14 October 2026

Mr Andrew Mills
Chair
Financial Reporting Council
The Treasury
Langton Crescent
CANBERRA ACT 2600

Submitted via Treasury website https://consult.treasury.gov.au/c2026-799001/consultation?page=1

Dear Andrew

Exposure Draft *External Reporting Australia (Standard-setting Boards) Instrument 2026* (the Instrument)

The Institute of Public Accountants (IPA) is one of Australia's three professional accounting bodies and represents more than 50,000 members and students in Australia and internationally. Approximately three-quarters of IPA members work in or advise small businesses and small to medium enterprises (SMEs).

General comment
The IPA welcomes the opportunity to provide comments on the above Exposure Draft containing the draft *External Reporting Australia (Standard-setting Boards) Instrument 2026* (the Instrument).

The IPA offers the following comments on the proposals in the Instrument, which aims to establish the three standard-setting boards under the External Reporting Australia (ERA), define the scope of their functions and procedures when undertaking their standard-setting powers:

Overall workability of the Instrument
The proposed requirements in the Instrument retain the substance of the long-standing principles in the existing standard-setting frameworks of the Australian Accounting Standards Board (AASB) and Australian Auditing and Assurance Standards Board (AUASB). Overall, the existing standard-setting frameworks have operated effectively over a long period of time. The Instrument, therefore, is likely to achieve its intended purpose of outlining the guiding principles relating to consultation, transparency and accountability for compliance by the boards. However, the success of any framework and the underlying principles are dependent on the successful implementation of the requirements. The new Governor Council (GC) and three standard-setting boards will comprise of members who are new to the standard-setting environment. We recommend the GC carefully monitor the implementation of the standard-setting frameworks and seek stakeholder feedback on whether the standard-setting regime is achieving its intended objectives under the ERA. This could be the form of an initial review after the

first year of ERA's operation and a more comprehensive post-implementation review three to five years after the initial review.

Specific comment
Our comments to the specific matters in the Instrument and the *Exposure Draft Explanatory Statement* are as follows:

Section 2-6 Disclosure of interests – we support the requirement for a board member to provide a copy of the disclosure of interest to the GC as soon as practicable. We think it is also important for the document to be published and for the board member to declare any conflict of interest on the matter(s) under consideration by the board at the start of the board meeting. This requirement can be incorporated into section 2-6 to the Instrument or in the standard-setting due process document.

Part 3, sections 3-2(b), 4-2(b), 5-2(b) refer to each of the AASB, AUASB and Australian Sustainability Standards Board (ASSB) formulating Australian "standards". Each of the boards formulate not only standards but other authoritative pronouncements to address the different needs. For completeness, we think the word "standards" in sections 3-2(b), 4-2(b), 5-2(b) should be replaced with the words to the effect of "standards and other authoritative pronouncements".

Section 2-11 Due process document
To underpin the Instrument, the *Exposure Draft Explanatory Statement* states the GC will be publishing a due process document that supports the principles and practical implementation of the Instrument. Our views on the proposals for this section are:

- **Review of the current AASB and AUASB standard-setting due process and frameworks documents for application** – We are pleased that the GC is considering the content of current standard-setting documents and frameworks for application under the ERA arrangement. The existing documents are long-standing, broadly sound and effective, and serve as a good basis for the new due process document.
- **Single due process document for all three boards with sufficient operational flexibility** – We support the single document approach for the reason that, while the subject matter for consideration is specific to each board (ie accounting and financial reporting for the AASB, auditing and assurance for the AUASB and sustainability reporting for the new ASSB, the principles and due process for setting the standards should be consistent. Additionally, we think the due process for all three boards should be sufficiently flexible for each board to determine its operational activities without compromising the principles and due processes of standard-setting.
- **Importance of research activities** – We are pleased to see the *Exposure Draft Explanatory Statement* to the Instrument contains the consultation principle of using "evidence-informed approach to standard-setting to ensure action is warranted, including undertaking an analysis of impacts".[1] Traditionally, research activities play an important role and function in meeting this standard-setting objective. This is stated in the current *AASB Evidence-Informed Standard-Setting Framework*, in particular, paragraph 5, which states:

[1] "To ensure effective and genuine consultation in respect of informing boards' input to technical international projects and on domestic proposals, steps the boards are expected to follow as appropriate include:
…..
- using an **evidence-informed approach to standard-setting** to ensure action is warranted, including undertaking an analysis of impacts…" (emphasis added) (Exposure Draft Explanatory Statement page 8).

"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."

In essence, research is important in providing evidence for which particular standard-setting project should be undertaken and the reasons for doing so. That is, research assists in identifying the specific project matters, the costs and benefits to the stakeholders and the effective timelines. Research also provides evidence and serves as a tool to ensure standard-setting is transparent and accountable in serving the public interest and not captive (actual or perceived) to the vested interests of stakeholders.

Australia, in the past, demonstrated its strength in the ability to identify broad and future-looking matters that affect domestic and international markets. We have set standards and frameworks that were used as a basis for developing an international equivalent. We have also identified projects to work jointly with other international standard-setters, or for the international standard-setter to pursue, where we do not have the resources to undertake the project jointly.

Deep, effective and meaningful research requires specialist research skills that are often beyond the capacity and/or capabilities of standard-setting staff.

We look forward to working with the ERA and its boards to ensure standard-setting functions to meet the needs of its stakeholders in a transparent, consultative and accountable manner.

If you would like to discuss our comments or require additional information, please contact me at vicki.stylianou@publicaccountants.org.au.

Yours sincerely

[signed V Stylianou]
Vicki Stylianou
Group Executive, Advocacy & Professional Standards
Institute of Public Accountants