



Australian Government

**Australian Accounting
Standards Board**

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Matthew Sedgwick
Consumer and Corporations Policy Division
The Treasury
Langton Crescent
Parkes ACT 2600

by e-mail to regmod@treasury.gov.au

Dear Mr Sedgwick,

Modernising Business Registers and Director Identification Numbers legislation

The Australian Accounting Standards Board (AASB) is pleased to support changes in legislation to modernise Business Registers.

The AASB considers that it is important for business registers to keep up with digital technology to improve the stakeholder experience and simplify interactions with the Government. Business registers utilising digital information will also enable stakeholders and others to make better use of information publicly available through the registers, as well as providing a better platform for the administration of the registers and the operation of regulatory activities by governments and their authorised agencies.

The AASB also considers that similar legislation changes should be introduced to require the lodgement of financial reports with the Australian Securities and Investments Commission (ASIC) pursuant to section 319 of the *Corporations Act 2001* in digital form. A digital register of financial reports would make it easier for users to access the information they want in their preferred manner. Companies and other entities are currently able to lodge digital financial reports with ASIC to satisfy the legislative requirements, however the AASB understands that virtually no entities do so, in the absence of mandated digital lodgement. ASIC updates annually a taxonomy for digital lodgement, so the basis required for consistent digital lodgement by entities is already in place.

A digital register of financial reports also would be very useful to the AASB as a regulator in developing Australian Accounting Standards. The AASB would be able to use the financial reports on a digital register to assess both the scope of an issue and the potential impact of proposed changes to the Standards on entities preparing financial statements, enabling more effective and targeted regulation. For example, being able to search digital financial reports to identify the extent to which entities have adopted a particular accounting policy or policies or type of financial statements would help the AASB to determine the scope of an issue – how many entities might be affected – and hence to consider whether standard-setting action was an appropriate response. Accessing digital financial reports could also help the AASB to assess the potential impact on these entities of proposed changes to the Standards, such as whether amounts included in financial reports might be significantly affected by proposals.

At present, it is very difficult to get accurate information on how many entities might be applying particular accounting policies and their significance, or the type of financial statements prepared. The financial reports lodged with ASIC are typically in PDF format, which means that there is no easy way to access their content. The AASB has sought summary information from data aggregators, who digitise the contents of financial reports once they have purchased them from ASIC. Considerable effort from the AASB (and expense) is required to obtain the information that the AASB needs from the financial reports, since the data aggregators use the information for different purposes.

In contrast to financial reports lodged with ASIC, annual information statements are lodged digitally with the Australian Charities and Not-for-profits Commission (ACNC). The AASB is working with the ACNC to consider significant changes to the financial reporting thresholds and requirements for charities. The digital information held by ACNC means that it is much more straightforward to assess the likely effects of changing reporting thresholds on the number of charities that might be required to prepare full financial reports rather than annual information statements. The population of charities can be stratified in various ways to help the AASB and the ACNC consider whether additional thresholds for intermediate reporting requirements might be appropriate.

Requiring the digital lodgement of financial report information rather than paper-based or PDF-format financial reports would impose some costs upon lodging entities, particularly transitional costs. Consequently, proposals for such a change would need to be considered in conjunction with other reporting obligations to government, such as the provision of information to government agencies through the Standard Business Reporting initiative, electronic lodgement of tax returns, and the small/large proprietary company thresholds.

Based on current data from ASIC and data aggregators, there are less than 22,600 companies and registered managed investment schemes (including 2,200 listed companies and 3,600 registered schemes) currently lodging financial statements with ASIC. Given this represents less than 1% of registered companies and schemes, the AASB considers that the benefits of digital financial report information on the public record would outweigh the incremental preparation and lodgement costs to the entities – benefits not only for the AASB and other regulators, but also for stakeholders who need accessible financial information in order to make economic decisions, which is the objective of financial reporting.

Please feel free to contact Kala Kandiah, AASB Technical Director (kkandiah@asb.gov.au), if you have any questions.

Your sincerely,



Kris Peach
AASB Chair