

STATEMENT OF INTENT – THE AUSTRALIAN ACCOUNTING STANDARDS BOARD

This Statement of Intent provides the response of the Australian Accounting Standards Board (AASB) to the Government's Statement of Expectations of 7 April 2014 in relation to the AASB's roles and responsibilities, its relationships with Government, transparency, accountability and operational matters.

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 accounting standards for all sectors of the Australian economy. Australian accounting standards made by the AASB are used by entities in the private, not-for-profit and public sectors to prepare general purpose financial statements.

In accordance with a strategic direction from the Financial Reporting Council (FRC) in 2002, the AASB adopts international accounting standards (known as International Financial Reporting Standards (IFRSs)) into Australian accounting standards. This is an ongoing process, which requires the AASB to assess for adoption each IFRS issued by the International Accounting Standards Board (IASB) when it is issued so that financial statements prepared in accordance with Australian accounting standards are, if appropriate for Australia, also simultaneously prepared in compliance with IFRSs. Because participants in the international capital markets have a growing understanding of financial statements that comply with IFRSs, the decision to adopt IFRSs into Australian accounting standards should lower the cost of capital for Australian companies. For this reason, the AASB regards the adoption of IFRSs as being consistent with the main objects of Part 12 of the ASIC Act, which include facilitating the Australian economy by reducing the cost of capital and maintaining investor confidence in the Australian economy (including its capital markets). The AASB also notes the broader implications of IFRS adoption in Australia, including the benefits to accounting professionals in relation to their international mobility and to tertiary institutions in Australia teaching financial reporting.

The AASB's strategies for achieving its aims and objectives, including participating in and contributing to the development of a single set of accounting standards for world-wide use, are set out in the *AASB Strategic Plan 2013 to 2017*, which is available on the AASB website. The AASB is an active participant in activities that are aimed at contributing to IFRSs. This includes being one of only 12 members of the influential Accounting Standards Advisory Forum of the IASB, and being an active member of the Asian-Oceanian Standard-Setters Group.

THE GOVERNMENT'S DEREGULATION AGENDA

The AASB acknowledges the Government's commitment to reducing red tape and compliance costs to business and the community. Consistent with that commitment, the AASB will continue to pursue opportunities to reduce compliance costs for business and the community within the context of the policy on IFRS adoption and the objective of setting accounting standards to apply to transactions in a sector-neutral manner.

The AASB has an existing policy of reducing the amount and complexity of information that needs to be disclosed in general purpose financial statements by entities that do not have public accountability. This policy, which is known as the Reduced Disclosure Requirements (RDR) regime, became effective for the 2013/14 financial year end and is updated by the AASB as each new accounting standard is issued. The RDR regime is scheduled for a post-implementation review after it has operated for two years.

Internationally, the AASB is contributing to the debate about reducing complexity of financial reporting and excessive disclosure in financial statements. The AASB is a strong advocate of the development of accounting standards based on robust and broadly applicable principles. Consequently, the AASB will continue to press for a rationalisation of requirements in standards and the avoidance of exceptions as well as accentuating the importance of developing and consistently applying concepts and principles in standards. The AASB's objective is to contribute to a reduction in complexity in financial reporting requirements so that any remaining complexity in reporting relates only to the inherent complexity of what is being reported and is not a result of the setting of accounting standards.

The AASB will look for other opportunities to reduce compliance costs for business and the community and to contribute to the Government's deregulation agenda. Whilst other regulations (such as the *Corporations Act 2001*) and regulators specify *who* should prepare financial statements in accordance with accounting standards, the AASB is keen to participate in any future policy discussions by Government and regulatory agencies about which entities should be required to prepare general purpose financial statements.

When developing accounting standards that apply to the private or not-for-profit sectors, the AASB will comply with the Government's enhanced Regulatory Impact Analysis requirements for those draft standards. The AASB will consider the impacts of new or revised accounting standards on business and the community, by costing any regulatory impacts that are expected to arise using the Regulatory Burden Measurement Framework prior to issuing those standards.

The AASB will act in accordance with regulatory best practice in its decision making, policies, processes and communication practices to both maximise effectiveness, efficiency and transparency and to minimise compliance costs. In making an Australian accounting standard that incorporates an IFRS, the AASB will continue to consider the costs and benefits of the individual requirements as well as taking a broader perspective of whether adopting the IFRS is in the best interests of the Australian economy. In making that decision, the AASB is aware that, if it either chooses to not adopt the IFRS or to modify the IFRS, Australian entities preparing their financial statements in accordance with Australian accounting standards would no longer be able to claim their financial statements are also prepared in compliance with IFRSs.

The AASB notes that the effect of section 292 of the *Corporations Act 2001* is to exempt most small businesses from preparing general purpose financial statements. The focus of that Act is mainly on listed companies and large proprietary companies.

RELATIONSHIP WITH TREASURY

The AASB acknowledges that its role, 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.

The AASB will provide the Treasury Ministers with timely and accurate advice on significant matters relating to its functions and activities. 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 the FRC. 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 AASB's priorities, its progress against those priorities and in respect of the AASB's budget and staffing arrangements. This will be primarily provided through the AASB's reports prepared for FRC meetings.

TRANSPARENCY AND ACCOUNTABILITY

Although it is an independent body, 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.

The AASB will continue its open and consultative relationship with users of financial reports and the other stakeholders affected by accounting standards, including the entities preparing general purpose financial statements, auditors of those statements and regulators. The development of a standard follows an extensive and open due process, which includes inviting public comments on exposure drafts and holding public roundtables and/or targeted consultation with relevant stakeholders. Standards that incorporate an IFRS are subject to both an international due process conducted by the IASB and a contemporaneous domestic process conducted by the AASB. The AASB's due process is described in the Policy Statement *AASB Policies and Processes*, which is available on the AASB website. The AASB is also considering strategies to ensure that its engagement with Australian constituents remains both efficient and effective.

OPERATIONAL ISSUES

The AASB has the capacity to employ staff under the *Public Service Act 1999* (the PS Act) and under the ASIC Act. Staff employed under the PS Act are required to uphold and promote the APS values and adhere to the APS Code of Conduct. For staff employed under the ASIC Act, the AASB has a separate code of conduct, which is published on the AASB's website. All current AASB staff are employed under the ASIC Act.

From 1 July 2014, the AASB's financial operations will be governed by the *Public Governance, Performance and Accountability Act 2013* (PGPA 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 notes its responsibilities under the PGPA Act and the Finance Minister's Orders. In particular, the AASB notes the requirements in relation to approval of overseas travel as set out in Resource Management Guide No. 405 *Official International Travel - Approval and Use of the Best Fare of the Day* and confirms that the AASB will continue to seek approval for any overseas travel expenses at the required level of authority based on the total estimated cost of international travel.

CONCLUSION

The AASB will continue to strive to fulfil the Government's vision of the AASB as a high performing and consultative standard-setter that furthers principles-based standards in a way that serves stakeholders and minimises compliance costs.