



**Australian Government**  
**Australian Accounting  
Standards Board**

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12 February 2009

Senator the Hon Nick Sherry  
Minister for Superannuation and Corporate Law  
Parliament House  
CANBERRA ACT 2600

Dear Minister,

**Statement of Intent**

This Statement of Intent provides the response of the Office of the Australian Accounting Standards Board and the associated Australian Accounting Standards Board (jointly referred to in this letter as the AASB) to the Government's Statement of Expectations of 18 November 2008 in relation to the AASB's role and responsibilities, relationships with the Government and the Financial Reporting Council (FRC), accountability and operational issues.

**Background**

The AASB is constituted under Part 12 of the *Australian Securities and Investments Commission Act 2001* (the ASIC Act). The functions of the AASB, as reflected in Section 227 of that Act, include the development and maintenance of high quality financial reporting standards for all sectors of the Australian economy.

The Minister appoints the Chair of the AASB and the FRC appoints the other members of the AASB. The AASB may appoint one of its members to be Deputy Chair of the AASB. An AASB member is appointed, in their personal capacity on the basis of their knowledge of, or experience in, business, accounting, law or government.

Since 1 July 2008, the AASB has been governed by the *Financial and Management Accountability Act 1997* (the FMA Act), which deals with the proper management by government agencies of public money and public property and the lines of accountability and reporting for these matters within agencies.

The AASB's status as an FMA agency follows general recommendations in the Review of the Corporate Governance of Statutory Authorities and Office Holders (the Uhrig report) directed to the clarification of lines of accountability between agencies and their Ministers and how agencies relate to their portfolio departments.

**The Role and Responsibilities of AASB**

The AASB will perform its functions and exercise its powers, as provided in the ASIC Act, in accordance with the requirements of that Act, the FMA Act and other applicable legislation.

The AASB will continue to contribute towards the achievement of a sound and effective corporate framework. In carrying out its responsibilities the AASB will:

- develop a conceptual framework for the purpose of evaluating proposed accounting standards and international standards;
- make accounting standards under section 334 of the *Corporations Act 2001* for the purposes of the corporations legislation;
- formulate accounting standards for other purposes;
- participate in and contribute to the development of a single set of accounting standards for world-wide use; and
- advance and promote the main objects of Part 12 of the ASIC Act.

When developing a conceptual framework and participating in the development of a single set of accounting standards for world-wide use, the AASB will have regard to the interests of Australian corporations which raise or propose to raise capital in major international financial centres. In addition, the AASB in performing its functions will follow the broad strategic direction determined by the FRC under section 225 of the ASIC Act. In conjunction with the performance of its functions the AASB will undertake an appropriate level of consultation with its stakeholders.

### **Relationship between the AASB and the Government**

The AASB acknowledges that its roles, in the context of the Government having prime responsibility for setting corporate regulatory policy, is to set accounting standards used by companies and other entities which have financial reporting obligations.

#### *Relationship with Treasury Ministers*

The AASB will provide the Treasury Ministers with timely and accurate advice on significant matters relating to its functions and activities.

#### *Relationship with Treasury*

The AASB notes and understands the role of Treasury in supporting and advising Treasury Ministers across the range of their responsibilities.

Given the complementary roles of Treasury and the AASB in the area of corporate regulation, the AASB will continue to maintain a close working relationship with Treasury and continue its practice of inviting officers of Treasury to attend meetings of the AASB as appropriate. In the AASB's experience, this practice enables Treasury to take into account the views and experience of the AASB on a continuing basis and keeps the AASB informed of relevant developments in other policy and legislative areas. This practice also promotes clear communication on administrative matters.

The AASB will copy to the Secretary to the Treasury all information, briefings, press releases and correspondence provided to Treasury Ministers, and will also support the Secretary to the Treasury by providing briefings on significant issues relating to its activities and the activities of the AASB that may arise from time to time.

#### *Relationship with Financial Reporting Council*

The AASB notes and understands the role of the FRC in supporting and advising Treasury Ministers across the range of their responsibilities.

The AASB will continue its practice of providing the Chairman of the FRC with all information reasonably needed by the FRC, including reports in relation to the setting of the Board's priorities, its

progress against those priorities and in respect of the Board's budget and staffing arrangements. This will be primarily provided through the Board's reports prepared for FRC meetings.

### **Accountability**

The AASB acknowledges that, in the performance of its functions, it remains accountable to the Parliament and ultimately the public through the Treasury Ministers, the Parliamentary Committee process and the tabling of its annual report.

### **Operational Issues**

The AASB acknowledges that it has the capacity to employ staff under the Public Service Act 1999 (PS Act) and under the ASIC Act. For staff employed under the PS Act, staff have obligations to act in accordance with the Australian Public Service Code of Conduct. For staff employed under the ASIC Act, the AASB has a separate code of conduct which will be placed on the AASB's website.

### *Financial Management*

The AASB acknowledges that it now has operational responsibilities under the FMA Act. The AASB acknowledges that it is Government policy that all departments and portfolio bodies should continue efforts to secure improved efficiency in their operations and demonstrate value for money for the services they deliver. The AASB will continue to seek opportunities to achieve outcomes in the most cost-effective manner.

In framing its future work programs and associated expenditures, the AASB will proceed in the expectation that the funding available to it will be limited to budgetary appropriations agreed with the Government and contributions provided by non-government bodies.

### **Conclusion**

The AASB is pleased to note the Government's appreciation of the AASB's performance to date. The AASB looks forward to enhance the administration of a principles-based regulatory framework that minimises procedural requirements and business costs, and working with the Minister under the new governance arrangements.

Yours sincerely



Bruce Porter  
Acting Chief Executive  
Office of the Australian Accounting Standards Board

cc: The Hon Lindsay Tanner, Minister for Finance & Deregulation