



Australian Government
Australian Accounting
Standards Board

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Dear Mr Reilly

Comments on draft Handbook

Thank you for the opportunity to consider the draft Handbook sent to me as the AASB's Best Practice Regulation Coordinator as an attachment to your email dated 12 March 2013.

My main comment is about providing some acknowledgement in the Handbook as to how an agency, such as the AASB, that adopts international standards/regulations for application in Australia would apply the best practice principles.

I appreciate that, for the Handbook to cater for a wide range of agencies, it would not be practical for it to be tailored in any detail to meet a particular agency's situation, however, some helpful general references may be able to be incorporated into the Handbook that would help to deal with circumstances such as the AASB's.

In a practical sense, the officers we currently deal with at the OBPR generally understand our circumstances and respond accordingly. However, each time OBPR personnel change there can be a familiarisation process we need to go through; and I believe some acknowledgement in the Handbook about the case of an agency adopting international standards/regulations would help in this regard.

The AASB's oversight body, the Financial Reporting Council decided in 2002 that Australia should adopt International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). This is consistent with the fact that most OECD jurisdictions currently adopt IFRS.

The impact of adopting IFRS in Australia is that the emphasis of the AASB is on participating in the international development of each standard and, at the end of the process, adopting the relevant IFRS. The AASB occupies a 'gatekeeper' role, whereby it could reject a particular IFRS change if it is not considered to be in Australia's best interests. The AASB has yet to not adopt an IFRS and for the foreseeable future the rejection of any particular IFRS seems unlikely.

In terms of the cost-benefit analysis, in particular, an over-arching benefit is that derived from adopting the IFRS solution and being IFRS compliant. Being IFRS compliant is important to help provide the credibility for Australian capital markets that comes from having internationally compatible financial reporting. If we were to adopt financial

reporting solutions that differ from IFRS, that level of credibility and the benefit that comes from it would be lost.

All of our processes are linked to the international processes, including:

- * identifying the issues to tackle;
- * the nature and length of the consultation process; and
- * the extent to which revisions and post-implementation reviews are undertaken.

The processes used by the IASB in setting IFRS are of a high calibre – for more information, please see:

http://www.ifrs.org/DPOC/Documents/2013/Due_Process_Handbook_Resupply_28_Feb_2013_WEBSITE.pdf

Accordingly, the AASB participates in a world-wide process rather than making its own regulatory decisions in isolation.

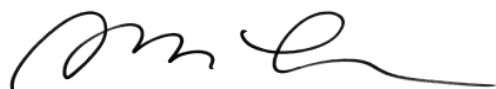
The AASB can potentially initiate a project, but would only do so in collaboration with our international peers.

The prevailing view is that the resources available to setting accounting standards are too scarce to be wasted on having each jurisdiction in the world act in isolation.

In summary, I note there is a passing reference in the draft Handbook to globalisation – “In order to reap the benefits and respond to the challenges of ongoing globalisation, the Australian economy needs to as efficient, flexible and responsive as possible. The best practice regulation process seeks to assist the government in meeting these objectives.” [paragraph 1.3]. However, I don’t think the Handbook adequately acknowledges that an agency might be as closely linked to a global regulatory process as the AASB has become. The AASB’s participation in that global process is one of the functions enshrined in our enabling legislation – section 227(d) of the *Australian Securities and Investment Commission Act 2001* identifies that a function of the AASB is “to participate in and contribute to the development of a single set of accounting standards for world-wide use”.

I would be pleased to provide more information to assist you in any action you may be able to take on the above comments.

Yours sincerely



Angus Thomson
Research Director