IASB's Third Agenda Consultation.²⁴ For this reason, it was suggested that domestic consideration by the AASB, consistent with the approach taken by the XRB, may be warranted in the longer term. Other stakeholder feedback on this topic was limited, and no clear consensus emerged on the timing or form of any potential response.²⁵

Staff analysis and recommendation

- 76 In light of the limited feedback, and noting the preference expressed for an international solution, staff recommend not to add a project on this topic to the Work Plan, and instead for

24 In deciding not to add a project on Going Concern Disclosures to its agenda, the IASB noted that the topic has already been addressed through prior agenda decisions and educational material, that a narrowly scoped and feasible project would be difficult to achieve given past considerations, and that other projects, such as the Statement of Cash Flows and Related Matters, are expected to provide users with more useful information about liquidity, solvency and an entity's ability to continue as a going concern. Refer to the [Feedback Statement](#) for more information.

25 This includes a comment letter from CAANZ.

the AASB to continue to monitor international developments relating to going concern disclosures.

Questions for Board members

- Q21 Do Board members have any questions or comments about the feedback summarised in this section?
- Q22 Do Board members agree with the staff recommendation in paragraph 76 not to add a project in relation to going concern disclosures to the Work Plan and instead continue to monitor developments? If not, what do Board members suggest?

OTHER POSSIBLE PROJECTS

- 77 Paragraphs 78–82 summarise additional topics raised by a small number of stakeholders as possible areas of future interest. These topics are generally exploratory in nature, have not been fully articulated or supported by evidence and were not accompanied by recommendations for near-term action.
- 78 The absence of specific accounting guidance for **mergers between NFP entities** conducted without consideration was noted as an ongoing area of frustration not currently addressed on the Work Plan. While AASB 3 *Business Combinations* includes a mutual entity exemption from the acquisition method, there is uncertainty about its application to NFP entities, resulting in inconsistent practice, particularly in whether the resulting adjustment is recognised as an equity movement or through profit or loss, and a lack of clarity about the circumstances in which the exemption should apply.²⁶
- 79 A limited number of stakeholders, referred to the ongoing relevance of **Australian-specific paragraphs and domestic Australian Accounting Standards** and the need for a review to ensure Australian standards remain easily understood, internationally aligned and are not unnecessarily complex. Conversely, other feedback suggested that such a project is not warranted.²⁷
- 80 A project exploring the **accounting for commodities and reserves**, particularly where such assets are held for trading or strategic reserves was suggested.²⁸
- 81 A small number of stakeholders mentioned new topics in sustainability reporting, including a **roadmap to future sustainability reporting requirements, connectivity between sustainability reporting and financial reporting** and a **conceptual framework of principles to support sustainability reporting**. These topics were not seen as critical regarding the implementation of AASB S2 *Climate-related Disclosures*, but may help support the application of any future Australian Sustainability Reporting Standards.
- 82 A small number of stakeholders suggested that the AASB consider commencing exploratory work on **accounting for interests in other entities** in a public sector context. This feedback is consistent with feedback obtained in the PIR of AASB 10 *Consolidated Financial Statements* and again highlights the challenges faced by affected entities due to complex public sector

26 This includes a comment letter from Pitcher Partners.

27 This includes comment letters from ACAG and CAANZ.

28 This includes a comment letter from the ABS.

structures, including statutory bodies, controlled entities, administered entities and other arrangements, which can create challenges in assessing control, consolidation, and transparency. This information is considered important and it was suggested that it would improve transparency and the public's understanding of relationships between entities in the public sector. These stakeholders suggested that targeted research or scoping work could assist in clarifying how existing requirements apply in the public sector and in improving consistency and understanding, while generally noting that any such work would be best considered in conjunction with broader public sector financial reporting framework reform rather than as a standalone standard-setting project. This would be a low-priority project.²⁹

Staff analysis and recommendation

- 83 Staffs' review of the feedback relating to other possible projects the AASB could consider indicates that stakeholders identified a range of potential topics. While this feedback provides useful high-level insight into areas of interest and perceived gaps, staff consider that, in most cases, the information provided is too broad or generic to enable an assessment of the viability of the matters raised in isolation and may require further information gathering. In particular, the feedback generally does not provide sufficient detail to determine whether the issues identified represent systemic matters of broad relevance, rather than isolated, sector-specific or jurisdiction-specific concerns. For several topics, staff also consider that additional evidence is required to better understand the nature of the issue, its pervasiveness, its interaction with existing requirements and the potential costs and benefits of standard-setting intervention.
- 84 Accordingly, staff seek the AASB's direction on whether staff should undertake targeted outreach and information-gathering activities in relation to some or all of the topics set out in paragraphs 78–82, to better understand the nature, prevalence and pervasiveness of the issues identified at this time. Staff do not consider these topics to be urgent or high priority at this stage; rather, the proposed evidence gathering work is intended to ensure that potentially significant issues are not overlooked. As explained in paragraph 3, and such work would be undertaken on a limited basis to inform future discussions. Any decision to add a project to the Work Plan is separate steps, having regard to the evidence obtained, the balance of the Work Plan and available resources.

Questions for Board members

- Q23 Do Board members have any questions or comments about the feedback summarised in this section?
- Q24 Of the topics set out in paragraphs 78–82, are there any specific topics that the AASB would like staff to investigate further?

²⁹ This includes comment letters from ABS and ACAG.